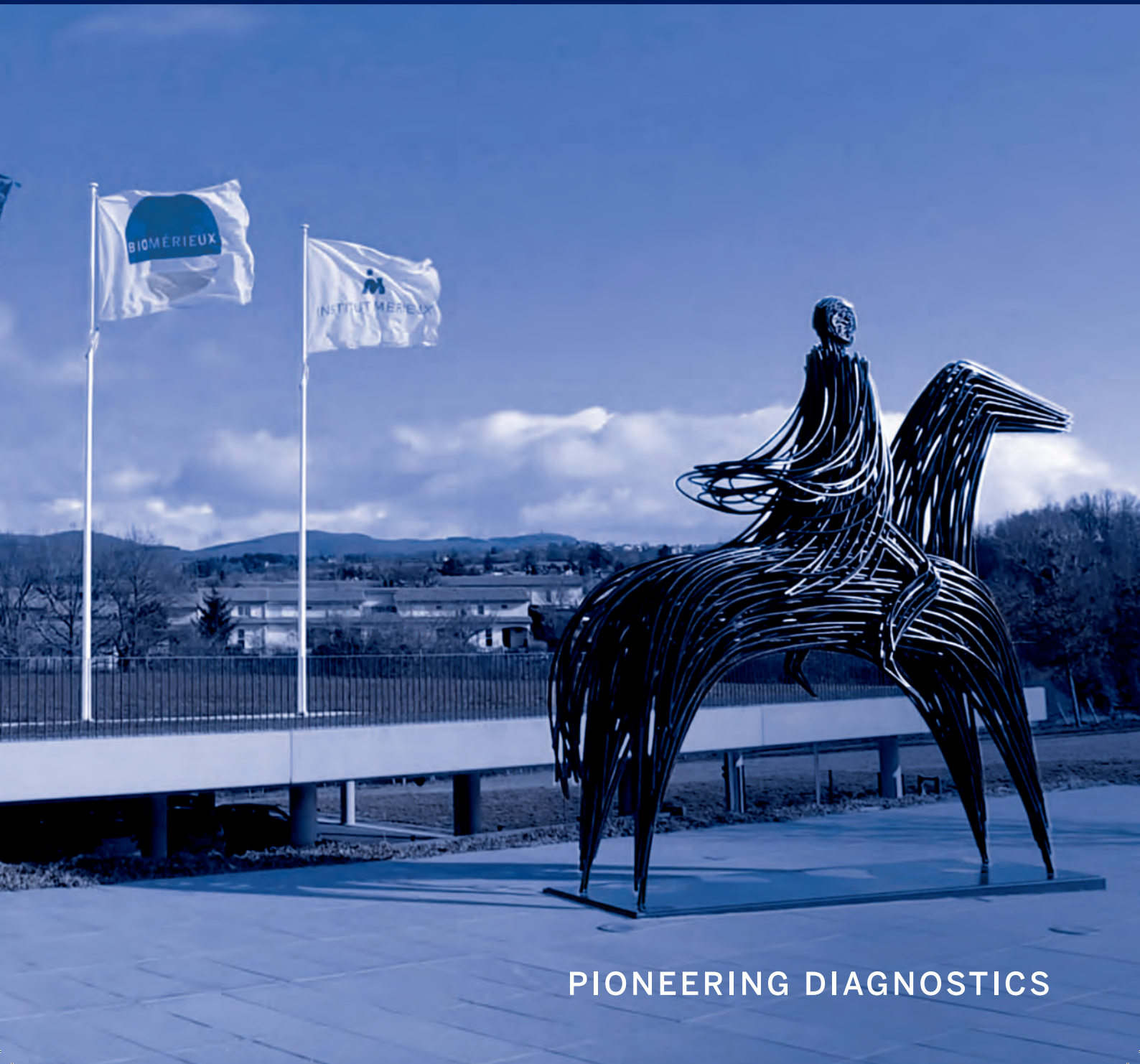
BIOMÉRIEUX

2017 REGISTRATION DOCUMENT AND ANNUAL FINANCIAL REPORT



PIONEERING DIAGNOSTICS

Items in the annual financial report are identified in the contents using the AFR symbol.

AFR

2017 REGISTRATION DOCUMENT

including the annual financial report

BIOMÉRIEUX

French joint stock company (société anonyme)
with share capital of €12,029,370

Registered office: Marcy l'Etoile (69280)

Registered in Lyon, France
under number 673 620 399

AMF

This Registration Document was filed with the French financial markets authority *(Autorité des marchés financiers - AMF)* on, March 14, 2018 in accordance with Article 212-13 of the AMF's General Regulation.

This document may be used in support of a financial transaction if it is accompanied by an offering circular *(note d'opération)* approved by the AMF.

This document was drawn up by the issuer and its signatories assume responsibility for its content.

A FAMILY COMMITMENT TO THE FIGHT AGAINST INFECTIOUS DISEASES

bioMérieux is first and foremost a human and scientific adventure that began more than 50 years ago. Its expertise and its commitment to expand the frontiers of knowledge in biology are grounded in an entrepreneurial adventure that has been ongoing for more than one century.

In 1897, Marcel Mérieux, who had studied with Louis Pasteur, founded a laboratory in Lyon where he developed the first anti-tetanus sera.
This first Institut Mérieux laid the foundations for a bio-industrial structure that was to leave its mark on vaccinology then the diagnosis of infectious diseases on a global scale.

bioMérieux, whose registered office is located in Marcy l'Etoile, France, was created in 1963 by Alain Mérieux and today counts over 10,000 employees.
The Company is present in more than 150 countries through 43 subsidiaries and a network of distributors.
It generates over 90% of its revenue internationally.

Since 2014, Alexandre Mérieux, the great-grandson of Marcel, has taken over the helm of the family company as Chief Executive Officer. In December 2017, he was appointed Chairman and Chief Executive Officer by the Board of Directors.

An Institut Mérieux Company

bioMérieux is 59% owned by Institut Mérieux. Within the scope of a global, long-term vision, Institut Mérieux contributes its experience in industrial biology to improving medicine and public health across the globe.

To fight against infectious diseases and cancers, it designs and develops new approaches in the fields of diagnostics, immunotherapy, food safety, and nutrition.

Its three bio-industrial companies, bioMérieux, Transgene and Mérieux NutriSciences, working closely with its entities devoted to innovation, including Mérieux Développement and ABL Inc., have contributed to major advances in medicine and public health.

Institut Mérieux employs over 15,000 people worldwide.

It is present in over 40 countries.

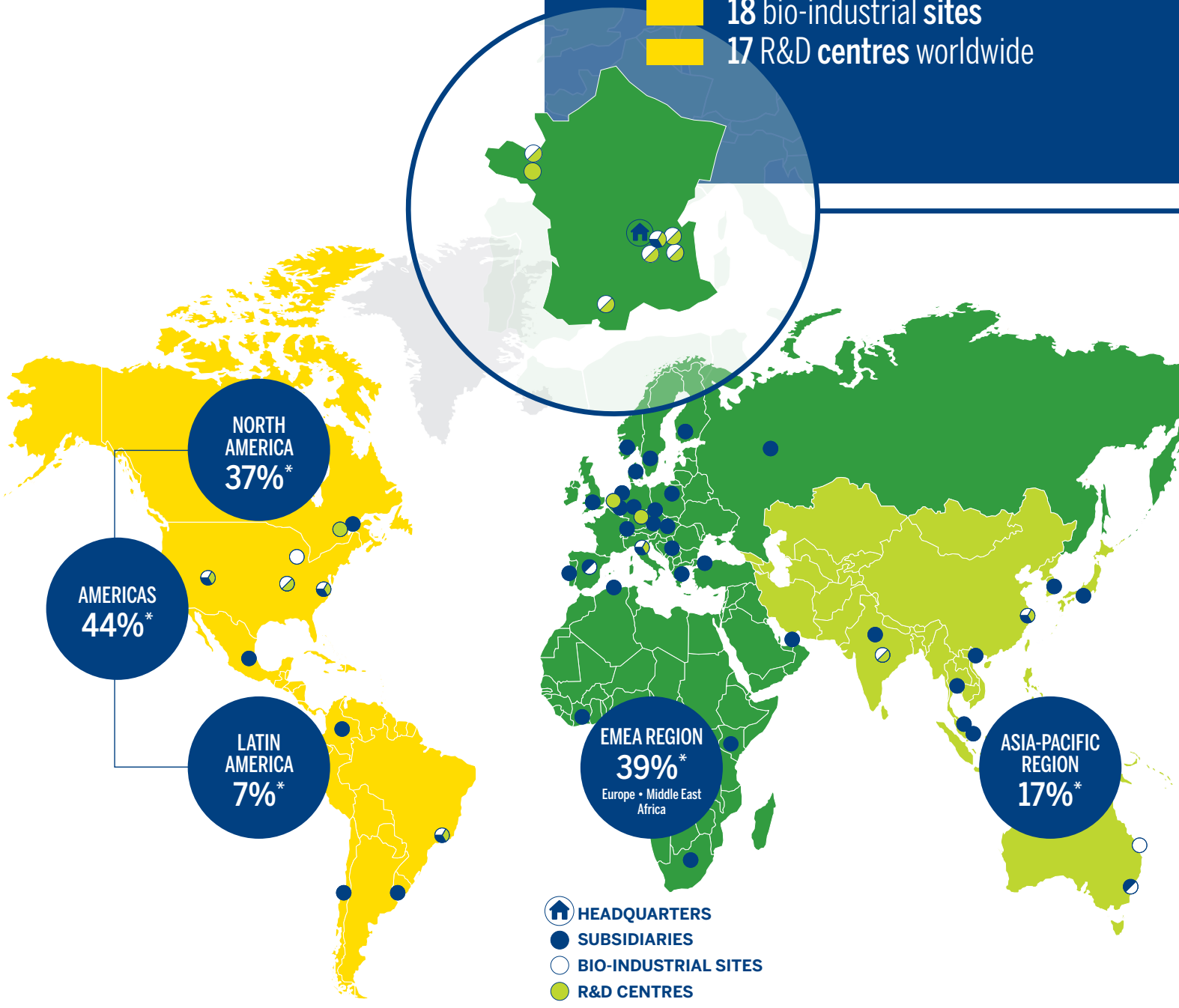
A global player in the field of *in vitro* diagnostics

Over 10,000 employees

bioMérieux
is present in over

150 countries *via* **43 subsidiaries**
and a large distributor network

18 bio-industrial **sites**
17 R&D **centres** worldwide



* Percentage of bioMérieux 2017 total sales.

THE IMPORTANCE OF DIAGNOSTICS

DIAGNOSTICS ARE A FUNDAMENTAL SOURCE OF MEDICAL, ECONOMIC AND SOCIAL VALUE.

They are an essential link in the healthcare chain. Between 60% and 70% of healthcare decisions are based on diagnostic test results*.

bioMérieux, a major player for *in vitro* diagnostics and world leader in clinical microbiology and industrial microbiological control, contributes to the quality of patient care and the protection of consumer health.

bioMérieux develops and produces *in vitro* diagnostic solutions (systems, reagents and software) for private and hospital laboratories, primarily for the diagnosis of infectious diseases. The results obtained with samples taken from the patient (blood, urine, stool, cerebrospinal fluid, saliva, etc.) provide clinicians with information to help in medical decision-making.

For 25 years, bioMérieux has also been putting its expertise in clinical applications to the service of industrial microbiological control, helping manage the risks of contamination of food products, pharmaceuticals or cosmetics throughout the production chain.

* The Lewin Group: "The value of diagnostics, innovation, adoption and diffusion into health care", 2005. This figure concerns all diagnostic tools: *in vitro* diagnosis tests and medical imaging examinations.

50 years of mergers/acquisitions and partnerships

An original innovation model based on partnerships with international research and joint research units: a multidisciplinary approach to develop the diagnostic solutions of tomorrow.

1986
API Systems, France

1988
VITEK (McDonnel Douglas), United States

2001
Organon Teknika, Netherlands

2004
Initial public offering
Bacterial Barcodes, United States

2007
Biomedics, Spain
BTF, Australia

API® | **VITEK®** | **VIDAS®** | **BACT/ALERT®**

FOR IMPROVED PATIENT CARE

Diagnostic tests have a major influence on the quality of patient care, as well as on early diagnosis:

- For diagnosis and prognosis, particularly in the case of infectious diseases, in order to identify the causative pathogen and the antimicrobial resistance profile.
- For therapeutic decisions and treatment monitoring.
- For screening in the context of the prevention of certain diseases.
- For early diagnosis, that is, at the early stages of a disease when symptoms are still very mild.

A MAJOR ASSET FOR HEALTHCARE SYSTEMS

Spending on medical biology represents only between 2% and 3% of healthcare expenditure*. This cost is limited when weighed against the medical value of diagnostics and the savings it can generate – both by reducing over-prescription of treatments and by shortening the onset of care and the length of hospital stays.

Diagnostics is also a valuable instrument of healthcare policy, in particular for epidemiological monitoring and control.

MICROBIOLOGY APPLICATIONS IN INDUSTRIAL PRODUCTION

Microbiological control tests make it possible to meet the quality demands of the agri-food, pharmaceutical and cosmetic industries. Performed along the entire production chain and for the environmental control of production zones, such tests ensure product sterility, the absence of disease-causing bacteria and the enumeration of bacterial flora that indicate the quality of food products.

VETERINARY APPLICATIONS: A CONTINUUM FROM ANIMALS TO HUMANS

The "One Health" concept, an integrated approach advocated by international organisations, is based on the principle of the continuum between animals and humans when it comes to the transmission of infectious agents and antimicrobial resistance. Since 2011, bioMérieux has provided its microbiology expertise to professionals of animal health, in particular to make progress in the fight against antimicrobial resistance, animal diseases and emerging zoonoses.

* French Directorate of Research, Studies, Evaluation and Statistics (DREES) and Court of Auditors, 2011.

2010
Meikang Biotech, China
Shanghai Zenka Biotechnology, China

2011
AES, France
ARGENE, France

2012
RAS, India

2014
BioFire, United States
Ceeram, Advencis, France

2016
Applied Maths, Belgium
Hyglos, Germany

ETEST® | **CHEMUNEX®** | **AES BLUE LINE™** | **FILMARRAY®** | **CEERAM®**

SOLUTIONS FOR HEALTH PROFESSIONALS AND INDUSTRIAL PLAYERS

bioMérieux's research teams are engaged throughout the world in the development of diagnostic applications with high medical value in order to meet challenges to public health and respond to the needs of laboratories.

THREE KEY *IN VITRO* DIAGNOSIS TECHNOLOGIES:

Microbiology

Microbiology is based on culturing biological samples, identifying microorganisms and measuring their resistance to antibiotics.

Immunoassays

Immunoassays use an immunological reaction to identify or quantify the presence of antigens and/or antibodies in a sample.

Molecular biology

Molecular biology is based on the detection of the DNA or RNA genetic sequences that characterise a disease agent in order to detect bacteria, viruses, yeast and parasites.

ANTIMICROBIAL RESISTANCE
A global health emergency

Every 45 seconds, a person dies from an infection caused by bacteria that have become resistant to antibiotics*.
Diagnostic tests contribute to reducing the improper use of antibiotics and help ensure they remain effective for the treatment of bacterial infections in humans and in animals.

Taking a global health approach, the Company develops innovative solutions for clinical diagnostics, industrial microbiological control – particularly in the agri-food sector, environmental monitoring, and veterinary diagnostics.
bioMérieux's offering is the most comprehensive on the market, providing solutions for microbial identification and resistance detection to help clinicians with their therapeutic decisions.

* Based on the 700,000 deaths caused annually by antimicrobial resistance according to "Antimicrobial Resistance: Tackling a crisis for the health and wealth of nations", Jim O'Neill, December 2014.

THE FIGHT AGAINST SEPSIS
Early detection, the first line of defence

Sepsis affects around 27 million people each year. Establishing a diagnosis as quickly as possible is crucial for patients. The rate of survival is 60% when they receive the right treatment two hours after being accepted for treatment. It drops to 30% if it is given four hours later*.

bioMérieux has the most comprehensive offering on the market for the diagnosis of sepsis, based both on the host response and on the detection, identification and characterisation of the pathogen responsible for the infection.

* Kumar *et al.*, Crit Care Med 2006, vol. 34 : p. 1589-1596.

MULTIPLE TARGETS WITH A SINGLE TEST
Five syndromic panels to combat infectious diseases

For most patients with an infectious disease, the first symptoms are not specific to the cause of infection: fever, diarrhoea, coughing, headache, etc. The syndromic approach, based on using the BIOFIRE FILMARRAY® multiplex molecular biology system, is especially valuable for this reason.

In about one hour, the five BIOFIRE FILMARRAY® panels allow the simultaneous detection, in a single test and from a single sample, of bacteria, viruses, fungi or parasites that can cause an infectious disease.

PROVIDING CARE IN EMERGENCY SITUATIONS
Improved patient management

In emergency rooms, healthcare professionals need to initiate patient care as quickly and efficiently as possible. Tests with high medical value for the diagnosis of bacterial infections and severe sepsis, myocardial infarction and pulmonary embolism provide rapid results to clinicians and contribute to improving patient care.

THE EFFICIENCY OF MICROBIOLOGY LABS
The most complete offering on the market

Automation is extremely important for microbiology laboratories because it allows them to optimise workflows, standardise analyses, ensure traceability and speed up time to results. Arising from a strategic partnership that brings together Copan's unique expertise in automation and the pre-analytical field, and bioMérieux's leadership in microbiological diagnosis, the "Efficiency Lab" product offering allows all steps of microbiological analysis to be automated and standardised. It complements bioMérieux's range of automated products for blood cultures, bacterial identification and antibiotic susceptibility testing.

PROTECTION OF CONSUMER HEALTH
Microbiological control for industrial customers

Putting its expertise in clinical microbiology at the service of industrial production channels, bioMérieux offers a wide range of solutions for industrial microbiological control, ranging from sample preparation to the identification of disease-causing organisms.

MANAGINGTHERISKOFEPIDEMICSDUETOEMERGINGPATHOGENS
Providing an appropriate response in the countries concerned

bioMérieux pays close attention to the emergence of new disease-causing organisms. Thanks to a dedicated international team, the Company is prepared to provide the earliest possible response to these threats to public health.

This is how, for example, bioMérieux developed the first standardised and automated assay for the diagnosis of the Ebola virus.

A HUMANISTIC CORPORATE OUTLOOK

The commitment to improve global public health by fighting against infectious diseases brings with it a unique responsibility, upheld by all the Institut Mérieux companies. As an extension of its public health mission, bioMérieux has always been mindful of the importance of its social responsibility.

OUR EMPLOYEES: OUR PRIORITY

bioMérieux's employees are the prime architects of the Company's success. bioMérieux places great importance on ensuring that their working environment fosters their career development while respecting the balance between their professional and personal lives. Each employee is also expected to behave ethically and with integrity within the Company and in relations with external partners.

bioMérieux believes in its human capital and promotes internal mobility within the Company. With an eye on the future, the Company is engaged in responding both to the changes in the profession over the short term and to requirements relating to its long-term development.

A POWERFUL TRAINING LEVER

MÉRIEUX UNIVERSITÉ

Mérieux University was created in 2012 to support the professional development of Institut Mérieux company employees, encourage innovation, promote the expression of talent and contribute to employee engagement.

It deploys its training product in France, China, the United States and Brazil, ensures the transmission of a strong, clear entrepreneurial culture and helps build bridges within the Group.

FONDATION MÉRIEUX

FONDATION CHRISTOPHE & RODOLPHE MÉRIEUX

FIGHTING INFECTIOUS DISEASES THROUGH FOUNDATIONS

As part of its sponsorship activities, bioMérieux supports the actions of the Fondation Mérieux and the Fondation Christophe and Rodolphe Mérieux.

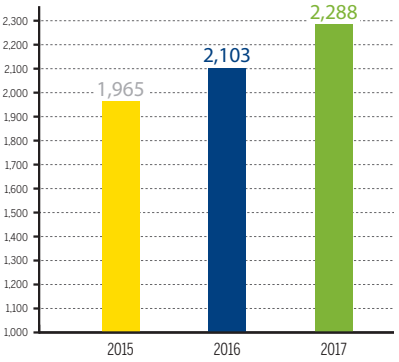
Thanks to the commitment of bioMérieux and other partners, these two independent family foundations fight against infectious diseases that affect developing countries by increasing their diagnostic capacities.

2017 KEY FIGURES

SALES

(in millions of euros)

Sales amounted to €2,288 million in 2017, versus €2,103 million in 2016, an increase of 10.2% at constant exchange rates and scope of consolidation.



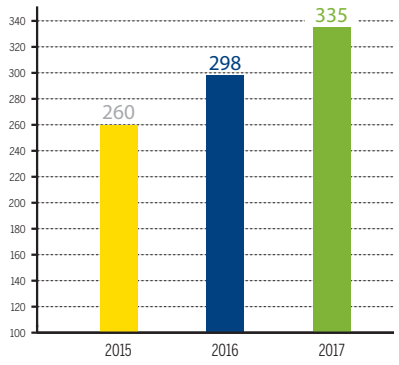
CONTRIBUTIVE OPERATING INCOME BEFORE NON-RECURRING ITEMS*

(in millions of euros)

In keeping with the set target, the contributive operating income before non-recurring items was driven by the organic growth in sales.

It was up by 12.4% compared to 2016, to reach €335 million, or 14.6% of sales.

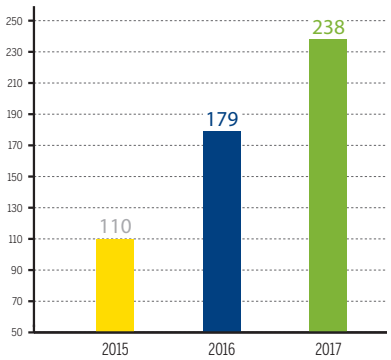
* Contributive operating income before non-recurring items corresponds to operating income before non-recurring BioFire acquisition and integration costs and before accounting entries relating to the company's purchase price allocation.



NET INCOME FOR THE PERIOD

(in millions of euros)

Net income of consolidated companies for the year amounted to €238 million, up by 33% compared to 2016. It represented 10.4% of sales.

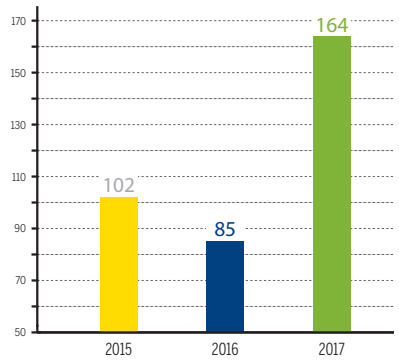


FREE CASH FLOW**

(in millions of euros)

Approximately 60% of sales were generated in clinical and industrial microbiology, two areas where bioMérieux is the world leader. In 2017, sales growth in molecular biology (19% of sales in 2017 compared to 15% in 2016) was driven by the success of the FILMARRAY® line.

** Cash flow before acquisitions of companies, divested operations and dividends.

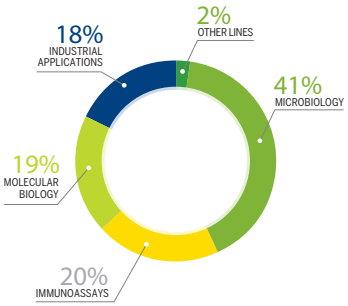


BREAKDOWN OF SALES

by application

Approximately 60% of sales were generated in clinical and industrial microbiology, two areas where bioMérieux is the world leader. In 2017, sales growth in molecular biology (19% of sales in 2017 compared to 15% in 2016) was driven by the success of the FILMARRAY® line.

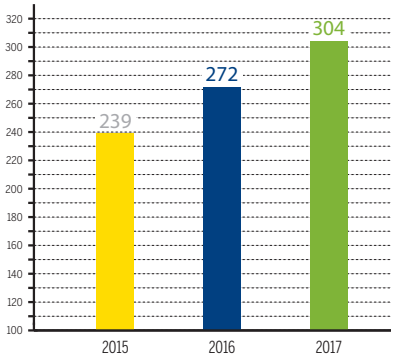
Supported by the commercial strength of the VITEK® and BACT/ALERT® lines, microbiology represented 41% of revenue, up by 6.7%.



R&D EXPENSES

(in millions of euros)

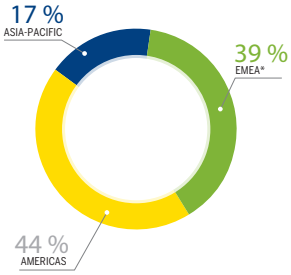
Continuing its innovation efforts, the Group invested €304 million in research and development in 2017, or 13.3% of sales. This increase reflects the intensification of activities associated with the BIOFIRE FILMARRAY® line.



BREAKDOWN OF SALES

by geographical region

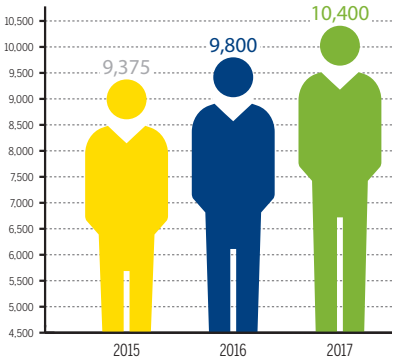
The Group's growth was chiefly driven by strong sales in the Americas region (representing 44% of sales in 2017 compared to 42% in 2016), especially in the FILMARRAY® line.



* Europe, Middle East, Africa.

WORKFORCE AS AT DECERNBER 31*

Changes in the workforce in 2017 reflect the strengthening of BioFire Diagnostics' industrial and commercial teams to support the growth of the FILMARRAY® line.

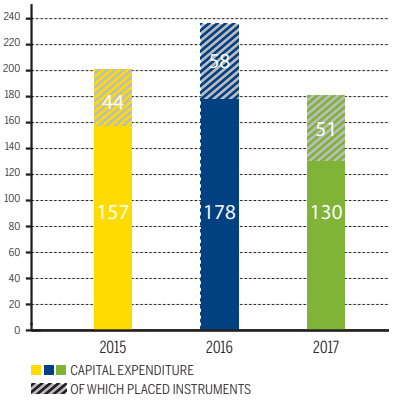


* Full-time equivalent.

INVESTMENTS

(in millions of euros)

The capital expenditures made over the year amounted to €181 million, the results of the industrial investment strategy intended mainly to increase capacity and productivity of production facilities. The total capital expenditures for the year represented 8% of sales.

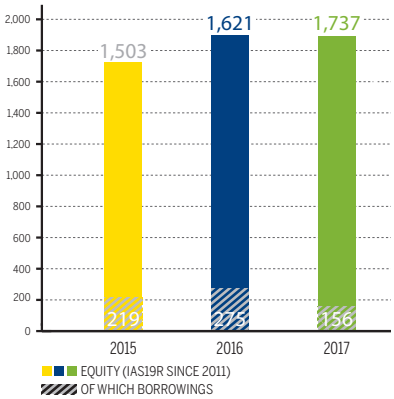


CHANGES IN THE FINANCIAL POSITION

(in millions of euros)

Net debt stood at €156 million at the end of the year, representing only 9% of equity.

This leaves a high degree of flexibility to promote the Group's strategic ambitions.



1

bioMérieux, pioneering diagnostics to serve public health

1.1 History and development of bioMérieux

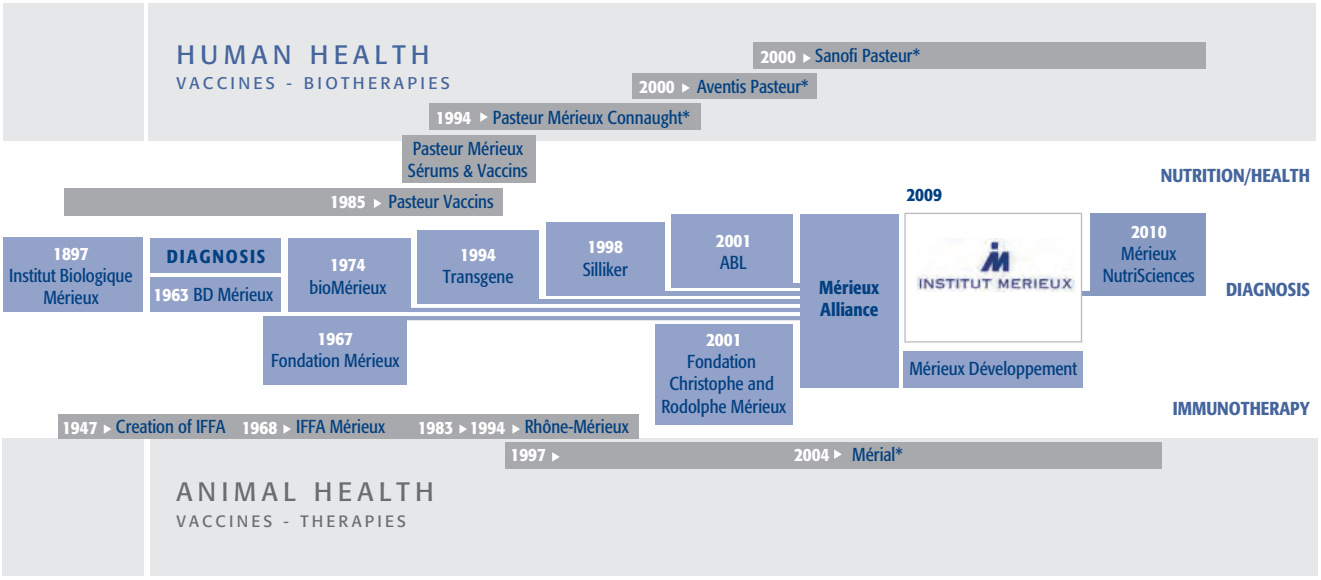
1.1.1 bioMérieux and the Institut Mérieux

bioMérieux's commitment to public health and its expertise in biology are rooted in its unique history of the Mérieux family. In 1897, Marcel Mérieux, a student of Louis Pasteur, founded a medical analysis laboratory in Lyon, which became the Institut Mérieux. It was the beginning of an extraordinary adventure in the fields of biology and industry.

In 1937, Marcel Mérieux's son, Doctor Charles Mérieux, took charge of the laboratory. During the 1940s, he introduced a technique developed by the Dutch professor Frenkel – *in vitro* culture – which revolutionised the manufacture of vaccines and led to the production of reagents for *in vitro* diagnostic tests.

The Institut Mérieux became a worldwide leader in the field of human and veterinary vaccines. It gave rise to numerous companies that came within the scope of the Mérieux family until 1994, the date when the family disengaged from its vaccinology activities.

These companies are still major players in the field of public health: in human medicine, Pasteur Mérieux Connaught, which became Aventis Pasteur and then Sanofi Pasteur, in veterinary medicine, IFFA (Institut Français de Fièvre Aphteuse), which became Rhône Mérieux, then Mérial.



** Companies that left the scope of the Mérieux family in 1994.*

1.1.2 Development of bioMérieux

Simultaneously with the activities of human and veterinary vaccinology, Alain Mérieux, grandson of Marcel Mérieux, founded bioMérieux, dedicated to *in vitro* diagnostics.

■: geographical expansion | ⊙: acquisitions | ●: strategic agreements/licences | ▲: changes to capital

▲	**1963**	Establishment, at Marcy l'Etoile, near Lyon, of B-D Mérieux (the former name of the Company), which offers a wide range of products for medical laboratories covering biochemistry, coagulation, virology and microbiology. B-D Mérieux is held at 49.95% by the Institut Mérieux, 49.96% by Becton-Dickinson France and 0.09% by other shareholders.
▲	**1968**	Acquisition by Alain Mérieux of the B-D Mérieux shares held by Institut Mérieux, bringing his ownership interest in B-D Mérieux to 49.96% and making B-D Mérieux independent from Institut Mérieux.
■	**1973**	Establishment in Brazil.
▲	**1974**	Majority of the capital of B-D Mérieux held by Alain Mérieux. B-D Mérieux becomes BIO MERIEUX SA.
■	**1975**	Establishment in Belgium.
■	**1976**	Establishment in Germany.
■	**1980**	Establishment in Spain.
■	**1985**	Establishment in Italy.
⊙	**1987**	Acquisition of the API group, a worldwide leader in microbiology for bacterial identification and manual antibiotic susceptibility tests(1).
■	**1988**	Establishment in Japan.
⊙		Acquisition of the US company Vitek Systems from McDonnell Douglas, specialised in automated microbiology in order to extend its product portfolio, establish itself in the United States and strengthen its worldwide position.
▲		Wendel Investissement (named CGIP at the time) joined with the Mérieux family to form bio-Participations, an indirect holding company of BIO MERIEUX SA; Wendel Investissement holds nearly 33% of the capital of bio-Participations, and Mérieux Alliance (holding company of the Mérieux family) nearly 67%.
■	**1991**	Establishment in the United Kingdom.
		bioMérieux's range of services extended to industrial applications intended, initially, for the food industries.
■	**1992**	Establishment in China.
■	**1994**	Becton-Dickinson sells its entire investment in bioMérieux to bio-Participations.
■	**1996**	Establishment in Russia.
■	**1998**	Establishment in India.
■	**1999**	BIO MERIEUX SA becomes bioMérieux SA.
▲	**2000**	Merger between bio-Participations (which became bioMérieux Alliance in 1995) and the Pierre Fabre group. As the merger of the bioMérieux Group with the Pierre Fabre group failed to achieve the companies' intended goals, they decided to "demerge" and to cancel the transfers carried out in 2000 and 2001.
⊙	**2001**	Acquisition of Organon Teknika, a subsidiary of Akzo Nobel. This acquisition was a major step in the Group's development, providing it with: • new products that were highly complementary to its strategy, particularly in microbiology with the BACT/ALERT® blood culture product line; • new technologies, especially in the molecular biology field, particularly the BOOM® detection technology which the Company uses in its NUCLISENS® EASYMAG® system; • an establishment in Durham at the heart of the North Carolina Research Triangle where the North American head office of the Group was transferred.
▲	**2003**	Reorganisation of the Nouvelle bioMérieux Alliance (NBMA) Group in order to separate the diagnostic activities, specific to bioMérieux from the immunotherapy activities, specific to Transgene.
▲	**2004**	bioMérieux is mainly held by Nouvelle bioMérieux Alliance (NBMA) at 59.7%, by Wendel Investissement at 34.5% and by Groupe Industriel Marcel Dassault at 5.1%.
▲		bioMérieux's initial public offering on the NYSE Euronext Paris market, with the great majority of the investment held by Wendel Investissement in the Company being put on the market.
⊙	**2006**	Acquisition of Bacterial Barcodes Inc. which developed the DiversiLab® system used for automated bacterial genotyping.
⊙	**2007**	Acquisition of the Spanish company Biomedics, specialised in the production of culture media.
⊙		Acquisition of the Australian company BTF, whose patented BIOBALL® calibrated strain technology is used in quantitative microbiological quality control in industrial applications.
●		Launch of VIDAS® B•R•A•H•M•S PCT™ for the diagnosis of sepsis, following a licence being granted by the German company B•R•A•H•M•S (today Thermo Fisher).

(1) on March 21, 1987, bioMérieux merged with API SA, a company incorporated in 1967. bioMérieux, which had been established in 1963, was absorbed by API SA. Following this transaction, API SA took on the name bioMérieux.

●		Launch of VIDAS® NT-proBNP for cardiac pathologies following a licence being granted by F. Hoffmann-La Roche.
⊙	**2008**	Acquisition of AB BIODISK (Sweden), specialised in microbiology, whose flagship product, ETEST®, allows for the measurement of the minimum inhibiting concentration of an antibiotic treatment and constitutes a reference method for microbiology laboratories worldwide.
⊙		Acquisition of AviaraDx (California, United States), a molecular diagnostic company specialised in oncology and theranostics. AviaraDx, renamed bioTheranostics, develops molecular-based tests that are used to characterise metastatic cancers and help physicians choose the most effective treatment strategy. It runs these tests in its CLIA (Clinical Laboratory Improvement Amendments) service lab. In 2016, bioMérieux announced the entry of new investors into the capital of bioTheranostics, leading to the de-consolidation of bioTheranostics.
⊙		Acquisition of PML Microbiologicals (North America), a company acquired for its activity in the field of culture media and microbiological control products intended for industrial applications on the North American market.
⊙	**2010**	Acquisition of Meikang Biotech (renamed bioMérieux Shanghai Biotech), a manufacturer of rapid tests based in Shanghai, for its production and R&D capacities in China.
⊙		Acquisition of Shanghai Zenka Biotechnology, a company that possesses the authorisations necessary to market the main microbiological culture media in China.
⊙	**2011**	Acquisition of AES, a leading French group specialised in industrial microbiological control. The acquisition has made bioMérieux the world leader in food applications and the Company now offers a comprehensive product line. In addition, this acquisition has enabled bioMérieux to develop and invest in AES cytometry solutions and other high-potential platforms in order to strengthen its solid competitive position. AES Chemunex (France) has since been merged into bioMérieux SA.
⊙		Acquisition of Argène, in the field of molecular diagnosis of infectious diseases for immunocompromised patients. Argène has since been merged into bioMérieux SA.
⊙	**2012**	Acquisition of 60% of the Indian company RAS Lifesciences Pyt. Ltd (RAS). Based in Hyderabad, RAS is a privately held start-up specialised in molecular diagnostics of infectious diseases.
●		Strategic agreement with the American company Quanterix giving bioMérieux worldwide exclusive rights to Quanterix's Simoa™ ultrasensitive immunoassay technology in clinical laboratories and for industrial applications.
●	**2013**	Agreement with the biopharmaceutical company Gilead Sciences Inc., to co-develop an assay that may be a potential companion diagnostic of a Gilead drug candidate, currently under development.
⊙	**2014**	Acquisition of the entire capital of the private North American company BioFire. Specialised in the molecular and syndromic diagnosis of infectious diseases, BioFire develops, manufactures and markets the FILMARRAY® solution.
		Establishment of a new organisation managed by Alexandre Mérieux in three regions: Europe - Middle East - Africa, Americas and Asia-Pacific.
●		Exclusive partnership agreement with Illumina, worldwide leader in sequencing, to market a solution for next-generation sequencing (NGS) dedicated to epidemiological monitoring of bacterial infections.
⊙		Acquisition of the French company CEERAM, specialised in molecular virology in the food industry. CEERAM serves the agri-foods and environmental industries with a comprehensive range of reagents that use RT-PCR molecular biology technology to detect and identify pathogenic viruses (particularly noroviruses and the hepatitis A and E viruses).
●	**2015**	Strategic distribution and R&D partnership in the field of clinical microbiology laboratory automation, with the Italian company Copan, leader in innovation for pre-analytic solutions.
●		Global semi-exclusive agreement on the development of a test for the early evaluation of the risk of acute kidney injury (AKI) with Astute Medical Inc.
⊙		Acquisition of Applied Maths, a developer of state of the art software solutions for the biosciences, in particular for databasing, analysis and interpretation of complex biological data. Building on more than 20 years of expertise, Applied Maths develops and markets BioNumerics universal software for microbiology applications, including in bacteriology, virology and mycology.
⊙	**2016**	Acquisition of Hyglos, a company based in Germany and specialised in the detection of endotoxins.
●	**2017**	Worldwide agreement to develop and market a test for detection of traumatic brain injuries with Banyan Biomarkers.
⊙		Dissolution of the Sysmex bioMérieux Co., Ltd joint venture in Japan. Sysmex transferred its entire stake in Sysmex bioMérieux Co., Ltd to bioMérieux.
●		Acquisition of a non-controlling interest in QVELLA, a company that specialises in molecular biology.

1.2 Business overview of bioMérieux's activities

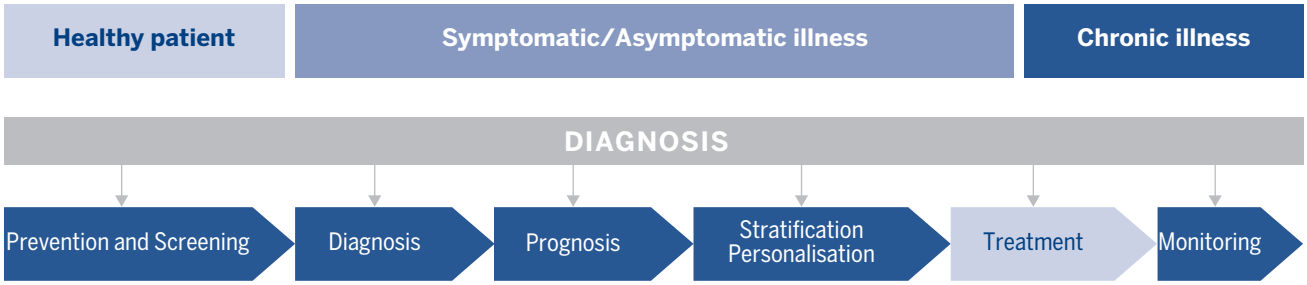
1.2.1 The *in vitro* diagnostic industry

There are currently few official statistics on the *in vitro* diagnostic market. The Company has therefore conducted its own internal analyses on the basis of reports prepared by financial analysts, studies carried out by independent specialist consultants and information published by other companies in the sector, as well as its own knowledge of the market, through its internal experts.

The sources used to estimate the market (size, growth and split), as well as the Company's competitive position relative to its competitors, are mentioned in the corresponding paragraphs.

1.2.1.1 General description

In clinical applications, *in vitro* diagnostics is an essential part of the treatment process, with a role to play at all stages of a disease:



In vitro diagnostic tests are used to determine the origin of an infection, make a correct diagnosis, propose the most appropriate therapy, monitor patient care, avoid costly complications and evaluate a pathology's evolution. The result of an *in vitro* diagnostic test is therefore now requested in the case of 60% to 70% of all medical decisions. In addition, some diseases such as HIV and early-stage cancers can only be detected through analysis of samples taken from the patient: for these diseases, medical decisions are 100% reliant on *in vitro* diagnostic tests (source: French *in vitro* diagnostics industry representative body – Sidiv).

The analyses are performed on samples taken from patients, rather than on the patients themselves. They are generally carried out at the request of a physician, in private-sector or public medical biology laboratories belonging to hospitals or commercial entities, blood banks and physicians' offices. The results are then sent to the physician who can use them to confirm or establish a diagnosis (often in combination with other examinations such as a medical examination or imaging). In some countries, the physician or patients themselves perform certain analyses.

In the industrial market, *in vitro* diagnostic technologies are used to monitor the microbiological quality of food and veterinary products, pharmaceuticals and cosmetics. These microbiological tests (sterility of products, absence of pathogenic bacteria, etc.) are conducted throughout the production line, from raw materials to the finished product, as well as in the manufacturing environment (air, water and surfaces).

***In vitro* diagnostics** is part of the healthcare sector. It is distinct from the pharmaceutical market. It benefits from a more flexible regulatory environment than that applicable to pharmaceutical products, although this is becoming more and more stringent, as well as from a more stable customer base, principally due to the significant costs (investments and training costs and the costs of connecting platforms to laboratories' information systems) incurred by diagnostics customers. The *in vitro* diagnostic market also has more stable sales growth mainly due to:

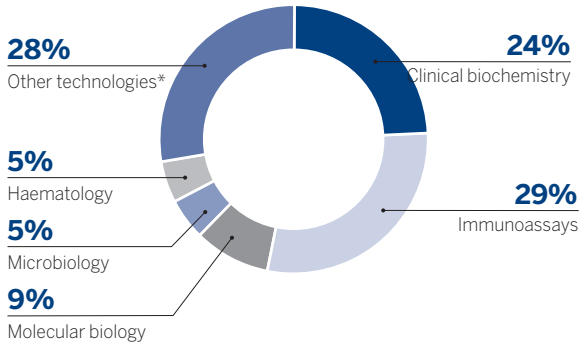
- the significant proportion of *in vitro* diagnostics sales accounted for by reagent sales, because of the "closed" nature of most systems, which function only with reagents developed and marketed by the manufacturers of these systems (captive market);
- the obligation to offer customers a wide selection of reagents per instrument, which leads to a distribution of the *in vitro* diagnostics companies' activities *across* a large number of products, in contrast to pharmaceutical groups that are often dependent on blockbusters;
- relatively steady changes in demand in the diagnostics market, in contrast with sales of drugs, which can vary widely, due, in particular, to changes in the regulatory environment and competition from generic drugs.

1.2.1.2 A market determined by technologies

In vitro diagnostics covers all techniques, systems and products used on samples of biological liquids or human tissue within clinical laboratories. It therefore covers all analytic techniques used after sampling which guide the decisions of the doctor in the light of the results obtained. The market for *in vitro* diagnostics is based on several types of technologies:

- clinical chemistry, which can measure the basic components of the body and is a very important technology, particularly concerning tests for monitoring diabetes;
- immunoassays: detection and measurement of infectious agents (such as bacteria, viruses and parasites) and of pathological markers through an antigen-antibody reaction;
- microbiology: culture of biological samples in a medium allowing any bacteria present to grow. Bacteria detected are then identified and tested for susceptibility to antibiotics;
- molecular biology: technology based on the detection of genetic sequences of DNA or RNA that are characteristic of a bacterium, virus, protein or cell. In the field of infectious diseases, the process consists of extracting nucleic acids (extraction), multiplying (amplifying) them, marking the resulting copies of this amplification and detecting a signal, in order to determine the presence and quantity of infectious agents in the original sample;
- haematology, which covers the techniques for studying components of the blood (platelets, red and white cells, etc.).

The image below shows an estimated breakdown by technology of the world market for clinical *in vitro* diagnostics in 2017:



** This item includes flow cytometry, histology and cytology, haemostasis, the analysis of blood gases and electrolytes, capillary electrophoresis, etc.*

Source: EAC estimates on behalf of bioMérieux based on data from the 3rd quarter of 2017.

In vitro diagnostic techniques were traditionally performed manually but have progressively been automated, incorporating scientific and biological advances and innovations in technology and IT. They have made it possible for laboratories to standardise the processes, obtain more reliable and pertinent results in a shorter time period, ensure the traceability of analyses and increase the number of examinations that can be carried out simultaneously. The degree of automation is not consistent from one laboratory to another, however. The Company believes that microbiology laboratories are currently less automated than other laboratories. The need for automation expressed by these laboratories represents a source of growth in this market.

Molecular biology has added a new dimension to *in vitro* diagnostic techniques. It most often complements diagnostics by identifying pathologies that traditional techniques are not sufficiently sensitive or rapid to detect. Molecular biology has cleared the way for a new approach to infectious diseases: the syndromic approach. This approach is based on analysing a set of symptoms and testing for the multiple potential causes. Numerous infectious diseases have a similar clinical profile but may be caused by different organisms, including viruses, bacteria, fungi or parasites. The syndromic approach improves patient care.

At the same time, new techniques are emerging, especially with the application of ultrasensitive and multiplex technologies to immunoassays, improving healthcare by providing earlier detection of disease, thus allowing clinicians to take appropriate therapeutic decisions much faster. Similarly, recent technological advances have led to the development of next-generation sequencing (NGS), which allows for high-throughput analyses on a much larger scale than traditional sequencing techniques and at a lower cost. The use of NGS solutions is becoming more common in clinical laboratories, particularly for cancer and neonatal screening. This technology is also creating new possibilities for the epidemiological monitoring of infectious bacterial diseases, and ultimately, their diagnosis.

Point-of-care analyses have also developed as instruments are miniaturised. For example, diagnostic tests are now available at some physicians' or nurses' offices and from the emergency services.

Also, *in vitro* diagnostic tests have evolved. In addition to traditional tests, high medical value tests are now having a significant impact on therapy choices, improvements in patient health and healthcare system cost savings. These tests can be integrated at every level of care for patients, to improve or confirm a diagnosis, enhance treatment strategy, monitor the effects of prescribed treatments and, often, avoid costly complications.

Over the medium to long-term, the "theranostics" or companion diagnostics market, combining a diagnostic test and treatment, is likely to grow. This approach enables the analysis of one or more biomarkers to stratify the patients or pathologies and develop more effective and targeted medicines.

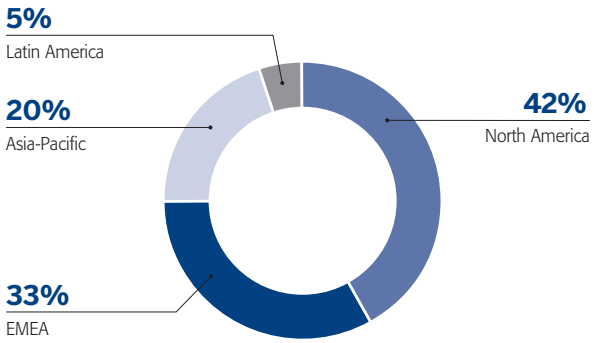
Driven by new technologies and scientific advances, the medical value of *in vitro* diagnostics is increasingly recognised, and *in vitro* diagnostic tests play an increasingly decisive role in the treatment process. By providing earlier, more reliable, and more precise diagnoses and better monitoring of therapeutic response, these tests help to improve the quality of care, while optimising and reducing healthcare spending.

1.2.1.3 A global market

The global market for *in vitro* diagnostics was estimated in 2017 at €53 billion (US$60 billion) for clinical applications and approximately €2.3 billion (US$2.8 billion) for industrial applications. Approximately 80% of *the* worldwide *in vitro* diagnostic market for clinical applications is concentrated in mature countries (mainly North America, Europe and Japan). The breakdown of the Company's sales by geographical area and by application is presented in section 5.2.1.

Since the end of the 1990s, the clinical *in vitro* diagnostic market has experienced a period of growth due to the increased recognition of the role of diagnosis in the definition and monitoring of treatments and in the reduction of healthcare expenditure, the emergence of new disease-causing organisms, major technological advances opening the way to new applications, and the geographical expansion of the market.

A 2017 estimate of the geographical breakdown of the clinical *in vitro* diagnostic market:



Source: EAC estimates on behalf of bioMérieux based on data from the 3rd quarter of 2017.

1.2.1.4 Market trends and growth prospects

The trends presented below are for illustrative purposes and may vary significantly for the reasons indicated in section 2 (Risk factors).

Several structural factors explain growth in the *in vitro* diagnostic market:

- in developed countries, demographic and lifestyle changes favour a rapid, but also preventative and predictive, diagnosis:
  - the ageing of the population, particularly in developed countries, is becoming a reality, and life expectancy is continuing to increase. For example, it is estimated that one-third of the population in Western Europe will be over 60 in 2050 (source: European Diagnosis Manufacturers Association – EDMA). This will lead to an increase in chronic diseases and age related disorders, such as cardiovascular diseases, neurodegenerative diseases, respiratory infections and certain cancers,
  - lifestyles (inactivity, stress, etc.) and new eating habits contribute to the development of diseases such as diabetes and food allergies;
- in emerging countries, there is vigorous demand for improved healthcare and public health systems due to:
  - rapid population growth and urbanisation, recent pollution problems, and changing lifestyle and eating habits, which foster the development of infectious and chronic diseases,
  - rising living standards, the introduction of ambitious health reforms and new or renovated infrastructure, which are also stimulating an increase in demand, particularly for widely accessible medicines. Furthermore, health expenditure only represents 5% to 9% of Gross Domestic Product (compared to approximately 17% in the United States and about 10% in Western Europe, according to OECDStat statistics), giving these countries a degree of flexibility for future investment in healthcare systems;
- the emergence or reemergence of disease-causing organisms imposes the need to develop new diagnostic tests:
  - disease-causing organisms are appearing, emerging, reemerging and spreading worldwide. For example, the World Health Organization (WHO) advised that two recent epidemics were a "Public Health Emergency of International Concern" (PHEIC): the Ebola epidemic in 2014, which had the highest mortality rate since the virus was discovered in 1976, and the Zika outbreak since February 2016, which has been associated with a rise in cases of microcephaly among newborns whose mothers were infected during pregnancy,
  - antibiotic-resistant bacteria and viruses resistant to antiviral agents are emerging and creating a need for better management of treatment solutions. In 2014, the WHO published its first report on global antimicrobial resistance, including resistance to antibiotics, noting that this serious threat was no longer a prediction, but a reality in every region in the world and that everyone, irrespective of age or country, was at risk. Since 2015, several national or international initiatives had been put in place (United States, China, France and the United Nations). For example, in 2015 bioMérieux participated in a dedicated forum at the White House that emphasised the importance of heightened monitoring of new resistant bacteria and the need for rapid tests to ensure that antibiotics are prescribed only when needed,

- the proliferation of healthcare-associated infections, has led to the need to detect carriers of multi-resistant bacteria before they become self-contaminating or infect other patients. The significant cost of treating these infections (estimated at €7 billion per year in Europe, according to EDMA) encourages the use of tests to screen for the carriers of bacteria so that appropriate hygiene measures can be introduced. Furthermore, an actual or suspected hospital contamination requires conducting epidemiological studies to understand how the disease-causing organism was transmitted and to implement appropriate hygiene measures to contain and stop its dissemination;

- reducing health expenditure is an economic necessity:
  - the continuing economic difficulties experienced by developed countries are leading governments to optimise and even reduce their health spending. Diagnosis only accounts for approximately 2% to 3% of healthcare spending, but is used in most treatment decisions, and provides better care for patients: because of its effectiveness at every stage of an illness, it can make a significant contribution to healthcare spending optimisation,
  - reimbursement for medical care is increasingly organised by pathology and not by examination. In this context, hospitals bear the cost of patient treatment and monitoring, which gives them an incentive to conduct diagnostic tests to select the most appropriate treatment and avoid hospitalisation wherever possible;
- *in vitro* diagnostic is medically important to the healthcare process through its incorporation into 4P (preventative, predictive, personalised and participative) medicine:
  - progress in medical know-how leading to the discovery of innovative new biomarkers that can result in the development of *in vitro* diagnostic tests improving patient care,
  - technological developments, especially those relating to analysis techniques for proteins and genetic sequences, extend the scope of *in vitro* diagnostics to cardiac diseases, cancers, and autoimmune and neurodegenerative diseases,
  - the development of "theranostics", which combines diagnostic tests with treatment decisions, helps the physician to choose the most appropriate treatment and avoid those that are ineffective,
  - bio-informatics and Big Data could change *in vitro* diagnostics by gradually eliminating the border between the services offered by medical laboratories and the solutions marketed by *in vitro* diagnostics companies, as well as by giving laboratories access to more precise data so that patients can benefit from better informed clinical decisions;
- the structure of laboratories is evolving:
  - new technologies are contributing to the development of new diagnostic systems, improving the medical value of each diagnosis along with laboratory workflows and efficiency,
  - a growing shortage of qualified personnel, greater consolidation among laboratories and the need to standardise analyses and improve operational efficiency, particularly in clinical microbiology, have led to the automation of laboratories and increased needs for services such as training, maintenance, accreditation assistance, laboratory productivity optimisation,
  - the development of molecular biology is leading to faster and more accurate new diagnoses (see section 1.2.1.2). Expertise in this area has resulted in the development of easier to use integrated platforms,
  - demand is increasing in hospitals, particularly in the emergency and intensive care departments, for diagnostic solutions leading to the faster selection of treatment for patients and resulting in Point of Care (POC) tests and decentralised analyses. The Company estimates that only a little more than 50% of US hospital laboratories are adequately equipped to conduct molecular biology tests,
  - advances in communication technologies are impacting *in vitro* diagnostics, as devices must now increasingly *be* connected to laboratory information systems. In addition, with new generation connected tools, results can be communicated quickly *via* smartphone to medical professionals and, in certain cases and for certain applications, to patients themselves. More and more, patients want to play an active role in their own healthcare and health decisions, creating a need for better access to medical information and to faster, more precise and easier to understand analysis results,
  - the Obama administration's health care reform in the United States is extending medical insurance to people who did not have adequate health care coverage. The number of doctors' visits and the prescription of diagnostic tests have increased. Faced with this increased activity, laboratories had to become more automated in order to optimise their workflow and productivity. Following the 2016 US presidential election, the new administration has not yet changed the health care system; nevertheless, reforms could potentially lead to a shift in health care policy;
- demand in industrial applications is boosted by structural factors:
  - there are more and more quality control obligations in food, pharmaceutical and cosmetics applications,
  - food, pharmaceutical and cosmetics companies are looking to protect their trademarks and reputations, while also being able to improve test automation, enabling the faster release of production batches and thereby encouraging the development of technologies such as cytometry,

- changing eating habits (such as increasing meat consumption in emerging countries) are stimulating demand in the food industry,
- the development of new "on demand" personalised medicine or short series treatments is stimulating demand in the biopharmaceutical industry due to the need for more regular and quicker checks,
- veterinary laboratories are increasingly having to deal with microbial resistance in animals and diagnose infertility and emerging animal diseases in livestock, at a time when new regulations are restricting the use of antibiotics on farms,
- emerging markets want to protect their consumers and export their own food production. As a result, they are strengthening their food safety testing requirements,
- end consumers are demanding increasingly higher standards when it comes to the quality of the food, pharmaceuticals and cosmetics that they buy.

Conversely, some economic factors may impact growth in the market:

- the economic situation in Western Europe could remain structurally difficult, with mixed dynamics specific to each country;
- chronic deficits, excessive debt levels of healthcare systems, and economic and monetary crises are leading to austerity measures (lower reimbursements, reduced investments, streamlining of the management of reagent inventories, etc.) and limiting users' ability to increase consumption;
- increased demand for diagnostic tests could put downward pressure on the prices paid by medical laboratories for their reagents. In 2015, certain (Lab Developed Tests) also known as "homebrew" tests were not reimbursed in the United States. In 2017, the US administration implemented a health care reform entitled PAMA (Protect Access to Medicare Act of 2014) aimed at reducing reimbursements for outpatients. Although these developments do not directly affect producers of *in vitro* diagnostics systems, they could weigh on the *in vitro* diagnostic market over the longer term;
- the emerging countries are traditionally markets for equipment, for which development is more irregular and are characterised by a growing consumption of reagents; furthermore, these countries are becoming more price sensitive. These countries can experience significant currency fluctuations;
- for several years, the consolidation of medical laboratories, both in hospitals and commercially, has been becoming a reality. This movement has been developing at different rates depending on the country. It is already very advanced in North America and Japan and, to a lesser extent, in Europe.

  This consolidation strengthens the negotiating power of customers and brings new interlocutors into the process of purchasing an *in vitro* diagnostic system, such as hospital managers and specialised buyers, which could negatively impact the level of prices charged by market players.

Estimated growth in the *in vitro* diagnosis market, excluding blood sugar tests, was approximately 5% in 2017, at constant exchange rates. The Company remains confident that this market will continue to grow in the medium term.

1.2.1.5 Principal players

Increasing R&D costs related to innovation, the consolidation of the customer base, the need for broader product lines, as well as critical mass considerations are encouraging continued consolidation in the *in vitro* diagnostic market. In addition, this market has attracted several new players.

The *in vitro* diagnostic market remains highly concentrated. In 2017, one merger transaction significantly changed the competitive landscape of the sector: following Abbott's early 2016 announcement that it would acquire US based Alere for US$5.8 billion, Abbott closed the transaction in 2017 for the final amount of US$5.3 billion.

The Company believes that the world's top ten *in vitro* diagnostics companies currently account for around 70% of total worldwide sales, including diabetes tests. They are either the large pharmaceutical groups (Roche, Abbott), diversified conglomerates (Becton Dickinson, Thermo Fisher and Danaher), or specialised companies (bioMérieux, Bio-Rad and Sysmex).

Based on its 2017 sales, the Company ranks itself in 7th place in the *in vitro* diagnostic market. This ranking reflects its specialised positioning: it is not present in diabetes testing and has little activity in clinical chemistry testing.

1.2.2 bioMérieux, a specialised player in *in vitro* diagnostics

1.2.2.1 General presentation and areas of expertise

bioMérieux designs, develops, produces and markets systems that are used in two fields:

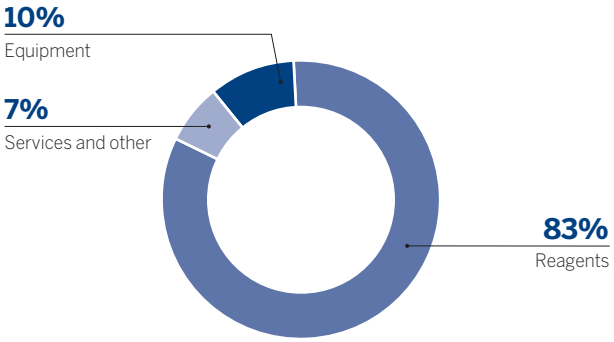
- **In clinical applications**, these systems can, from a biological sample (blood, saliva, urine, etc.), be used to diagnose infectious diseases, cardiovascular pathologies and certain cancers. Clinical applications account for 80% of the Company's sales. As a specialised player, bioMérieux ranks 7th worldwide in *in vitro* diagnostics, but is the world leader in clinical microbiology and molecular syndromic diagnosis of infectious diseases. The Group's historic and priority activity focuses on diagnosis of infectious diseases: bacterial (such as staphylococcus), parasitic (such as toxoplasmosis) and viral infections (such as HIV). In 2017, the diagnosis of infectious diseases represented nearly 90% of sales;
- **In the industrial field**, these systems enable microbiological analyses of manufacturing and of its environment, chiefly in the food, pharmaceutical, cosmetics and veterinary sectors. Industrial applications represent 18% of the Company's revenue. bioMérieux is the world leader in this field. Since 2011, bioMérieux has been making its expertise in microbiology available to professionals in animal health, notably with the aim of contributing to the fight against microbial resistance, epizootics and emerging zoonoses. This forms part of the "One Health" approach promoted by international organisations (see section 3.2.1) and based on the principle of *a* continuum from animal to man in the transmission of infectious agents and resistance to antibiotics.

bioMérieux differentiates these fields within two different departments: a Clinical unit and an Industrial unit, the managers of which sit on the Executive Committee.

The Group's diagnostic systems consist of several elements:

- reagents and disposables used to carry out biological tests, in order to perform screening, diagnostic assistance, prognosis and treatment monitoring;
- instruments (or platforms or autoanalysers) used for automated testing at high or low throughputs;
- software to process analyses and expert systems to interpret test results;
- related services such as the installation and maintenance of instruments, user training or the audit of laboratory workflows.

bioMérieux's business therefore involves integrating highly diversified technologies covering biology, instrumentation and engineering, as well as IT and data processing. This can often be complex, as it entails verifying the essential compatibility of the various components, monitoring overall coherence, adhering to the different standards applicable in each field and respecting quality and cost objectives and deadlines.



Most of the Company's sales come from reagent sales, which accounted for 83% of its sales in 2017. The Group mainly markets closed systems, which enable only the use of reagents developed specifically for these instruments.

Thus, 80% of reagent sales in 2017 were related to closed systems; the rest related to manual products and open systems.

Instruments are either sold (10% of consolidated sales in 2017), or provided to customers for use on their premises under an agreement to purchase a minimum volume of reagents and disposables, on terms designed to cover the depreciation and the financing of the instrument. If the customer fails to fulfil its obligations, the Company is contractually entitled to repossess the instrument. In certain markets, instruments may also be leased to customers. As of December 31, 2017, the installed base amounted to approximately 92,800 instruments, of which around 80% correspond to sold instruments.

Any required systems management **software** is provided with the instruments and updated regularly.

Instruments that are sold or provided to customers are accompanied by services which include the installation and servicing of the instrument, as well as user training. The Company will continue to grow this business. Including R&D related revenue of €3.1 million, billable services accounted for 7% of the Company's sales in 2017.

Given the current market, the Company believes that it is important to master three complementary techniques in order to successfully compete in the targeted areas:

- microbiology, which is based on culturing biological samples, identifying microorganisms and measuring their antimicrobial resistance;
- immunoassays, based on the principle of immunological reaction, to identify or quantify the presence of antigens and/or antibodies in a sample;
- molecular biology, which is based on the detection of genetic sequences of DNA or RNA characteristic of a pathogen to identify bacteria, viruses, fungi and parasites.

Lastly, bioMérieux is a company that is geographically diversified: the Group operates in over 160 countries, through 42 subsidiaries and a wide network of distributors (see section 1.2.2.5).

1.2.2.2 Addressing the challenges of public health

Antimicrobial resistance: a worldwide emergency

Around the world, every four minutes, someone dies due to an infection caused by bacteria that has become resistant to antibiotics. Diagnostic tests contribute to reducing the inappropriate use of antibiotics and to preserving their efficacy in treating bacterial infections in man and animals. bioMérieux's mission is to contribute to protecting the health of patients and consumers. This holistic approach is an essential advantage in meeting the challenges of public health, such as microbial resistance, and means that bioMérieux has the most complete product range on the market, notably including FILMARRAY®, VITEK® 2, VITEK® MS, API®, and CHROMID® for microbial identification; and VITEK® 2, ETEST®, RAPIDEC® CARBA NP for antibiotic susceptibility tests.

The fight against sepsis: early diagnosis in the front line

About 27 million people around the world are affected each year by sepsis. Making a diagnosis as quickly as possible is crucial for patients. The rate of survival is 60% when they receive the right treatment two hours after being accepted for treatment. The rate drops to 30% if it is administered four hours later. bioMérieux has the most complete product range on the market for diagnosing sepsis, including tests covering immunoassays, bacteriology and molecular biology, based on both the response of the host, with the VIDAS® procalcitonin test (PCT) and on the detection, identification and characterisation of the disease-causing organisms, notably with the BACT/ALERT®, VITEK® and FILMARRAY® ranges.

Managing the risk of epidemics due to emerging pathogens: providing an appropriate response in the countries concerned

bioMérieux has long been present in emerging countries. The Ebola epidemic, which struck West Africa, triggered an immediate response by the Company, which developed FILMARRAY® BioThreat-E™, a test which received Emergency Use Authorization from the US Food and Drug Administration (FDA). It was also considered as eligible in 2015 by the WHO, thus making it immediately available in the countries concerned by the epidemic. More recently, the Company marketed the kit used for searching for the ARGENE MERS-HCoV r-gene®, enabling laboratories to prepare a tool for detecting Middle East Respiratory Syndrome Coronavirus (MERS-CoV).

Also, the Company began research work to develop a diagnostic test for infection with the Zika virus.

1.2.2.3 Competition

Clinical market

In infectious diseases, which accounts for more than 20% of the *in vitro* diagnostic market (based on the Company's own estimates and knowledge of the market) and 90% of the Group's clinical sales, the Company is one of the few firms to possess the full range of technologies (microbiology, immunoassays and molecular biology). As a result, it faces different competitors depending on the technology used. The Company believes that its expertise in all complementary technologies gives it a significant competitive advantage.

- In clinical microbiology, as estimated internally and by an independent consultant specialised in *in vitro* diagnostics, the Company's market share is around 40%, putting it in the leading position worldwide. This market is estimated at about €2.8 billion and enjoys annual growth of 3% to 5% at constant exchange rates. Other significant players in this market include Becton Dickinson, Danaher and Thermo Fisher. In automated microbiology, new technologies are emerging, such as mass spectrometry, which is also marketed by Bruker, and competition has heightened since Becton Dickinson's takeover of Kiestra. In addition, the line between technologies is becoming increasingly porous: start-ups offering identification technologies and/or rapid antibiotic susceptibility tests at the molecular biology level are emerging, and players in the field of molecular biology are increasingly offering tests for rapid bacterial identification.
- In immunoassays, the major pharmaceutical groups and diversified companies (Roche, Abbott, Siemens and Danaher) are dominant. Among specialised players, the main competitors include Bio-Rad and DiaSorin. According to internal estimates, the Company has a market share of between 3 and 4%. It is strengthening its position through its most recent VIDAS® instrument, VIDAS® 3, its range of high medical value tests and its presence in emerging countries.
- In molecular biology, the market leader is Roche. Other significant players are Hologic, Qiagen, Becton Dickinson, Grifols, Abbott and Siemens. bioMérieux made a major strategic move in this market in 2014 with the acquisition of the US company BioFire, whose FILMARRAY® system sets a new standard in the diagnosis of infectious diseases. This innovative diagnostic approach is expanding under bioMérieux's leadership, while competitors are beginning to emerge, such as Luminex, which acquired Nanosphere in 2016, or Genmark Diagnostics. Furthermore, it occupies an important position in the field of extraction and intends to maintain its position through the launch of EMAG®, the new generation of its automated system NUCLISENS® EASYMAG®. bioMérieux now holds around 12% of this market.

Industrial market

In the industrial market, which remains relatively fragmented, the Company considers itself the world leader, with a market share, based on internal estimates, of around 20% in 2017. The other significant players are Merck Millipore, 3M, Thermo Fisher, Becton Dickinson and a number of smaller companies in niche segments.

1.2.2.4 Group customers

In clinical applications, the organisation of the *in vitro* diagnostics sector varies considerably from country to country, depending on the structure of the healthcare system itself. Essentially, it may be part of the public or the private sector, or combine them both. The Company mainly sells its products to hospital and commercial laboratories. It estimates that these two types of customers represent approximately two-thirds of the *in vitro* diagnostic market, with hospital laboratories alone accounting for approximately half the market. To a lesser extent, the Group's customers include distributors, blood banks, the Point of Care market (including hospital emergency rooms) and physicians (physician office laboratories or POLs). The Group does not sell products directly to patients, as the customer base would require too large a sales network.

In France, which accounted for 9% of the Group's sales in 2017, there is a mixed private/public healthcare structure. As a guide, private laboratories accounted for 35% of sales in 2017, whereas public hospitals accounted for 33% of the Company's sales. Industrial customers accounted for 32% of sales in 2017.

In the United States, which is the Group's largest market, public and private hospitals accounted for 75% of sales in 2017 and commercial laboratories accounted for 10%. In addition, around 1% of sales were generated by other customers in clinical applications, including POLs and university hospitals. Industrial clients represented 14% of sales.

The Company's clinical microbiology offer includes all capacity systems and is based on the concept of microbiology laboratory automation. It is therefore perfectly in line with this shift toward the previously described consolidation. By integrating services, in particular, the solution's commercial offering is also expanding with a focus on introducing comprehensive solutions with high added value (medical or cost). However, in immunoassays, the VIDAS® low-throughput platform is not suited to routine testing in large laboratories.

In industrial applications, Group customers are the quality control laboratories of large industrial food, pharmaceutical and cosmetics groups, independent laboratories to which such industrial quality control is outsourced, or veterinary laboratories. In addition, with the development of the fight against healthcare associated diseases, the Company is beginning to target hospitals as industrial customers for the installation of disinfection and monitoring systems. Similarly, blood banks have, in some cases, become industrial customers with the development of bacteriological sterility monitoring of platelets.

The Group's ten leading customers accounted for around 6% of its sales in 2017. The largest customer accounted for approximately 1% of sales.

1.2.2.5 Distribution network

The Company markets its products in over 160 countries through a network of international subsidiaries and distributors. One of the Company's priorities is to further enhance its customer focus.

Product distribution is based mainly on a network of 42 subsidiaries which devote their efforts to selling, promoting and/or maintaining the Group's products.

Group subsidiaries have specialised sales and marketing forces for clinical and industrial microbiological control customers. In the most developed and mature markets, such as the United States, most European markets and Japan, sales forces in clinical applications are specialised by product line. In the most developed and mature markets, such as the United States, most of the European markets and Japan, sales forces in clinical applications are specialised by product line. Likewise, the industrial applications sales forces are becoming increasingly specialised in the pharmaceuticals and food sectors. Conversely, in smaller countries, sales forces are not specialised.

In addition to its subsidiaries, the Company possesses a strong presence on all continents through independent distributors. The Company's determination to achieve strong product recognition, along with legal requirements regarding traceability and customer support services (technical personnel, training, availability of spare parts) direct the choice of local partners. These distributors are usually leading players in the healthcare sector of their countries and are usually exclusive in the diagnostics field. They are also selected by the Company on the basis of their knowledge of local healthcare market players, and their material and human resources. The Company ensures that its distributors have adequate financial resources to fund the instruments provided to end-customers.

Furthermore, in particularly large emerging countries such as China, Russia and India, the Company's subsidiaries can be the driving force behind a network of local distributors. This organisational structure is consistent with local distribution practices and allows the Company to market its product lines across large parts of these countries, with a limited number of distributors. On the other hand, using intermediaries can, in certain cases, make it harder to understand how the market is evolving.

1.2.2.6 Suppliers and purchasing policy

In order to adapt the purchasing policy for raw materials and various components to the specific requirements of each line of instruments and reagents, the Group has set up an overall system that encourages:

- early involvement of purchasing in new projects;
- globalisation of initiatives and volumes;
- increased responsiveness.

bioMérieux also looks to diversify its supplier base in order to foster both security and competitiveness. Producing certain raw materials in house and entering into partnerships with various suppliers have resulted in both technical and economic benefits.

Faced with product specificity which is not always consistent with procurement flexibility, the Company endeavours to secure its critical supplies. Such security can take the form of supply agreements, diversified sourcing, buffer stocks and the development of in house production, or the assumption by the Company of liability for the regulatory compliance of certain specific components manufactured by a supplier.

Since a large part of bioMérieux's activity is devoted to manufacturing, purchasing plays a key role for the Company. The related risks are described in Chapter 2, Risk factors.

bioMérieux seeks to involve its suppliers in a sustainable growth strategy. It has adopted a responsible purchasing policy by proposing that its suppliers adhere to an "Ethical Purchasing and Sustainable Development Charter" (see section 3.2.3).

1.2.3 Group products

The Company has implemented a global marketing strategy. Its various systems are marketed under identical trademarks worldwide and the product offering is adapted to regional and local requirements.

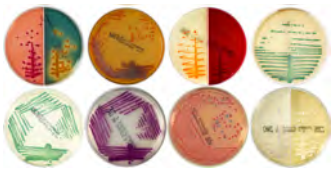
The Company's ten leading products accounted for 32% of sales in 2017.

The main products marketed by the Group and their applications are described below by technology.

1.2.3.1 Microbiology

This technology involves culturing biological samples in a medium allowing any bacteria present to grow, in order to identify the disease causing bacteria and test their susceptibility to antibiotics. The main challenge faced by laboratories is technical and economic efficiency during upstream stages, particularly the culture of microorganisms, due to the significant percentage of negative samples. Negative samples must be quickly and reliably identified, using greater automation, in order to focus laboratory technicians' time and attention on positive samples requiring further analysis. These steps taken to identify and characterise antibiotic susceptibility are crucial for clinicians responsible for patient care. Thus, they are the primary focus of the medical value expected from diagnostic tests.

Culture media



The Group offers an extensive range of culture media, with more than 100 references available in various forms such as Petri dishes, tubes and bottles. With over 50 years' experience in the industrial manufacture of culture media, the Company is the European leader in the production of conventional and chromogenic Pre-Poured Media (PPM).

In the field of clinical applications, the Company is focusing its efforts on developing the CHROMID® line of chromogenic media, which requires specific expertise. By introducing chromogenic substrates, these media allow simultaneous isolation and identification of the target microorganisms, which reduces the time required to obtain results.

In recent years, bioMérieux has launched more than 10 new chromogenic media:

- CHROMID® *C. difficile*, the first chromogenic medium for isolating and identifying *Clostridium difficile* in only 24 hours. *C. difficile* is a bacteria responsible for healthcare associated epidemics, some of which are extremely serious and associated with high mortality. CHROMID® *C. difficile* forms part of the global solution for diagnosing infections with *C. difficile* also comprising VIDAS® *C. difficile* GDH and VIDAS® *C. difficile* Toxin A & B;
- with the CHROMID®ELITE media, numerous improvements have been made, notably including better differentiation between pathogenic species, quicker and more convenient reading of results and improved sensitivity and specificity parameters for specific bacteria:
  - CHROMID® CPS® ELITE for isolation, quantification and direct or presumed identification of organisms responsible for urinary infections,
  - CHROMID® Salmonella ELITE for quicker detection of strains of *Salmonella* in clinical stool samples,
  - CHROMID® *S. aureus* ELITE particularly adapted to searching for small-colony variants of Staphylococcus in patients suffering from cystic fibrosis;
- combining its expertise in bacterial identification and its expertise in resistance to antibiotics, the Company has developed tools for screening for resistant bacteria responsible for healthcare associated infections and hospital epidemics. CHROMID® CARBA, CHROMID® CARBA SMART, CHROMID® OXA-48 have become standards for screening for "super bacteria", resistant to carbapenems;
- CHROMID® MRSA, dedicated to screening for MRSA, was joined by CHROMID® MRSA SMART, which provides results one day faster. At the same time, this medium obtained FDA authorisation for use of the medium with samples of skin, sores, soft tissue and with blood culture bottles;
- Finally, CHROMID® Colistin R, launched in November 2017, is a ready-to-use chromogenic media approved to screen for colistin resistant Gram-negative bacteria, available for the first time for human and veterinary samples. This medium will strengthen bioMérieux's position in the One Health approach to fight antimicrobial resistance (see Veterinary Applications page 5, and section 3.2.1).

  This range was supplemented with the marketing of biplates: the intelligent association of two culture media in a single dish, enabling two items of information to be obtained from a single reading: CHROMID® CARBA SMART, CHROMID® SMART MRSA/*S. aureus*, as well as equipment for controlling laboratory environments.

The Company is also developing a range of culture media and equipment intended for environmental control, to detect risks of contamination and thereby reduce healthcare associated infections by implementing isolation and hygiene measures.

In industrial applications, the Company develops and markets various specific media (such as the CHROMID® line) for the control (culture, detection, identification and quantification) of microorganisms in food, pharmaceutical and cosmetic products and in the manufacturing environment (air, surface, water, etc.). In these three areas, bioMérieux develops innovative analytical solutions to rapidly identify any bacterial infection during the manufacturing process. bioMérieux sells ALOA®, a culture medium designed for the detection of *Listeria spp* and *Listeria monocytogenes* and the quantification of *Listeria monocytogenes* in food and environmental samples. ALOA® is the medium recommended for use in the standard method (EN ISO 11290-1 and ISO 11290-2). Lastly, the ALOA® One Day (*Listeria* spp and *Listeria monocytogenes* detection), ALOA® Count (quantification) and ALOA® Confirmation methods are AFNOR ISO 16140 approved. Furthermore, in the food industry, bioMérieux is marketing CHROMID® EHEC, a culture medium for the detection of enterohemorrhagic *Escherichia coli*.

bioMérieux's offering also includes a comprehensive range of products for the veterinary (microbiological and immunological) diagnosis of livestock and domestic animals aimed at detecting, identifying and conducting antibiotic susceptibility tests on microorganisms that cause infections.

Quantitative microbiological quality control solution: BIOBALL®

Companies and pharmaceutical laboratories must test and ensure the quality and safety of their products. BIOBALL® is a small water soluble ball containing a precise number of microorganisms which can be added directly to samples of media or matrices. These calibrated microbial reference strains do not require any preparation or pre-incubation.

Manual bacterial identification and antibiotic susceptibility testing: API®, ATB™ and RAPIDEC® CARBA NP product lines

The Company markets API® test strips, which are recognised as the leading product worldwide for bacterial identification, with 16 API® strips covering almost all of the most common bacterial groups (around 800 bacteria and yeasts). The API® database is the reference for interpreting identification strips. It is available on the Internet (APIWEB™).

Based on its API® and ATB™ product lines, the Company has developed the semi-automated ATB™ New, an instrument designed for use in emerging countries. This system, available in China since 2016, includes identification and antibiotic susceptibility test strips that comply with CLSI® (Clinical and Laboratory Standards Institute) standards, as well as software for analysing results. In 2014, the Company launched RAPIDEC® CARBA NP to add to its offering in the fight against antibiotic resistance. This new manual test is easy to use, notably with the CHROMID® CARBA media, gives reliable results, and is the first solution to offer rapid, cost-effective detection of carbapenemase production by Gram-negative bacteria. This test is especially useful for improving patient management and is a better way to control healthcare-associated infections. Carbapenemase are a group of enzymes that hydrolyse carbapenems, a sub-class of antibiotics with the broadest spectrum of antibacterial activity. Carbapenemase are a group of enzymes that hydrolyse carbapenems, a sub-class of antibiotics with the broadest spectrum of antibacterial activity. RAPIDEC® CARBA NP received FDA clearance in 2017, making it available for sale in the United States.

RAPIDEC® CARBA NP was the subject of numerous scientific publications and posters, and was mentioned in a 2015 article published in CAP TODAY. The American Society of Microbiology (ASM) Office of Communications highlighted its performance at the joint ICAAC/ICC(1) Meeting. Lastly, this test was mentioned in certain recommendations, including the technical memorandum on the detection of strains of enterobacteria producing a carbapenemase, published in May 2016 by the French National Reference Centre on antimicrobial resistance(2).

The API® line is also used by industrial customers in the food, pharmaceutical, cosmetics and veterinary sectors, to identify any contaminants (pathogenic or not).

Manual measurement of an antibiotic's minimum inhibiting concentration (MIC): the ETEST® product line

ETEST® is an agar diffusion technique used to measure an antibiotic's minimum inhibiting concentration (MIC). ETEST® serves to guide antibiotic therapy by determining bacterial susceptibility to antibiotics and by detecting resistance mechanisms. This technique is perfectly suited to bacteria that are rare or difficult to grow and complements the VITEK® range principally by allowing for the quantitative measurement of the sensitivity of newly-released antibiotics prior to their integration into the VITEK® cards, or for the testing of a particular antibiotic for which more precise information is needed.

The agar media needed to measure an antibiotic's minimum inhibiting concentration (MIC) have been developed and/or approved to facilitate ETEST® use.

Two new ETEST® strips, each combining two antibiotics, were launched in December 2016 on the European market, and in 2017 on the US market: ETEST® Ceftolozane/Tazobactam (C/T 256) and ETEST® Ceftolozane/Avibactam (CZA 256). These new strips provide a quick and reliable solution to determine the minimum inhibiting concentration (MIC) of the antibiotics ceftolozane and tazobactam, as well as ceftolozane and avibactam, for aerobic Gram-negative bacteria, enterobacteria and *Pseudomonas aeruginosa*. The ETEST® solutions provide significant added medical value for the clinician and the patient: having a diagnostic solution that enables the right antibiotic to be administered, with the correct dose and at the right time, is an important factor in fighting the development of resistance, a real challenge in the field of public health.

Automated bacterial identification and antibiotic susceptibility testing: the VITEK® 2 product line

In addition to the manual and semi-automated products described above, the Group has a leading market position in automated antibiotic susceptibility testing and identification products with its VITEK® 2 product line.

Launched in 1997, the automated VITEK® 2 system, the second generation of the VITEK® line, provides more rapid identification and antibiotic susceptibility test results, using an original and miniaturised consumable, the VITEK® card, which offers a broader analysis menu. After pioneering expert systems for resistance interpretation, bioMérieux has incorporated into its VITEK® 2 system, the Advanced Expert System (AES™), which is a reference in this field.

(1) ICAAC: Interscience Conference on Antimicrobial Agents and Chemotherapy.
ICC: International Congress of Chemotherapy.
(2) http://www.cnr-resistance-antibiotiques.fr/expertise-des-souches-1.html

The Company subsequently launched:

- in 2004, VITEK® 2 Compact: this instrument features a new colorimetric reading mode and new expert systems, which, due to its smaller size, is aimed at small and mid-sized laboratories running between 30 and 60 tests per day;
- in 2007, VITEK® 2 Compact 15, for laboratories running 15 to 30 tests per day;
- in 2009, VILINK™, an IT solution allowing VITEK® 2 users to benefit from remote assistance for incident resolution and maintenance through a fast and secure connection.

bioMérieux regularly enhances its menu of identification and antibiotic susceptibility tests through software updates and by developing new test cards that include new antibiotics. In 2017, this effort focused on the development of a new version of the VITEK® 2 software, including the new Ceftolozane/Tazobactam antibiotic combination, new identifications and phenotypes in the AES™ expert system, updated based on the analysis of over 200 recent publications. The VITEK® 2 solution, with its AES™ and ETEST® expert analysis system, meets clinicians' needs by helping them with their antibiotic prescriptions. Meanwhile, the epidemiological monitoring software VIGIGUARD™ allows for the study and monitoring of the evolution of resistance in every clinical department, and proposes antibiotic therapy protocols that are adapted to microbial ecology.

VITEK® is also used by industrial customers in the food, pharmaceutical or cosmetics fields who have to identify any disease-causing organisms present in products or in the production environment. In the veterinary field, VITEK® solutions enable identification and antibiotic susceptibility tests for the bacteria responsible for animal pathologies.

The MALDI-TOF mass spectrometry solution: VITEK® MS

Mass spectrometry is a technique used to identify and determine the chemical structure of multiple molecules simultaneously, analysing the mass and charge of their ions. The molecular "signatures" that are obtained can be used to rapidly identify isolated colonies of bacteria. This bacteria identification technique is appropriate for laboratories that handle large volumes of samples as a quick and cost effective solution to obtain results. However, MALDI-TOF mass spectrometry cannot test sensitivity to antibiotics.

In 2011, the Company introduced a CE-marked version of its VITEK® MS mass spectrometry solution for bacterial identification in microbiology laboratories. The MYLA® middleware enables seamless integration between this solution and the VITEK® platform. It is the fruit of the partnership between Shimadzu and its instrument supplier subsidiary, Kratos Analytical Ltd., and the acquisition of the AnagnosTec database.

In 2012, the Company also brought to market VITEK® MS Plus, which enables VITEK® MS customers to extend their use of mass spectrometry beyond routine identification, for conducting research or building a proprietary database.

A version is available for industrial customers. It complies with Title 21CFR Part 11 of the American Code of Federal Regulations on traceability, and includes a specific database developed by bioMérieux.

In 2013, VITEK® MS was granted 510(k) *de novo* clearance by the FDA, becoming the first mass spectrometry system cleared by the FDA for the routine detection of a comprehensive database of disease causing microorganisms (Gram+, Gram- and certain yeasts) in clinical microbiology laboratories. It is the only totally integrated susceptibility test solution thanks to its connection with the VITEK® 2 system.

In 2016, bioMérieux launched version 3 of VITEK® MS, making it possible for microbiology laboratories to quickly identify mycobacteria, *Nocardia* bacteria and moulds. This version received 510(k) clearance from the FDA in 2017. New VITEK® MS reagent kits developed specifically for these disease-causing organisms can facilitate the work of the laboratory by providing all of the reagents necessary to the preparation of these microorganisms.

Next-generation sequencing service for epidemiological monitoring of bacterial infections: bioMérieux EPISEQ™

In November 2014, bioMérieux announced a partnership with Illumina, a world leader in genomics, to market a next-generation sequencing solution for epidemiological monitoring of bacterial infections, in collaboration with service laboratories.

In December 2015, as part of this partnership, bioMérieux announced the launch of its first next-generation sequencing service to help microbiology laboratories fight healthcare associated infections. The service was first launched in Europe and the menu initially consists of *Staphylococcus aureus*.

Blood culture: the BACT/ALERT® line

The automated BACT/ALERT® 3D instrument provides rapid and automatic detection of positive blood cultures to diagnose sepsis or septic episodes. Furthermore, BACT/ALERT® 3D also allows for the detection of positive cultures for mycobacteria, using specific media, to diagnose diseases such as pulmonary tuberculosis. The flexibility, ease of use and modular design of BACT/ALERT® 3D means that laboratories of all sizes can use the same instrument to run their blood culture and mycobacterial analyses. The use of unbreakable plastic bottles improves safety for technicians.

BACT/ALERT® VIRTUO™, the highly automated next-generation BACT/ALERT®, has been available in the United States since 2017, and since 2014 in more than 35 countries across Europe, the Middle East and Asia-Pacific that recognise CE marking. The regulatory registration process for this product is under way, notably in China. This unique and innovative blood culture system for detecting disease-causing microorganisms has extended the BACT/ALERT® range of solutions. It uses precision robotics to automatically load and unload reagents, which means that any lab staff member can load bottles at any time. The system reduces hands-on time for increased lab efficiency. BACT/ALERT® VIRTUO™ offers faster time to detection than the current BACT/ALERT® system thanks to the inclusion of high fidelity optics and a new detection algorithm that reduces detection time by four hours on average.

The new generation of BACT/ALERT® VIRTUO™ blood culture systems can connect up to three additional incubation units to a BACT/ALERT® VIRTUO™ control module, thus creating an integrated configuration. This modular configuration offers incubation capacity of between 432 and 1,728 positions, enabling significant volumes to be managed of up to 100,000 blood culture bottles per year, *via* a single entry point for an optimised workflow. The blood culture bottles are automatically transferred in the system, enabling better use of the capacity of the instrument and increased productivity. This new version can provide a real-time measurement of the volume of blood in each blood culture bottle, to make sure that the quantity of blood sampled is compliant with the recommendations and practices of each organisation.

Its increased efficiency enables laboratories to deliver fast results to clinicians, thereby helping to improve patient care and optimise laboratory productivity.

Currently, the BACT/ALERT®culture media offers standard bottles, FAN bottles containing activated charcoal, the new FAN Plus bottles using the patented Absorbent Polymeric Beads (APB) technology and MP bottles for the detection of pulmonary tuberculosis.

In industrial applications, the BACT/ALERT® 3D range is used for monitoring the sterility of biopharmaceutical products, for the microbiological testing of beverages and for controlling the quality of blood products, especially platelets, for which BACT/ALERT® is the most widely used detection method in the world.

"Lab Efficiency" (Operational efficiency in clinical microbiology laboratories)

Clinical microbiology laboratories are aiming to further improve automation, significantly enhance their operational efficiency, make up for the growing shortage of specialised staff and obtain the accreditation needed to operate while streamlining workflows, delivering faster and more standardised results and improving traceability of analyses.

In addition to its "traditional" offer in automated microbiology systems, the Company has other new platforms:

- PREVI™ Color Gram, an automated Gram staining system (an original equipment manufacturer agreement with the ELITech Group);
- RAL STAINER, an automated mycobacterial staining system for the diagnosis of tuberculosis (distribution agreement with the company RAL);
- UF-1000i/500i, an automated urinary screening system based on fluorescence flow cytometry (distribution agreement with the Japanese company Sysmex);
- WASP®, an automated plate streaking system and WASPLab™, intelligent incubation systems that offer high-resolution culture media images, improving speed, interpretation, reliability and accessibility of results (distribution agreement with the Italian company Copan).

New IT solution for the microbiology laboratory: MYLA® and VILINK™

Managing laboratory information helps to optimise the care and monitoring of patients in healthcare units. Launched in 2010, MYLA® is innovative middleware (IT application that connects instruments to the laboratory information system) for microbiological use that can manage the laboratory's day-to-day operations. It helps to:

- optimise the flow of data in the laboratory;
- consolidate data generated by microbial identification and antibiotic susceptibility tests (ID/AST: VITEK®) and blood cultures (BACT/ALERT® 3D and BACT/ALERT® VIRTUO™);
- publish dashboards adapted to user profiles;
- real time display of information from connected instruments and rapid processing alerts;
- remote access for users through network connectivity.

MYLA® also enhances this data through epidemiology reports that can be generated on request or scheduled, enabling simple and accurate tracking of laboratory activity and quality reports, along with trends in evolution of resistance by department or type of sample.

To increase laboratory efficiency, VILINK™ is an IoT (*Internet of Things*) tool for diagnosis and remote support of bioMérieux equipment, ensuring maximum availability of the laboratory's diagnostic tools. VILINK™ can also provide preventative maintenance, providing bioMérieux technicians with remote access at any time. Finally VILINK™ ensures that the latest software versions are available through remote application updates for bioMérieux devices.

Quantification of microorganisms (quality indicators): TEMPO®

In 2005, the Company introduced TEMPO®, the first automated microbiological control system designed specifically for industrial applications. TEMPO® is a system that quantifies the bacterial and fungal flora present in food. This system is targeted at the control laboratories of industrial food groups and independent industrial laboratories. TEMPO® can be used to control a wide variety of food products.

Since then, the Company has developed a complete menu of tests, also called TEMPO® cards, which permit quantification of *Escherichia coli*, coliforms, total coliforms, enterobacteria, yeast and mould, staphylococcus, lactic bacteria, bacterial flora, total aerobic flora and *Bacillus cereus*.

All of these tests are validated by AOAC or AFNOR/ISO.

In 2016, a new application specially developed for the cosmetic industries was launched: TEMPO® Challenge Tests. These new tests (TEMPO® CTB and TEMPO® CTF) can check that new cosmetic and personal hygiene products put on the market are protected against any microbial contamination introduced during their use. This new solution fulfils the need to simplify these analyses, which are very time-consuming for the laboratories.

Also, connection software is marketed to enable information to be exchanged between the VIDAS® and TEMPO® platforms and the information system of food laboratories. This allows analyses to be traced, from the initial sample until the final result is communicated to the manufacturing site.

Instruments for preparing samples and culture media, and instruments for fast, automated microbial detection in industrial quality control laboratories: Blue Line™

bioMérieux has obtained, through the acquisition of AES, a range of instruments for preparing samples and culture media, Blue Line™, especially for the food industry, helping to optimise laboratory standardisation and productivity. This range includes:

- DILUMAT™ to perform the dilution stage; a new generation of instruments includes RFID (Radio Frequency Identification) technology, for better traceability of samples in the laboratories;
- SMASHER™ for grinding food samples;
- MASTERCLAVE® for the fully automated preparation of agar and enrichment broths.

The offering also includes the Labguard® system for the monitoring of temperatures and environmental parameters in laboratories and production facilities.

Automated and intelligent incubator: EVISIGHT™ COMPACT

EVISIGHT™ COMPACT, launched in 2016, is an intelligent incubator system providing real time culture media reading. For use in pharmaceutical industry R&D and production settings, EVISIGHT™ COMPACT combines incubation, intelligent automated detection and enumeration of colonies of bacteria, yeasts and moulds in a single system. This launch results from bioMérieux's acquisition of the company Advencis (Strasbourg-France) in October 2014.

EVISIGHT™ COMPACT is being gradually distributed worldwide, starting with France, then the United Kingdom, Germany, Austria, Switzerland, Italy, Benelux, the United States, Canada and India.

Rapid microbiology instruments using cytometry

The CHEMUNEX® cytometry analysers are based on a technique combining a fluorescent viability marker and detection by laser beam. They are an alternative to the traditional culture of microorganisms in a Petri dish and can provide results extremely quickly.

Due to its speed and reliability, this technique is becoming established in most food, cosmetic and pharmaceutical groups. It can be used to release batches before finished products are put on the market, and for controlling production plants by enabling ultra fast checking of raw materials, production hygiene parameters and semi-finished products.

The range includes the SCANRDI® and D-COUNT® instruments:

- SCANRDI® scanning cytometry (also known as solid-phase cytometry) is used by the pharmaceutical industry for controlling medicines that are not mandatorily sterile (*e.g.* eye lotion) and those that are sterile (*e.g.* injectable). It is currently the fastest microbiological control technique in the world and gives a result in several hours;
- D-Count® flow cytometry is particularly adapted to the microbiological control of products that are difficult to filter, such as dairy products, fruit juice and cosmetics. This ultra-fast technology saves users money while ensuring the safety of the released products.

1.2.3.2 Immunoassays

This technology, based on an antigen-antibody reaction, detects and measures infectious agents, such as (bacteria, viruses, and parasites), and measures the specific biomarkers of various pathologies (metabolic, hormonal, infectious, etc.).

The VIDAS® product line

VIDAS® is a multi-parameter instrument using ELFA (Enzyme Linked Fluorescent Assay) technology and is based on the single test concept. The system can automatically perform every step of biological analyses to identify and/or quantify (i) antigens or toxins, which are evidence of viral or bacterial infection; (ii) antibodies measuring the immune response to infection; and (iii) various markers for pathologies such as cancer, metabolic diseases and hormonal dysfunction. Analyses may be run as a series or a customisable test, and it is possible to reach a rate of up to 50 tests per hour. Mini VIDAS® is a compact version of VIDAS®, while VIDAS® 3, launched in 2013, features greater automation and heightened traceability.

Launched in 1991, VIDAS® has been very successful. It is recognised for its quality and reliability. In a study of automated immunoassay analysers, the College of American Pathologists(1) concluded that VIDAS® has the world's largest installed base in immunoassay laboratories. As of December 31, 2017, approximately 35,000 VIDAS®, MINI VIDAS® and VIDAS® 3 systems had been installed, including 30,000 in clinical laboratories. VIDAS® is used as a supplemental platform for innovative high medical value tests in consolidated central laboratories, and as a platform for routine testing in laboratories with little consolidation.

The new generation VIDAS®, VIDAS® 3, will enhance the VIDAS® instrument range and offer important new functions to support its position as a supplemental platform for high medical value tests, notably greater automation and heightened traceability. VIDAS® 3 can carry out up to 36 tests per hour and uses the same reagents as the other VIDAS® instruments. VIDAS® 3 was CE marked in 2013. It obtained China SFDA approval in the first half of 2014 and FDA clearance in the summer of 2015.

The VIDAS® menu includes more than 70 clinical parameters covering a wide range of human pathologies, including HIV, hepatitis, cardiology, sepsis, thyroid disorders, certain cancers, perinatal infections and infertility.

The VIDAS® menu includes seven high medical value tests:

- VIDAS® B•R•A•H•M•S PCT™ test to measure procalcitonin (PCT), a biological marker recognised as the leading test for the early detection of sepsis among seriously ill patients. The test helps doctors to make an early determination of whether an infection is bacterial or viral and provides information on the severity of a patient's condition in order to determine the appropriate treatment. CE marked and approved by the FDA in 2007, in 2016 VIDAS® procalctonin testing received clearance from the FDA for four day monitoring following an initial sepsis diagnosis. In 2017, bioMérieux received an additional FDA clearance so this assay could also be used to help doctors prescribe the optimal antibiotic therapy or determine whether to reduce treatment in two common clinical situations, lower respiratory tract infections and sepsis;
- VIDAS® D-Dimer Exclusion™ tests to exclude the diagnosis of deep vein thrombosis and pulmonary embolism. A new, more rapid version obtained FDA clearance in 2012. Since 2017, this test has also been used to identify, among women undergoing long-term anticoagulant treatment following a first episode of idiopathic venous thromboembolic disease, those who are at low risk of recurrence and whose treatment may be discontinued;
- the VIDAS® Troponin I Ultra test was replaced in late 2015 by the VIDAS® High Sensitive Troponin I test, which complies with international cardiology recommendations as an aid in the diagnosis of Myocardial Infarction (MI) and as an aid to the risk stratification of patients with symptoms suggestive of Acute Coronary Syndrome (ACS);
- VIDAS® NT-proBNP test to measure NT-proBNP, a quantitative marker of cardiac function. It provides objective information that proves useful in the differential diagnosis of heart failure (respiratory diseases or pulmonary embolism, for example).

(1) College of American Pathologists: automated immunoassay analyzers (June 2009).

In 2013, the Company developed a second generation VIDAS® NT-proBNP II test;

- the VIDAS® EBV test launched in 2009 and designed to detect the Epstein-Barr Virus (EBV), responsible for 80% of cases of Infectious Mononucleosis (IM);
- VIDAS® C. difficile GDH test for the automated detection of GDH, a specific enzyme produced by *C. difficile*. It is the only FDA-cleared automated immunoassay test for GDH detection;
- VIDAS® AMH (1) was launched in mid-2016. Anti-Müllerian hormone (AMH) testing assesses the ovarian follicle reserve in women represents a significant advance in the treatment of female infertility. In addition, AMH can play a role in the diagnosis of ovarian dysfunction (caused for example by polycystic ovary syndrome). This new test enhances the existing range of VIDAS® women's health solutions which is recognised by customers.

In addition, the Company intends to continue enhancing its menu of VIDAS® tests, which have high medical value for emergency applications. In 2015, bioMérieux acquired from Astute Medical Inc. the rights to develop and market the NephroCheck® test used in cases of acute kidney injury. In 2017, the Company signed an agreement with Banyan Biomarkers to develop and market markers for traumatic brain injuries.

In industrial applications, the VIDAS® menu offers 16 tests for the detection of disease causing organisms. It includes reagents based on recombinant phage protein technology developed by Hyglos GmbH and acquired by bioMérieux in 2016, such as the reagent VIDAS® UP, for the detection of *Escherichia coli* O157 (including H7), the bacteria responsible for numerous cases of food poisoning and which can in some cases lead to death, VIDAS® SPT for detecting *Salmonella* in food, and VIDAS® UP Listeria for detecting the *Listeria bacteria*, which commonly causes infections originating from food.

Most VIDAS® tests have been validated by official bodies such as AFNOR Certification, in accordance with ISO or AOAC International standards. In 2013, certain tests were granted AOAC International approvals. The VIDAS® UP Salmonella (SPT) test was granted Official Methods of Analysis approval for a wide variety of food products and environmental samples while VIDAS® UP Listeria (LPT) and VIDAS® Listeria Monocytogenes Xpress (LMX) were simultaneously awarded Official Methods of Analysis (OMA) approval, attesting to the reliability and significance of this complete screening solution for *Listeria*.

The VIDAS® system, and notably the VIDAS® Progesterone, VIDAS® Cortisol S and VIDAS® T4 tests, are also used by veterinary laboratories.

Rapid tests

Rapid tests are manual tests based on antigen-antibody reactions. The low cost and ease of use of these tests make them particularly suitable for users without access to laboratory infrastructure such as in emerging countries, mass screening programs funded by governments or non-governmental organisations. This range also offers a solution for rapid diagnosis at patients' point of care (emergency services, physicians' office laboratories, etc.). It comprises two lines produced at the site in Shanghai, China: VIKIA®, for emerging markets, and BIONEXIA®, for laboratories in developed countries. The range currently includes 14 rapid tests that help with the treatment of a range of pathologies such as viral gastroenteritis, HIV infections, tonsillitis and pharyngitis.

1.2.3.3 Molecular biology

This technology is based on the detection of genetic sequences of DNA or RNA that are characteristic of a bacterium, virus, protein or cell. It comprises three steps: (i) the extraction of the genetic sequences (preparation of the sample), (ii) the amplification (or multiplication) of the number of sequences, and (iii) their detection.

Syndromic diagnosis of infectious diseases: BioFire FILMARRAY®

BioFire FILMARRAY® offers clinicians a "syndromic" diagnostic approach. BioFire FILMARRAY® is a CE marked and FDA-cleared multiplex PCR molecular biology system that makes it easy to quickly and accurately identify, in a single reagent or panel, the disease-causing organisms that are most frequently responsible for a syndrome, within one hour.

This range has been growing strongly in the United States for several years. The Company is intensifying its development of FILMARRAY® internationally. FILMARRAY® meets the growing need of hospital laboratories and clinicians for high medical value solutions for the diagnosis of infectious diseases.

FILMARRAY®, with its fully integrated technology, is the market leader for multiplex molecular biology tests.

(1) Information on the availability of the product: www.biomerieux-diagnostics.com/vidas-amh-countries-list.

The FILMARRAY® menu is composed of the following seven panels, CE-marked and/or approved by the FDA:

- the Respiratory FILMARRAY® panel, a complete panel launched in 2011, which can simultaneously analyse 20 viruses and bacteria causing respiratory diseases, directly from nasopharyngeal swabs in a virus transport medium;
- the respiratory FILMARRAY® 2 (RP2) panel, a complete panel launched in 2017, which can simultaneously analyse 21 viruses and bacteria causing respiratory diseases, directly from nasopharyngeal swabs in a transport medium;
- the respiratory FILMARRAY® 2 plus (RP2plus) panel, a complete panel, CE marked in 2017 and approved by the FDA in 2017, which can simultaneously analyse 22 viruses and bacteria causing respiratory diseases, directly from nasopharyngeal swabs in a transport medium;
- the Respiratory EZ FILMARRAY®(RP EZ) panel, marketed in 2016, which detects 11 viruses and 3 bacteria which may be the cause of respiratory infections and is authorised in the United States for use outside the laboratory (*CLIA-waived*);
- the Sepsis FILMARRAY® panel, marketed in 2013, can directly identify 27 targets from a positive blood culture: 8 gram-positive bacteria, 11 gram-negative bacteria, 5 fungi and 3 resistance mechanisms;
- the Gastro-intestinal FILMARRAY®panel, launched in 2014, to identify the 22 most common causes (13 bacteria, 4 parasites and 5 viruses) of infectious diarrhoea, directly from a stool sample in a Cary Blair transport medium;
- the Meningitis-Encephalitis FILMARRAY® panel, marketed in 2015, identifies, from a sample of cerebrospinal fluid, 14 disease-causing organisms (6 bacteria, 7 viruses and 1 yeast) responsible for meningitis and encephalitis.

The FILMARRAY® line includes several platforms:

- FILMARRAY® 2.0: this compact, higher throughput instrument can process up to 176 samples per day. This solution accommodates up to 8 FILMARRAY® 2.0 units operated by a single computer and is able to connect to laboratory information systems;
- FILMARRAY® Torch: this very compact, high-throughput system is modular and scalable by design. The 2 module base configured FILMARRAY® Torch is capable of testing up to 44 patient samples per day, while the 12 module, fully configured FILMARRAY® Torch is capable of testing up to 264 patient samples per day. In 2016, FILMARRAY® received the Medical Biology Trophy, the Jury Prize at the *Journées Internationales de Biologie*. This award is a testament to the breakthrough achieved with this solution;

- FILMARRAY® EZ: this configuration, based on a single FILMARRAY® 2.0 system, offers a simplified user interface and provides reports that facilitate reading the results. It received 510(k) accreditation and CLIA (Clinical Laboratory Improvement Amendments) waiver from the FDA, which permits use of the test outside traditional clinical laboratories in sites such as physician offices and urgent care centres. This new offer is available to the American market only for the use of the RP EZ panel.

Molecular biology laboratory automation and extraction range offering®

For DNA and RNA extraction, the Company's products use the BOOM® technology established as the preferred method for all molecular biology tests. This extraction line includes the semi-manual NUCLISENS® MINIMAG® solution and the NUCLISENS® EASYMAG® automated system. bioMérieux is a major player in automated extraction, and its NUCLISENS® EASYMAG® system can carry out 24 high-purity extractions in 40 minutes, and offers a great degree of extraction flexibility.

In 2016, the extraction line was enhanced with the launch of EMAG®, a completely automated new-generation system for extracting DNA and RNA.

EMAG® builds on the quality of nucleic acid extraction, robustness and ease of use that have made the NUCLISENS® EASYMAG® platform so successful. The new EMAG® features automation, greater traceability and higher throughput, in addition to an unparalleled degree of flexibility, not previously available on the global market. The efficiency of the extraction of nucleic acids from a sample therefore has a decisive impact on the quality of a diagnostic test's final result. This step is especially challenging as the samples can be highly variable.

The new EMAG® system may be used with a broad variety of biological samples: whole blood, plasma, serum, stool, respiratory samples and cerebrospinal fluid. With the new EMAG® system, it is possible to obtain excellent quality purified nucleic acids using a standardised extraction protocol. EMAG® can extract 48 samples in 90 minutes directly from a primary sample, and handles all sample types in a single series. The enhanced flexibility and traceability of this automated, high throughput platform allow laboratories to monitor patients as soon as this becomes necessary, regardless of the sample type. The enhanced flexibility and traceability of this automated, high throughput platform allow laboratories to monitor patients as soon as this becomes necessary, regardless of the sample type.

In 2014, the Company launched ESTREAM™, an automated sample preparation station for PCR (polymerase chain reaction) tests, which optimises analysis workflow, and enhances standardisation and traceability in molecular biology laboratories to provide clinicians with better quality results.

That same year, bioMérieux renewed and expanded its distribution agreement with Hain Lifescience, a company specialising in molecular diagnostics. Under this 10 year agreement, bioMérieux will become the exclusive distributor of Hain's current mycobacteria molecular tests in most countries. These tests enable the rapid and accurate diagnosis of tuberculosis.

In 2015, a new version of the NUCLISENTRAL® middleware was launched. This middleware helps to optimise workflows within molecular biology laboratories using ARGENE® tests and the automated sample preparation systems (EASYMAG®, EMAG® and ESTREAM™) from the Company.

The ARGENE® product line

The tests offered by the ARGENE® range are used to screen and monitor immunocompromised patients on transplant waiting lists. Using PCR technology (polymerase chain reaction), they detect cytomegalovirus, Epstein Barr virus, adenovirus, enterovirus, infectious respiratory pathogens including MERS CoV, responsible for Middle East Respiratory Syndrome, and the herpes virus.

Detection of microorganisms (viruses and bacteria) for the agri-food industry: GENE-UP®

The GENE-UP® platform enables the microbiological control of food, raw materials and the production environment for customers in the agri-food sector. This innovative solution considerably simplifies laboratory workflow, providing gains in productivity and speed. This new generation system combines the expertise of bioMérieux, world leader in microbiological control of food, and BioFire, a company recognised for its know-how in molecular biology systems.

The GENE-UP® platform menu enables the detection of the most commonly tested pathogens in the food chain, such as *Salmonella*, *Escherichia coli* O157:H7 and *Listeria spp, Listeria monocytogenes, EHEC*. GENE-UP® can also detect the main viruses that are screened for in the food industry, such as Norovirus GI, Norovirus GII, Hepatitis A and Hepatitis E, using the CeeramTools® line, the world leader in this segment. The methods used to detect *Salmonella*, *Listeria spp* and *E. coli* O157:H7 have already received AOAC-RI certification (No. 061504 and 061505), which is recognised in a number of countries, including the United States, as an indication of the technology's excellent performance. GENE-UP® is also certified under ISO 16140 for the detection of *Salmonella*, *Listeria spp* and *Listeria monocytogenes*.

1.2.3.4 Companion diagnostics

In 2014, the Company set up the "Companion Diagnostic" program to improve patient clinical care and treatment. The *aim* of the programme is to develop companion tests (as defined by the regulatory bodies) and supportive/complementary diagnostics, in partnership with pharmaceutical companies.

A companion diagnostic is a diagnostic test based on biomarkers that help predict likely response to a targeted treatment, thereby determining the treatment's applicability to a specific(1) patient.

Supportive/complementary diagnostic tests are used to stratify homogeneous cohorts of patients to be treated in clinical trials.

bioMérieux and GlaxoSmithKline (GSK) worked together under the terms of a partnership agreement to develop a THxID™-BRAF molecular biology test intended for the qualitative and simultaneous detection of BRAF mutations in late stage metastatic melanoma patient samples. In 2013, this test received pre-market approval from the FDA for its sale in the United States.

Furthermore, coordination of the development, in close collaboration with pharmaceutical companies, of tests to determine sensitivity to antibiotics, such as ETEST® and VITEK® 2 is provided through the Companion Diagnostic program. These two diagnostic solutions play an essential and complementary role for the successful launch of a new anti-infection agent:

- ETEST® is used during the clinical development of anti-infectives. It is then the first method used to determine antibiotic susceptibility during the launch of a new molecule, facilitating its rapid adoption and prescription by clinicians to improve patient care;
- the new anti-infective agent can then be incorporated into the VITEK® 2 cards to automate the determination of the minimum inhibiting concentration (MIC). Automating the process in this way allows the molecule to be adopted and prescribed a few years after its launch.

(1) Source HAS: Haute Autorité de Santé.

1.2.3.5 Services and solutions

In line with its strategy, bioMérieux continues to develop services in addition to its products in a solutions-based approach to help clinical and industrial laboratories tackle their current and future challenges.

Services for laboratory organisation

bioMérieux offers a Lab CONSULTANCY service based on Lean Six Sigma which adapts to the specific needs of microbiology laboratories, providing customers with an objective assessment of current performance and helping them focus on current and future workflow and procedural improvements to the laboratory. bioMérieux teams work closely with laboratory staff to achieve transformation:

- enhancing efficiency and the optimal use of existing resources;
- cutting costs and optimising quality;
- redirecting laboratory technicians toward higher value-added tasks;
- efficient change management aimed at securing commitment, satisfaction and motivation of laboratory staff;
- waste reduction.

In addition, services are offered to Lab Efficiency customers to support integration into an automated system.

Training and education

bioMérieux offers a comprehensive range of training modules for technicians and biologists with the aim of developing their skills in the routine and expert use of its products, various scientific issues and professional development. These training courses may be delivered in the classroom or remotely through an e-learning platform. This platform is available in Europe (France, Germany, Italy, Denmark, Sweden, Norway, Finland and Switzerland).

The e-learning range is composed of 12 modules (each including training and evaluation) and covers all of bioMérieux's main product lines, notably VITEK®, BACT/ALERT® and VIDAS®.

These training courses related to bioMérieux products are supplemented by scientific or technical training courses.

Quality and compliance (accreditation assistance)

In order to support laboratories in the quality and accreditation process, bioMérieux offers method evaluation solutions to validate its products for routine use, in view of obtaining laboratory accreditation.

Software solutions to interpret complex biological data

Building on more than 20 years of expertise, Applied Maths, acquired by bioMérieux in late December 2015, develops and commercialises BioNumerics universal software for microbiology applications, including in bacteriology, virology and mycology. The highly reliable BioNumerics software platform offers excellent connectivity and the ability to manage large amounts of information from various sources: information on phenotypes, molecular PCR, genetic sequences, spectrometric profiles, comprehensive genome mapping, metadata, etc. Applied Maths serves more than 2,000 customers worldwide, primarily in Europe and the United States, focusing on leading public health organisations, academic research institutions, industrial groups and hospitals.

1.2.3.6 Streamlining the commercial offering

bioMérieux constantly evaluates its portfolio in an effort to streamline its commercial offering, notably with the 2016 discontinuation of its Allergie VIDAS® product line, followed by the 2017 discontinuation of the DIVERSILAB® line.

1.3 bioMérieux's strategy

1.3.1 Key strengths

The Group's principal strengths are:

- a family majority shareholder, whose scientific, industrial and commercial vision has translated into financial stability, continuous sales growth and consistently satisfactory results, while successfully positioning the Company in the technologies of the future;
- a high level of expertise in the diagnosis of infectious diseases, based on over 50 years of experience in biology, which is also relevant for new areas such as industrial applications and cardiac diseases;
- a broad and balanced geographic footprint supported by a global distribution network that maximises marketing opportunities for its products and a longstanding presence in emerging countries, enabling the Group to seize market growth opportunities;

- around 80% of its sales generated in three sectors where, based on its knowledge of the market, it holds the leading position: clinical microbiology, industrial applications and molecular and syndromic diagnosis of infectious diseases:
  - a world-leading position in clinical microbiology, an extremely broad product range that can fulfil the needs of any size microbiology laboratory, one of the most complete collections of bacteria in existence, and unique expertise in bacteria and bacterial resistance mechanisms,
  - a highly respected pioneering and leading position in industrial applications, where the Company has the widest product range, and strong market positions,
  - an enhanced molecular biology portfolio which established the market for a syndromic diagnostic approach through the FILMARRAY® system, covering upper respiratory tract infections, sepsis, gastrointestinal infections, meningitis and encephalitis;
- an installed base of approximately 92,800 instruments, primarily composed of closed systems, which only use reagents developed specifically for these instruments and sold by bioMérieux; this installed base requires a service department made up of a team of maintenance and application engineers, who work on the ground or remotely;
- a drive for innovation to enhance the medical value of diagnostics and laboratory workflow, driven by significant investments in R&D: based on a percentage of sales, it exceeds expenditures made by its competitors. This drive leads to the regular release of new and innovative products and, combined with an efficient system to track new technologies, facilitates the identification and selection of the most promising advances, particularly in the area of diagnosis of infectious diseases;
- a genuine capacity to make targeted acquisitions and establish strategic partnerships and expertise in integrating acquired companies and forming commercial and operational synergies.

1.3.2 Strategy and priority policies

In the current uncertain economic climate, the Company feels that clinical and industrial *in vitro* diagnostics will benefit from dynamic growth drivers, as it becomes essential for medical decisions and for ensuring the safety of consumers. It also offers savings to healthcare systems and a major development opportunity in emerging countries.

In clinical microbiology especially, bioMérieux considers that there are both significant barriers to new entrants and attractive growth opportunities. According to its estimates, average annual growth on the market could pick up slightly, driven largely by the emergence of new technologies enabling faster results, and by the laboratories' need for automation to optimise workflow, standardise processes and shorten the time for returning results.

Backed by its competitive advantages, bioMérieux undertakes to be a pioneer at the service of public health, particularly in the fight against infectious diseases, and sets the following ambitions for itself:

- to consolidate its leadership in clinical and industrial microbiology. It is therefore continuing to innovate in these two areas. In order to meet market expectations, bioMérieux is rounding out its current ranges with new automation solutions;
- grow its molecular biology business. With the FILMARRAY® system, it is a major player in the syndromic approach to infectious diseases, and plans to consolidate its position by expanding the products' geographic range and enhancing its menu;
- optimise its position in immunoassays, where it is a focused player. It intends to leverage its VIDAS® franchise, using the launch of the latest VIDAS® 3 platform, the marketing of new parameters, its expertise in high medical value parameters, and the success of VIDAS® in emerging countries. The strategic agreements concluded in this field should also enable it to strengthen its position as a speciality player in immunoassays.

bioMérieux will also pursue its ambitious international development and will continue to promote innovation all over the world. Resolutely international, the Company intends to continue its expansion in the emerging countries and the adaptation of its commercial policy to the new economic context of the developed countries, notably in North America, the world's biggest market, and in Western Europe.

In 2015, and in the years to come, bioMérieux's main priorities will be to further develop its customer focus, enhance its operational excellence and ensure the sustainable and profitable growth of its business.

It has defined a strategic roadmap with the following priorities:

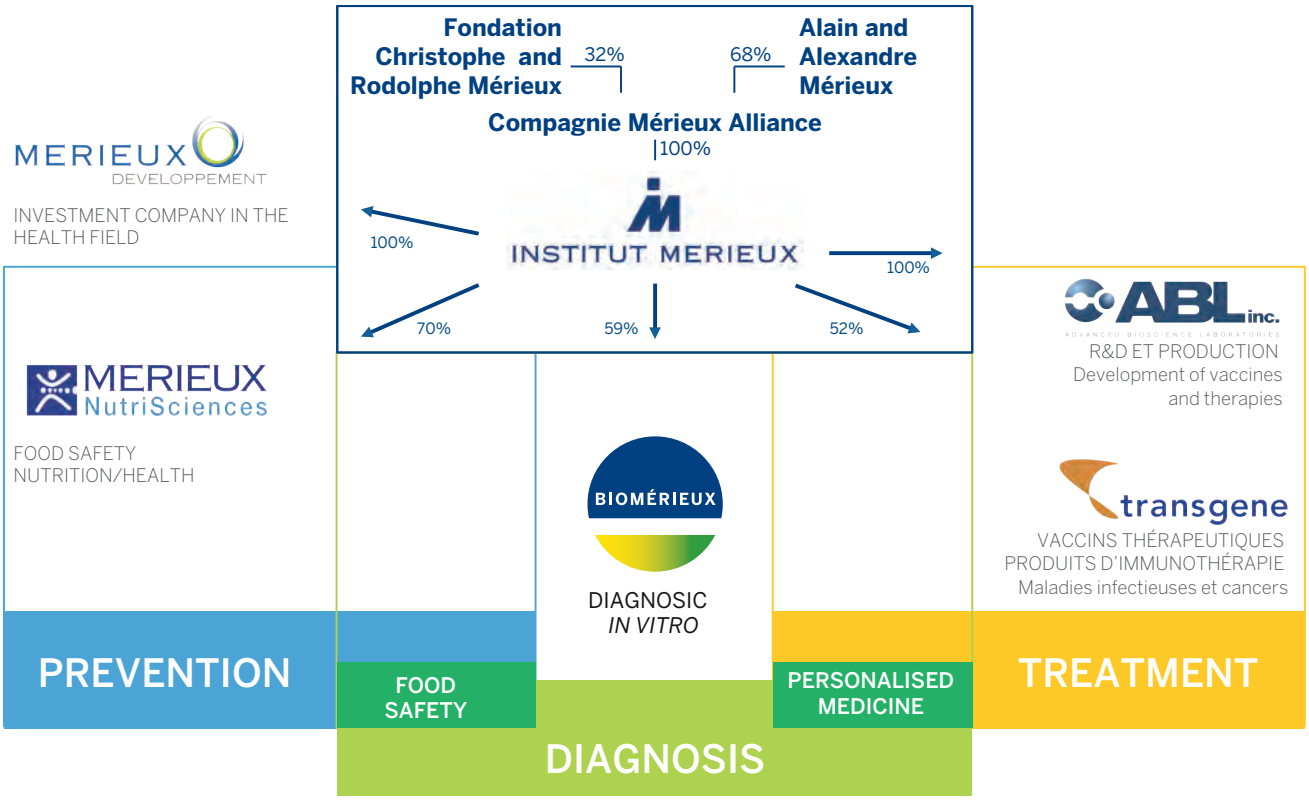
- driving growth in its key markets: bioMérieux wants to consolidate its leadership positions in clinical and industrial microbiology and strengthen its franchises in high medical value tests and in molecular biology extraction;
- further anchoring its growth in the launch of innovative solutions: bioMérieux intends to bring new platforms to market, each one helping to improve the medical value of diagnostics, testing processes or laboratory workflow. The Company will select, among emerging technologies, those which seem the most promising for its business, choose high value added biomarkers, and introduce new tests;
- seize every opportunity for acquisition and targeted partnerships, chosen due to their strong strategic synergy and their potential to create value, according to the following policies: expand the Group's existing product portfolio, broaden its technological range and promote its international expansion, while preserving the soundness of its financial structure. To this end, the Company has a Business Development Department, with international teams based at Marcy l'Etoile (France) and Boston (Massachusetts, United States);
- strictly controlling operating costs, despite the launch of new systems, while undertaking the operating and organisational initiatives needed to meet its strategic objectives.

1.4 Organisational structure

1.4.1 Organisational structure of the Institut Mérieux Group

The Institut Mérieux (new name of the Nouvelle bioMérieux Alliance since 2009) holds:

- 100% of the capital of SGH, the holding entity of Mérieux NutriSciences, an American company which specialises in testing and consulting services in the field of food safety and quality;
- 100% of the capital of TSGH, the holding entity of Transgene SA, traded on Euronext and specialising in immunotherapy, and of Advanced Bioscience Laboratories Inc. (ABL), an American research laboratory doing work on behalf of research institutes and business corporations;
- 100% of the capital of Mérieux Développement, which invests in companies.



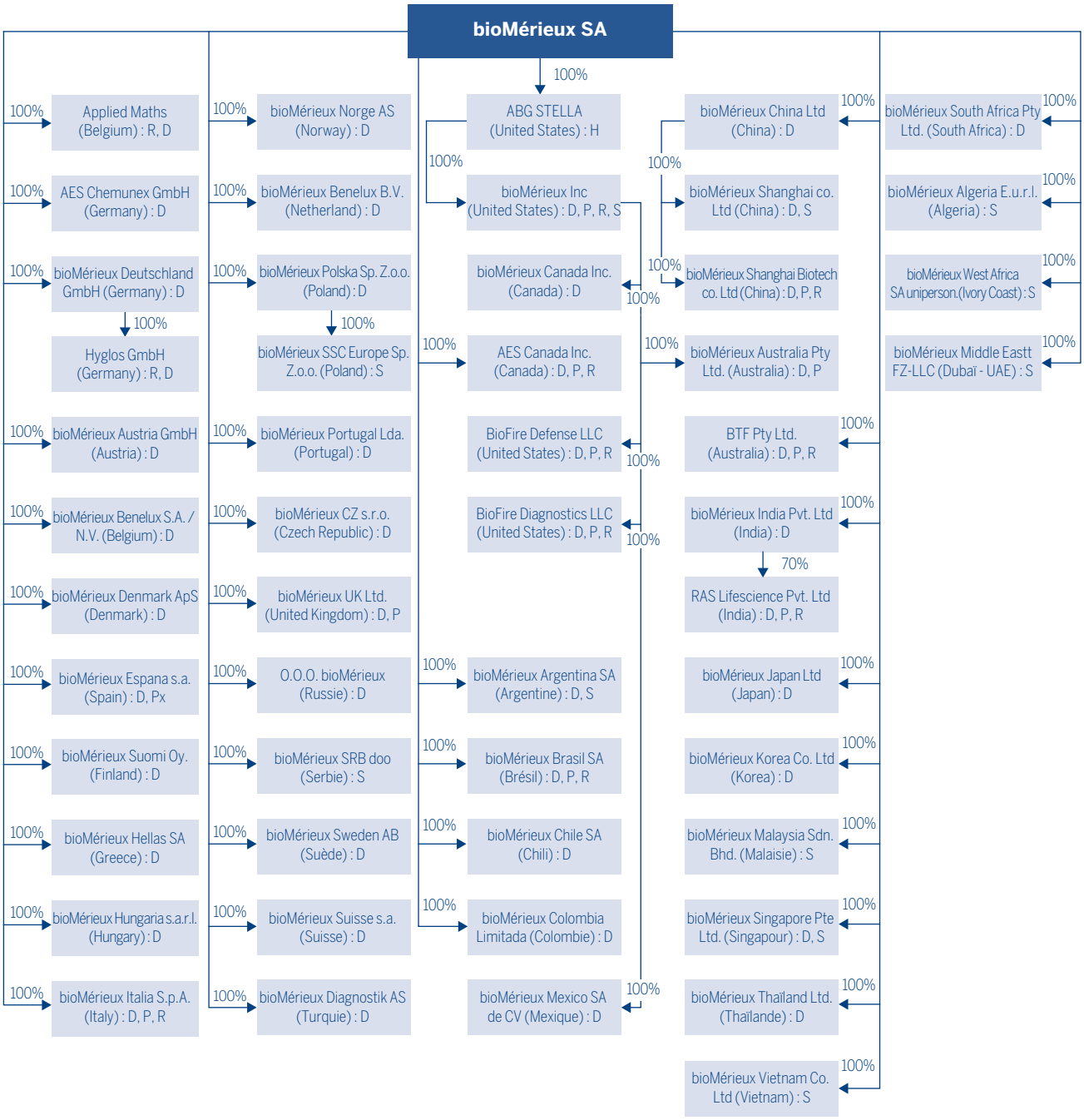
Ownership interests are rounded up to the nearest whole percentage.

1.4.2 Subsidiaries, branches and equity investments

1.4.2.1 Legal organisational structure of the bioMérieux Group at December 31, 2017

The chart below shows the relationship between the issuer's principal subsidiaries (as a percentage of capital held). Most of the subsidiaries shown below are distribution entities (see section 1.2.2.5); some also carry out R&D activities (see section 1.6) and/or have manufacturing operations (see section 1.7).

Furthermore, Note 4.3.3 in section 6.2.2 gives the list of subsidiaries.



D: Distribution / H: Holding / P: Production / R: Research & Development/ S: Regional support

1.4.2.2 Other information concerning subsidiaries and acquisitions of equity interests

Acquisitions of equity interests during 2017

On January 19, 2017, bioMérieux acquired 19.70% of the capital of Banyan Biomarkers Inc. (San Diego, United States) (see Note 1.2.2 in section 6.1.2).

On October 31, 2017, bioMérieux acquired 34% of the capital in the company previously held by Sysmex, making it the sole shareholder of Sysmex bioMérieux Co., Ltd (Tokyo, Japan). Sysmex bioMérieux Co. was renamed bioMérieux Japan Ltd. (see Note 1.2.1 in section 6.1.2).

bioMérieux acquired a 10% interest in Lumed Inc.

In November 2017, bioMérieux purchased 5.83% of the capital of Qvella Corp. (Canada) (see Note 1.2.3 in section 6.1.2).

New subsidiaries

bioMérieux did not create any subsidiaries in 2017. However, it opened a subsidiary in Kenya at the start of 2018.

Branches and representative offices

bioMérieux does not hold any subsidiaries directly. It did not open any new representative offices during 2017. bioMérieux maintains representative offices in Egypt, Saudi Arabia and the Philippines.

Equity investments

Note 4.3.3 in section 6.2.2 and Note 32 in section 6.1.2 give the list of equity investments.

The portfolio of listed assets held by the Company (GeNeuro, Labtech, Dynavax Technologies and Quanterix) is presented in Note 7.2 in section 6.1.2 and is not material.

1.5 Quality systems and applicable regulations

1.5.1 Quality Management Systems

The Company is particularly attentive to compliance with quality standards and regulatory questions. It has created a Global Quality Department that ensures the implementation of a quality management system that is independent from operations. This department has added a Global Quality System and Regulatory Compliance Department whose activities are described in section 4.4.2.3. In addition, a Quality Assurance Department is involved in all phases of product development and at each stage of production, distribution and marketing.

The distribution subsidiaries are mostly certified ISO 9001.

The Group's main manufacturing sites that produce *in vitro* diagnostics systems are certified to ISO 9001 and ISO 13485 standards, the benchmark in the industry for this type of activity. This certification is issued within a regulatory framework either by a certifying body acting under the auspices of regulatory authorities, or where such recourse is not required, by an outside certifying body, as part of a voluntary procedure on the part of the Company.

1.5.2 Regulatory requirements

Specific regulations apply to each product category: products for clinical customers (medical laboratories, whether private or in hospitals) and products for industrial customers (pharmaceutical, cosmetics, food and veterinary industries).

Medical *in vitro* diagnostics systems used for humans are subject to specific national or international regulations (*e.g.* European Union, United States, Japan, Canada and China). These regulations address the efficacy, performance and safety of systems.

Reagents used for microbiological testing intended for industrial customers must comply with standards that vary depending on the nature of controls and the specific requirements of users (pharmacopoeia, AFNOR-type standards, ISO, etc.). Regulations applicable to these products are part of the regulations governing industrial and consumer products and primarily concern product safety.

1.5.2.1 Clinical *in vitro* diagnostics

Clinical *in vitro* diagnostics are subject to national or international regulations. The countries are divided into two groups: countries with their own regulations or that rely on the regulations of other countries and countries without specific regulations. A growing number of countries have their own procedures for releasing *in vitro* diagnostics products on the market. Some countries accept gradual compliance for products already available for sale. Other countries require full and immediate compliance with their new market launch procedures.

The main legislation that governs *in vitro* diagnostic activities in the main countries is described below. These regulations classify devices on the basis of end-applications and risk assessment, and are becoming increasingly complex. The regulatory procedures to be followed prior to the marketing of these products differ based on the risk category of the product.

Regulations applicable in the main countries

European Union

Within the European Union, the regulatory environment is based on directive 98/79/EC of October 27, 1998, which applies to all medical devices for *in vitro* diagnostics. This directive, which has been transposed into French law, harmonises the European *in vitro* diagnostic market by standardising the marketing procedures used by manufacturers of *in vitro* diagnostics products.

Based on the risk level and the alternative options offered under the regulation, a manufacturer chooses the appropriate procedure to follow. Currently, about 95% of the Group's products are marketed under the sole manufacturer's responsibility following self-evaluation to determine whether they are compliant (CE marking). As a result, there is no regulatory certification period following this declaration.

For the remaining 5% of products that carry a higher level of risk, certifications must be obtained attesting to regulatory compliance before the marketing of these products. All certifications have been obtained and renewed for CE markings for all *in vitro* diagnostics products currently marketed in the European Union.

For high-risk or medium-risk products, the level of regulatory intervention is proportional to the risk. This ranges from certifying the quality management system, when reviewing the product file (design file), to the inspection of each batch prior to sale. Generally, the time period required for obtaining the necessary certifications is less than six months.

As part of the procedures for marketing a product, the Regulatory Affairs Department creates a technical dossier prior to the launch of any new product. This documentation, which includes all the items verifying that the product meets all the requirements imposed by the regulation, is then submitted for approval to one of the Regulatory Affairs managers. The Marketing Committee verifies that the approved technical dossier is available.

The new European regulation IVDR (2017/746/EU) regarding the framework for the launch on the market of *in vitro* diagnosis tests was published in the Official Journal of the European Commission on May 5, 2017. The new regulation, applicable without national transposition, aims to strengthen the framework for the launch on the market of *in vitro* diagnosis tests: it will reduce the self-disclosure on products and enable more checks from health authorities prior to, and after the launch of the products on the market. At the end of a five-year period during which the regulation will co-exist with European directive 98/79/EC, all bioMérieux products will have to meet these new requirements in order to be marketed in the countries that recognise the CE marking. Since 2014, bioMérieux has been doing the necessary work to bring its products into compliance with this new regulation.

The main new features provided by these regulations are the following:

- the classification of products is now based on the risk related to the patient and/or public health;
- the manufacturers must demonstrate the analytical and clinical performance of their products and their scientific validity;
- the checks by the notified organisations are strengthened before and after marketing;
- health companies must appoint a "qualified person" in charge of vigilance, the declaration of compliance with the regulations, the release of batches and the declaration on the performance evaluation of the products at the most risk.

United States

In the United States, the level of FDA intervention is, likewise, proportional to the level of risk. Some products in the microbiology product line are exempt from registration and are under the responsibility of the manufacturers.

Medium-risk products must be 510(k) registered, which consists of demonstrating equivalence with a product already on the American market. A limited number of products deemed to be high-risk are subject to pre-market approval (PMA) and require demonstration of their diagnostic utility. Currently, only one product in bioMérieux's portfolio is registered under a PMA procedure.

Japan

In Japan, products are subject to a registration procedure which is similar to that of the United States.

China

In China, products require registration with the CFDA which involves the following:

- quality control tests on three reagent batches performed by the National Institute for the Control of Pharmaceutical and Biological Products, or by another laboratory qualified by the CFDA. For instruments, additional tests must be carried out, such as to demonstrate their compliance with electromagnetic compatibility standards;
- a performance study carried out in China;
- an administrative review of the application;
- a technical review of the application including areas such as production, product performance, quality control tests and the report on the performance study carried out in China.

Nevertheless, a new regulation, in the preparation stage, could render the current registration principles obsolete.

Monitoring systems and audits

Applicable laws and regulations, which may differ from one country to another, impose an additional monitoring system (post-market surveillance - PMS), which requires manufacturers and users to notify the relevant regulatory body of any incidents or risks that could have harmful effects on human health. The PMS system also provides for a series of corrective measures. This allows the Company to intervene voluntarily, correcting or recalling the products concerned.

The Company's sites are subject to audits and inspections by regulatory authorities (FDA, ANSM, etc.), bodies acting on behalf of regulatory authorities, and certifying bodies. These audits serve to verify compliance with ISO 9001 and ISO 13485 or with the applicable national regulations used as a reference by the regulatory authorities. Certain customers, particularly in industrial applications, can also perform audits to ensure that Group products and procedures comply with their own or existing regulatory standards, and to benefit from guaranteed quality of service.

The Company also conducts internal quality audits at sites and centrally to identify improvement opportunities for the organisation.

The ability to manage manufacturing processes, quality control and product release is guaranteed by validation and monitoring methods performed throughout the course of production.

Inspections by various regulatory authorities take place regularly on the Group's manufacturing sites. In 2017, these included:

- St. Louis (United States): in January 2017, the FDA conducted an inspection of the site's quality management system. It issued an observation on form 483;
- La Balme (France): in February 2017, the FDA conducted an inspection on the site's quality management system and on the products marketed in the United States. No observation was issued;
- Durham (United States): in April 2017, the FDA conducted an inspection of the site's quality management system. It issued two observations on form 483;
- La Balme (France): in June 2017, the FDA conducted an inspection of the site's quality management system, which particularly applied to the software embedded in the VIDAS® system. No observation was issued;
- Florence (Italy): in June 2017, the FDA conducted an inspection of the site's quality management system, which particularly applied to the instruments of the VIDAS® product line. It issued a minor observation on form 483;
- Marcy l'Etoile (France): in June 2017, the FDA conducted an inspection of the site's quality management system, which particularly applied to the reagents of the VIDAS® product line. No observation was issued;
- Lombard (United States): in July 2017, the FDA conducted an inspection of the site's quality management system. It issued an observation on form 483;
- Marcy l'Etoile (France): in September 2017, the CFDA conducted an inspection of the site's quality management system and the products marketed in China;
- Verniolle (France): in September 2017, the ANVISA conducted an inspection in order to authorise the launch of the ARGENE® products of class III and IV on the Brazilian market. No observation was issued. The authorisation report for the market launch was received in October 2017;
- Salt Lake City (United States): in September and October 2017, the BioFire Diagnostics site was audited by BSI, the entity designated by certain regulatory authorities, particularly the FDA, in accordance with the MDSAP (Medical Device Single Audit program) guidance and ISO 13485, 2016 version. It issued two minor observations. BioFire Diagnostics was certified MDSAP and ISO 13485, new 2016 version;
- Marcy l'Etoile (France): in October 2017, the monitoring procedures underwent a monitoring inspection by the ANSM, which reviewed the actions implemented following its February 2016 report;
- Shanghai (China): in October 2017, the Shanghai Pudong FDA (regional subdivision of the CFDA) conducted an inspection of the site's quality management system. It issued two minor observations.

1.5.2.2 Industrial microbiological control

In the field of industrial applications, regulations applicable to manufacturers of industrial microbiological control products are still limited to their safety aspects. However, to meet the needs of its customers, the Company complies with the standards applicable to its customers (standards based on product use: pharmacopoeia, AFNOR, ISO, etc.). Recent crises in the food industry (*Listeria, Escherichia coli, Salmonella*, etc.) may lead to more stringent regulations being applied. Moreover, in the United States, for example, authorities may impose supplementary security measures as part of the fight against bioterrorism.

1.5.3 Management and monitoring of customer complaints

The Company has a procedure for the management and monitoring of customer complaints. The procedure serves to handle complaints while providing the Company with the information it requires to continuously improve its products.

1.5.3.1 Complaint processing

Complaints are processed on three levels:

- first level: most complaints are handled locally, by subsidiaries and distributors. Their closeness to customers allows them to deal with requests quickly;
- second level: complaints can be transferred to Global Customer Service (GCS) where they are handled by a specialised team that investigates to give a response to customers;
- third level: for complaints requiring a series of investigations involving the production sites or the R&D teams. An analysis is performed as to the causes of these complaints that could not be identified by levels 1 and 2. The Company can then resolve the customer complaint and implement corrective and preventive actions to avoid similar complaints in the future.

1.5.3.2 Quality management in the regions

Each bioMérieux entity has its own Quality Department which in turn reports to the Global Quality Department. The size and organisational structure of these units varies depending on quality standards and local regulations.

1.5.3.3 Global Quality System and Regulatory Compliance

The Global Quality System and Regulatory Compliance Department contributes to defining the strategy aiming to proactively improve the processes relative to the quality management system in place on bioMérieux's various sites and for all of the support functions. It is also responsible for the post-market surveillance procedure described in section 1.5.2.1. Its duties include the following:

- to improve the performance of the systems, tools and methods dedicated to quality;
- to set up indicators to improve the processes and procedures of the quality system, and to measure their appropriateness and efficiency;
- to implement all actions concerning product correction or withdrawal, including the instructions to be followed by the teams on the ground;
- to manage incident reports in France and the United States and oversee the reports filed by other bioMérieux subsidiaries.

1.6 Research & development, patents and licenses

1.6.1 Research & development

1.6.1.1 Investment policy

The Group's R&D expenses, which amounted to €304 million or 13.3% of sales in 2017 (compared with €272 million in 2016 and €239 million in 2015), focus on technologies that are developed internally or in partnership with other companies or academic research institutes, or under licenses acquired by the Company.

R&D activities have two key objectives: to enhance laboratory efficiency and to improve the medical value of diagnostic tests.

R&D focuses chiefly on developing platforms and expanding product ranges in the fields of infectious diseases and certain cardiovascular diseases.

1.6.1.2 Corporate structure

R&D activities are organised as follows:

- an Innovation Department, which is intended to prioritise innovative projects according to strategic policies, ensure continuity between the activities of innovation and development, and focus each R&D site on its area of expertise;
- the research activities in matters of biomarkers are carried out by MD3 (Medical Diagnostic Discovery Department) under the responsibility of the Chief Medical Officer. This department's task is to identify and validate biomarkers enabling the development of diagnostic tests with high medical value;
- development activities for reagents, instruments and associated software, and support to the lines that are marketed, are managed by each of the Clinical and Industry Application units;
- a "Data Analytics" Department, the aim of which is to provide customers and patients with innovative solutions based on the collection, processing and interpretation of data.

The Clinical and Industrial Application units are responsible for prioritising, validating and monitoring projects (approving schedules, human resources requirements, cost and risk). Major projects are periodically reviewed by the Executive Committee.

The Portfolio and Strategic Planning Department ensures that the project portfolio is aligned with the Company's overall strategy and assists the different departments in selecting R&D projects.

Research & development activities are supported by nearly 1,700 employees at 17 R&D centres.

The Group's policy is to locate R&D activity in the area where the related product line is (or will be) manufactured whenever this is possible. The following table breaks down the Group's R&D activities at December 31, 2017, by geographical area:

Site	Reagents	Systems	Informatics
St. Louis (Missouri, United States)	Automated microbiology (VITEK®)	Microbiology (VITEK®, BACT/ALERT®, VITEK® MS, BACT/ALERT® VIRTUO™)	Bio-informatics Microbiology
Durham (North Carolina, United States)	Microbiology (blood culture) BACT/ALERT®		
Salt Lake City (Utah, United States) – site of BioFire Diagnostics	Molecular biology (FILMARRAY®)	Molecular biology (FILMARRAY®)	
Salt Lake City (Utah, United States) – site of BioFire Defense	Molecular biology for the US Department of Defense	Molecular biology for the US Department of Defense and industrial and clinical applications	
Marcy l'Etoile (France)	Immunoassays (VIDAS®) Immunoassays in rapid tests Biomarkers	New technologies, laboratory automation	
Craponne, La Balme (France)	Microbiology (culture media, ETEST®, TEMPO®)	New technologies, laboratory automation	Bio-informatics Microbiology
Grenoble and Verniolle (France)	Molecular biology (EASYMAG®/ EMAG® FILMARRAY®, ARGENE®, CEERAMTOOLS®, GENE-UP®) Molecular virology for food applications	Molecular biology	Bio-informatics
Combourg, Ker Lann (France)	Microbiology (culture media); cytometry reagents	Industrial applications: laboratory automation/sample preparation Counting Flow cytometry	
Mutzig (France) site of Advencis*		Incubator for microbial detection in industrial applications	
Florence (Italy)		Immunoassays (VIDAS® product line) Industrial microbiology (TEMPO®) Molecular biology (EASYMAG®/ EMAG®	
Rio de Janeiro (Brazil)	Centre of excellence for tropical diseases		
Shanghai (China)	Rapid immunoassays Tests for cancer detection		
Hyderabad (India)	Molecular biology tests		
Bernried (Germany) site of Hyglos	Detection of endotoxins in pharmaceutical products		
Sint-Martens-Latem (Belgium) Applied Maths site			Bio-informatics

* *Advencis was taken over by bioMérieux on September 30, 2017. Its activities were transferred to other French sites.*

Innovation is a major priority for the Company and every year, bioMérieux's Patent Awards recognise the Company's inventors who have filed high-potential patents.

1.6.1.3 Clinical applications R&D

Strategy

Innovation has always been a prime focus for bioMérieux. Its R&D programmes have a two-fold objective:

- enhance the medical value of diagnostics by constantly reducing the time required to obtain results, identifying new disease-causing organisms, finalising new biomarkers and providing information tailored to the needs of medical professionals;
- improve the efficiency and productivity of laboratories and healthcare facilities, thereby optimising overall healthcare costs.

The research & development teams working in clinical applications focus on the development of new platforms and test menus.

Projects

The main research & development projects in clinical applications are described below.

In microbiology:

- continued development of the new-generation BACT/ALERT® VIRTUO™ blood culture product line and the first entirely-automated system;
- continued research on the medical value of new BACT/ALERT® FAN Plus blood culture bottles;
- development of new chromogenic culture media for the direct identification of bacteria (CHROMID®);
- evaluation of technologies for reducing the delay in obtaining results for identification and antibiotic susceptibility tests;
- extension of the range of manual tests for sensitivity to antibiotics within the ETEST® line;
- development of new test cards to enhance the VITEK® 2 menu;
- enhancement of the VITEK® MS instrument database;
- updating of specialised software on an ongoing basis;
- assessment of the suitability of sequencing for the diagnosis of infectious diseases; the first application is the epidemiology of bacterial infections;
- development of solutions in laboratory IT ("middleware" and "remote services");
- collaboration with Copan to extend the existing product range, with new solutions in microbiology, workflow optimisation, imaging and algorithms.

In immunoassays:

- development of new tests on the VIDAS® product line, including biomarkers with high medical value and tests intended for tropical diseases;
- continued collaboration with Quanterix for the development of specialised ultrasensitive and/or multiplex tests using Simoa™ technology; the focus is tests for infectious diseases and the assessment of the performance of the technology;
- expansion of the manual rapid test offering (BIONEXIA® and VIKIA® product lines), used mainly for infectious diseases.

In personalised medicine, research & development focusing on infectious diseases and oncology, in particular within the scope of partnership arrangements with pharmaceutical groups (see section 3.2.1).

In molecular biology, the main work covers:

- improvement of the FILMARRAY® platform and the enhancement of its menu by new panels. A number of new developments are in progress, including the panel for the diagnosis of pneumonia;
- expansion of the ARGENE® test range, particularly for immunocompromised patients;
- the new generation EMAG® extraction system following its launch in 2016;
- menu customisation of RAS Life Sciences Pyt Ltd in order to commercialise a menu of molecular biology tests, primarily in India, and in emerging countries in the medium term.

Agreements

Part of the Company's research activity, in particular for the development of new technologies, is based on partnership arrangements with leading public research institutes (CNRS, INSERM, Institut Pasteur, NIH "National Institute of Health", United States), universities, hospital research centres, laboratories, and biotechnology firms.

The agreements signed by the Company provide for the sharing of intellectual property rights as well as the payment of royalties when the products developed are actually brought to market.

The most significant existing agreements on clinical applications are:

- the agreement signed with Lumed, an innovative startup in the IT and health field, to help hospitals control their antibiotic use and fight against microbial resistance. This collaboration illustrates bioMérieux's selective approach to partnerships to develop its own business activity Data Analytics;
- The agreement signed with Qvella to investigate the potential of its technology to process samples directly.
- the agreement with Illumina to co-develop a next-generation sequencing (NGS) solution for the epidemiological monitoring of bacterial infections;
- the global agreement with Astute Medical to develop and market the VIDAS® NEPHROCHECK® an assay to assess the risk of developing Acute Kidney Injury (AKI);
- the worldwide agreement signed with Banyan Biomarkers to develop and market markers for traumatic brain injuries on the VIDAS® platform (see note 1.2.2 in section 6.1.2);

- the contract awarded to BioFire Defense by the US Department of Defense (DoD) for the technological development of the Next Generation Diagnostics System (NGDS).

The Company has also established joint research laboratories with French and foreign academic partners:

- two laboratories have been set up jointly with Hospices Civils de Lyon in the fields of cancerology and infectious diseases. This collaboration was extended in May 2016 for a period of five years and broadened to the Université Claude Bernard Lyon 1;
- as well as with a Chinese research laboratory specialised in biomarker research in cancerology.

As part of the Institut Mérieux Group, the Company has also carried out long-term research into infectious diseases jointly with Institut Pasteur. This project was launched in 2009.

bioMérieux has also, since 2006, been involved in the ADNA program, coordinated by Institut Mérieux. The R&D activities for this program ended in December 2016.

Finally, bioMérieux partners with BIOASTER on diagnostics and technology platforms. This technological research institute, certified by the French government in June 2011, focuses on infectious diseases and became operational in 2013. In this regard:

- bioMérieux participates in the REALISM research program (REAnimation Low Immune Status Markers) in partnership with the Ecole Supérieure de Physique et de Chimie Industrielle de la ville de Paris (ESPCI), GSK, les Hospices Civils de Lyon (HCL) and Sanofi. Carried out within BIOASTER and the joint HCL-bioMérieux research laboratory, this project is intended to identify and validate new biomarkers to improve the treatment of patients with a high risk of sepsis;
- the CODIRA project (Optical characterisation for the rapid diagnosis of bacterial infections) involving BIOASTER, bioMérieux, CEA-Leti, Horiba Scientific and *les Hôpitaux Universitaires* de Genève is continuing. In keeping with the scientific advances achieved since 2013, the objective of the CODIRA2 project is the effective development of prototypes facilitating bacterial identification and the determination of phenotypes for antimicrobial resistance under clinical test conditions.

1.6.1.4 Industrial applications R&D

Strategy

The Industrial Applications unit has its own R&D teams.

This unit develops and manufactures the broadest range of industrial microbiological control solutions. It provides solutions for sample preparation, identification and microorganism typing.

The unit provides solutions for:

- the food industry;
- veterinary diagnostic laboratories;
- the biopharmaceutical industry;
- the cosmetics industry;
- blood banks.

Projects

In the food industry:

- continuation of the development of the GENE-UP® molecular biology platform and associated reagents;
- development of new tests for the VIDAS® and microbiology product lines;
- expansion of the TEMPO® product line with the creation of a kit dedicated to the quantification of the Campylobacter present in poultry;
- development of a data management system to facilitate productivity optimisation and improved traceability.

In the biopharmaceutical industry:

- development of tests to detect endotoxins following the acquisition of Hyglos GmbH;
- continued development of equipment for the incubation and detection of bacteria colonies: EVISIGHT™ COMPACT based on the technology developed by Advencis;
- enhancement of the tests portfolio of culture media and sterility tests (improvement of the 3P range);
- enhancement of the reagents portfolio for microbiological quality control (BIOBALL®);
- evaluation of the potential of the BioFire FILMARRAY® technology for pharmaceutical quality control;
- strengthening of the effectiveness of the rapid detection solutions with the enhancement of the cytometry product line (SCAN FILTER®).

In the veterinary industry:

- launch of new cards for the VITEK® 2 Vet platform intended for household pets and production animals;
- development of new VIDAS® tests for bovine fertility analysis.

For clinical and industrial applications:

- development of new MASTERCLAVE® culture media preparators and the associated concentrated broths.

1.6.2 Intellectual property, licences, usage rights and other intangible assets

1.6.2.1 Intellectual property

The Company protects patents, copyrights and trademarks on its products and processes and actively defends its industrial property rights throughout the world.

Proprietary patents

Diagnostic systems, which are underpinned by a combination of instrumentation, IT and biology, are heavily reliant on the protection of intellectual property; the players in the sector therefore seek to obtain strong positions in matters of patents.

Manufacturing know-how, installed bases of closed systems and the number of menu parameters developed during the patent protection period generally mean that firms in this sector are less exposed when

patents expire than pharmaceutical companies that have to deal with the arrival of generic drugs on the market.

Conversely, high medical value tests may be more sensitive to the expiration of their patent protection.

The Company continues to deploy its intellectual property policy. It actively protects its research findings *via* patents (around 30 new patent applications per year) and monitors its competitors for any infringements of its patents. At December 31, 2017, the Group owned 531 patent families, the majority of which are in force in Europe, the United States, and China. At the same date, the Group held 356 patents granted in the United States and 259 patents granted in Europe.

Patent policy consists of filing a priority application (generally in France or in the United States) and applying for an extension within one year under the patent cooperation treaty (PCT) which has a single procedure for filing *a* patent in the 151 countries that are party to the treaty (at December 31, 2017). The final choice of countries for patent extension is made at the end of the PCT procedure, *i.e.*, about 30 months after the initial filing. As a general rule, patents are extended in countries representing the biggest markets, namely the United States, Europe (France, Germany, England, Italy and Spain in particular), Japan and China.

Licences granted by third parties

As part of its business operations, the Company has been granted licenses by third parties to develop or market reagents or technologies (see section 1.6.2.2).

Licenses granted by the Company

The Company has granted the following licenses to third parties:

- MRSA patents, covering sequences or processes for the detection of methicillin-resistant *Staphylococcus aureus* (MRSA), which constitutes a major source of healthcare-associated infections. bioMérieux is the exclusive licensee of MRSA patents for molecular biology applications. These patents expired in 2017;
- patents covering nucleic acid mutations (Factor II and Factor V) which are critical for identifying thrombosis risk in patients. The patent for Factor II expired in 2017 in the United States; the patents for Factor V will expire in 2020 in the United States and expired in 2015 elsewhere;
- patents covering detection sequences or processes for certain viruses such as EBV[1] for which the basic patents expired between 2013 and 2016. Three of the five patent families are currently in force and the other two have expired in all countries except the United States.

For all technologies controlled by bioMérieux via exclusive third-party licenses with sublicensing rights, a portion of the revenue from sublicensing agreements is paid over to the patent owner.

Trademarks

The Company owns the "bioMérieux" institutional trademark, which is registered in most countries both as a word trademark and as a word and device trademark. It should be noted that the use of the name "Merieux" is managed by the Institut Mérieux, for all the companies under its control. Accordingly, the Company obtained the right to use the name bioMérieux within the scope of its activities from the Institut Mérieux.

The Company also has legal title to the trademarks of products (instruments, reagents and/or software) and services that it markets.

Trademarks are initially registered in France or the United States and registration is subsequently extended as follows:

- registration of a trademark for all European Union countries;
- registration of an international trademark (*via* the WIPO); and
- registration of national trademarks.

The portfolio includes 246 trademark families and these have been registered in most countries.

Domain names

The Company owns more than 300 recorded domain names, including those consisting of the name "bioMérieux" and over 120 different extensions.

(1) Epstein-Barr virus, responsible for infectious mononucleosis.

1.6.2.2 Dependence on patents, licenses and other factors

Dependence on patents and licenses

The Company holds a number of licenses which are listed below, the loss of which could have a significant impact on the Company's sales:

- PCT license granted by Thermo Fisher along with the supply of raw materials, to develop and sell VIDAS® tests for the screening of procalcitonin as a marker of severe bacterial infections (renewed in October 2012 for the duration of all B R A H M S PCT patents);
- NT-proBNP license granted by Roche Diagnostics to develop and market VIDAS® tests for the detection of NT-proBNP, a marker of congestive heart failure and acute coronary syndrome (patents covering raw materials expiring in 2024);
- license granted by Spectral to develop and market the VIDAS® Troponin I Ultra test, in particular (patents expire in 2018);
- molecular marker license granted by PHRI Properties, Inc. to develop and sell the ADIAFOOD® product line in particular (patents expire in 2024 at the latest);
- PCR technology licenses granted by the University of Utah Research Foundation to develop and sell products in the FILMARRAY® line (patents expire in 2025 at the latest);
- licenses concerning technologies implemented as part of tests sold exclusively to the US government (BioFire Defense).

The Company also receives income from its patent portfolio (see section 1.6.2.1).

1.7 Property, plant and equipment

1.7.1 Real estate

Historically based in the Lyon region of France, the Company has expanded its geographical presence over the years by acquiring foreign companies, particularly in the United States, and by forming subsidiaries of its own.

The Company normally fully owns its production, logistics, and R&D sites (including in particular Marcy l'Etoile, Craponne, La Balme, Grenoble, Combourg, St. Louis, Durham, Salt Lake City, Madrid, Florence, Jacarepagua/Rio de Janeiro and Pudong/Shanghai).

1.7.2 Production

Manufacturing processes play a critical role in the *in vitro* diagnostics industry due to constraints related to the nature of the products. At end-2017, the Group operated 18 manufacturing sites organised by product line.

Manufacturing activities are organised by the Group based on the principle of "one site-one product line" (see section 2.1.11.1), partly due to the technical nature of products, which requires highly specific expertise, specialised teams and on-hand R&D teams, and partly due to productivity gains that may be generated through economies of scale achieved by concentrating production. Petri dishes are the only exception to this principle due to their reduced shelf-life and barriers to imports of animal-based products in certain countries. They must be manufactured close to customers at the facilities located in Brisbane (Australia), Rio de Janeiro (Brazil), Lombard (Illinois, United States), Madrid (Spain), Shanghai/Pudong (China) and Combourg (France), as well as the main production site in Craponne (France).

The Company endeavours to implement rigorous quality control at the production stage (see section 1.5.1).

The main production sites are described below. Headcount is expressed in terms of full-time equivalent employees (permanent and temporary staff).

1.7.2.1 Europe – Middle East – Africa

France

- **Marcy l'Etoile site including the Campus de l'Etoile**

Located near Lyon, the Marcy l'Etoile site has housed the Group's headquarters since the beginning. The property, fully owned by the Company (and acquired through property leasing for the Campus de l'Etoile), covers a total area of 187,000 sq.m. (including 53,000 sq.m. of built usable floor space) and accommodates reagent manufacturing sites (VIDAS® reagents, immunoassays, clinical biochemistry) and R&D teams. Approximately 1,750 employees work in General Management, central and support functions, training, manufacturing and R&D.

- **Craponne site**

Located near Lyon, the Craponne site covers a total area of 80,000 sq.m., owned by the Company (including 26,500 sq.m. of built usable floor space). It currently houses manufacturing sites for culture media, including the CHROMID and 3P™ product lines (Petri dishes, tubes and bottles, dehydrated media), sales administration, the French Sales Department, certain support and central functions and an R&D centre. Nearly 1,100 people work on the site.

A project to expand and restructure this site is in progress.

• La Balme site

This site is located between Grenoble and Lyon It covers a surface area of 119,000 sq.m. including 19,000 sq.m. in built usable floor space fully owned by the Company. The site employs over 400 people in R&D in microbiology, instruments and software and in the manufacture of API®, ATB™, TEMPO®, ETEST® reagents.

• Grenoble site

Some of the Group's research and manufacturing operations in the molecular biology field (excluding instrument production) are located at this fully owned site. The buildings, constructed on a plot of land of more than 31,500 sq.m, located in the Grenoble Polygone Scientifique research district opposite the headquarters of the French Atomic Energy Commission ("CEA"), consist of 9,300 sq.m of usable floor space. The site currently employs about 300 people.

• Combourg site

Located in Brittany, the Combourg site covers a total area of 43,000 sq.m (including 12,000 sq.m of built usable floor space). The site specialises in food applications and includes reagent manufacturing sites (culture media and cytometry reagents), control laboratories, equipment manufacturing (laboratory automation systems and cytometry), the culture media R&D laboratory, the supply chain and support functions (IS, reagent hotline). About 300 people work at the site.

• Verniolle site

Located in Ariège in the Midi-Pyrenees region, the Verniolle site covers a total area of 9,500 sq.m and includes 1,800 sq.m of usable floor space, of which roughly 1,000 sq.m is dedicated to the production of virological molecular diagnostic reagents in the ARGENE® line, R&D and the related manufacturing activities. It employs about 60 people.

Western Europe

• Florence site (Italy)

This fully owned site includes all of bioMérieux's activities in Italy. bioMérieux Italy employs approximately 250 people whose duties include the marketing of bioMérieux products in Italy and the manufacture and/or development of VIDAS® (immunoassay), NUCLISENS® EMAG® (molecular biology), TEMPO® and GENE-UP® instruments for all bioMérieux subsidiaries. This makes the Florence site the Group's second largest instrumentation centre. It covers an area of 10,000 sq.m, including 7,000 sq.m of built usable floor space on several levels.

• Madrid site (Spain)

This site is fully owned and employs about 90 people. It manufactures microbiology products (petri dishes for the CHROMID® product line).

1.7.2.2 Americas

North America

• Durham site

The Durham facility is located in North Carolina (United States) on 579,000 sq.m of land fully owned by the Company, with 21,000 sq.m of built usable floor space. The Group also leases premises nearby with nearly 10,000 sq.m of floor space. The site is currently home to bioMérieux Inc.'s registered office and employs nearly 1,200 people in R&D, the manufacture of microbiology reagents (BACT/ALERT®), customer services and support functions.

A new blood culture bottle production line is operational since 2017.

• St. Louis site

The fully owned St. Louis site in Missouri (United States) covers an area of 98,000 sq.m, with 46,000 sq.m of built usable floor space. Operations at this site are currently centred on R&D and the manufacture of microbiology instruments (VITEK® and BACT/ALERT® product lines) and reagents (VITEK® cards). Around 870 people currently work at the site.

• Lombard site

Located near Chicago (Illinois, United States), this site houses facilities for the manufacture and sale of culture media (3P™ product lines) for US industrial customers. The Group leases 5,850 sq.m and employs around 100 people.

• Salt Lake City sites

- BioFire Diagnostics has several buildings on the campus of the University of Utah (Utah Research Park), mainly fully owned. Covering a total area of 38,000 sq.m, these sites are dedicated to R&D and the production of the FILMARRAY® system (instruments and reagents) and house the administrative and marketing functions for BioFire Diagnostics. At end-December 2017, BioFire Diagnostics employs more than 1,400 people.
- To meet the expectations of BioFire's biodefense customers in the United States, BioFire Defense was created. All of the Defense business' staff (approximately 200 employees), programs and equipment have been transferred to a separate, secure facility in Salt Lake City.

Latin America

• Site at Jacarepagua (Rio) in Brazil

This site covers an area of 42,000 sq.m including 5,400 sq.m of built usable floor space. It is fully owned and employs about 200 persons. It hosts activities covering the production of reagents, ready-to-use media for microbiology (petri dishes from the CHROMID® product line) and industrial applications, sales, distribution and R&D. The site also houses other company functions (marketing, administrative, etc.).

1.7.2.3 Asia-Pacific

China

- **bioMérieux (Shanghai) Biotech Co. Ltd**

The Pudong (Shanghai) site is dedicated to the manufacture of rapid culture media tests (petri dishes from the CHROMID® product line). It extends over 20,000 sq.m., including 14,300 sq.m. of buildings housing production, sales and R&D. bioMérieux Shanghai Co. Ltd is also established on this site, which currently employs nearly 280 people.

Australia

- The **Brisbane** facility is located on leased property covering 2,300 sq.m. It employs over 60 people for the manufacture and sale of culture media (petri dishes from the CHROMID product line).
- The **BTF** site **in Sydney**, which is a leased facility covering 1,400 sq.m and employing about 80 people, is used for the manufacture and sale of microbiology testing reagents (BIOBALL®, EASYSTAIN®, ColorSeed, EASYSEED®).

India

- **Hyderabad**

This site is the result of bioMérieux's acquisition of a stake in RAS Lifesciences Pyt. Ltd. It employs around 30 people over a surface area of around 3,000 sq.m and specialises in the production of molecular biology tests.

1.7.3 Logistics/Supply Chain

Given the dispersion and specialisation of manufacturing facilities, as well as the large number of products and their specific nature (reagents, instruments and spare parts), the logistics/supply chain team plays an essential role within the Group.

The logistics/supply chain function groups the following functions:

- handling of customer orders by the Sales Department;
- forecast management and demand planning;
- supply and storage of materials and components necessary for production;
- storage, transport and distribution of finished products.

To optimise the conditions of supply to customers and inventory management, product distribution is handled by:

- global platforms (in Europe and the United States) where finished products are stored and from which they are shipped to subsidiaries and distributors;
- local platforms – the management of which may be subcontracted to external operators – which process orders and shipments to customers of subsidiaries.

Among the global platforms, the IDC logistics centre at Saint-Vulbas in France is the largest. It handles the distribution of the instruments and reagents produced in Europe and in the United States to distributors and certain subsidiaries. This fully owned site has about 80 employees and is located on a plot of land with an area of 71,000 sq.m, where it occupies 9,500 sq.m of floor space in a high-rise building.

In the US, management of the Durham (North Carolina) and Louisville (Missouri) platforms is subcontracted to a major industry player.

The logistics division manages the cold chain through the various stages of the distribution process and ensures product traceability (in particular through the use of barcodes on packaging).

Each subsidiary is responsible for managing its inventory levels of reagents and instruments, under policy guidelines set by the Group. It is supported by an expertise centre which optimises the coordination of flows and the balance between customer service and inventory levels.

The Company continues to adapt its supply chain to the challenges of the various regions in which it operates, and to improve its customer service based on three priorities: market segmentation, a regional breakdown in line with the new corporate structure and policy consistency.

2 Risk factors

The Company operates in a rapidly changing environment that exposes it to risks, some of which may be beyond its control. A number of important factors could cause the Company's actual results to differ materially from those indicated in its forward-looking statements, in particular as regards the achievement of its strategic aims or its growth and profitability targets. The risks and uncertainties presented in section 2.1 are not the only ones to which the Company is exposed. Other risks and uncertainties of which the Company is not aware at this time, which it currently considers not material, or which concern more generally all economic players, could also in future adversely affect its business, outlook, financial position or ability to meet its objectives.

To identify and assess risks that may have an adverse impact on its business, outlook, financial position, earnings or ability to meet its objectives, the Company has put in place a risk map. Initially, this risk map will allow it to identify the main risks to which it may be exposed and to assess the likelihood that the risks will materialise, as well as their financial, legal, HR and reputational impact. Subsequently, the Company will be able to use the risk map to identify and assess the effectiveness of any risk management initiatives implemented. This methodology is gradually rolled out within the operational entities and support functions, so as to manage the risks at a more detailed level.

The risk map is reviewed annually. Work sessions and workshops are organised during the year so as to review all gross risks, monitor the progress of action plans put in place, and assess the efficiency of risk management initiatives with a view to identifying and evaluating new risks. This gives the Company an image of its risk environment and allows it to define the action plans and internal audit program for the coming year, where appropriate.

2.1 Risks relative to the activities

2.1.1 Risks related to the failure of R&D projects and new products

The Company may not collect the return on its investments in R&D in the event of technical or industrial failure, if the products developed do not receive the requisite regulatory clearance or if they do not meet with the expected commercial success.

The Company invests significant amounts in product R&D (systems, instruments, reagents, software, services, etc.) in order to remain competitive. At the start of an R&D project, it is not certain that the product under development will be marketed or that it will be launched at the initially-planned date.

As an example:

- R&D teams may fail to develop the new products needed to meet the Company's strategic objectives, of either capturing new markets or preserving existing markets. In particular, as new diagnostic systems are extremely complex to develop, requiring the joint development of platforms, reagents and software, the Company may fail to develop the solution needed and have to abandon or postpone certain projects;
- the joint development with other technical partners of products considered key growth drivers for the Company could prove more difficult than expected, either for the reasons set out above, or owing to possible disagreement with partners (see section 2.1.8), and the corresponding product launches could be delayed or abandoned;
- technical, industrial or regulatory difficulties or difficulties concerning intellectual property could delay the commercial launch of a menu of reagents and affect the commercial success of the associated systems;
- the Company may not be able to obtain the regulatory clearance it requires to market and sell its new products.

Also, it is possible that bioMérieux will not invest in the most promising technology or in biomarkers that will rise to prominence, and consequently that it will be unable to launch new products or build a strong product portfolio to meet customer needs.

Furthermore, the Company may not succeed in demonstrating the medical and economic value of new diagnosis solutions, which is a key factor in the commercial success of its solutions.

As an example, the Company's competitors may develop products that are more effective or otherwise better adapted to demand. In particular, certain IVD tests proposed by competitor companies could make obsolete some of the Company's platforms in the process of development or already marketed and thus threaten its market share.

Furthermore, technical, industrial, regulatory or commercial difficulties concerning these products could affect the costs of projects or the growth and profitability of the Company.

As an example:

- the launch of new products may require more operational or capital expenditure than anticipated by the Company on R&D, production, marketing, sales force and commercial support, instrument placement and maintenance, medical education and customer training;
- the products may be accepted by laboratories and the medical community after a longer period than expected, delaying the positive impact on the Company's sales growth and profitability;
- it may be too costly or too difficult to manufacture certain new instruments or reagents on a large scale or to obtain the supplies necessary for their manufacture and marketing;

- the products and systems developed by the Company could be faulty and this could delay their marketing, affect their commercial success or give rise to additional expenses for the Company in order to remedy the faults and/or compensate customers.

There is a material risk that the Company may shelve R&D projects in which significant human and financial resources have been invested, even at a development stage close to the commercial launch date, which could impact the Company's financial position.

Risk Management: The Company pays particular attention to the selection, progress and monitoring of its R&D projects. The R&D activities are organised around teams dedicated to clinical, industrial, molecular biology and Data Analytics projects. The Company endeavours to incorporate market expectations and to apply its knowledge base and technological platforms into the definition of its new products in order to deliver systems that facilitate the creation of medical and technico-ecomonic value for its customers.

In 2017, the Board of Directors created the Strategy Committee whose mission is to analyse the Company's main challenges, particularly those related to changes in the technological, medical and market environments in order to guide the Group's strategy by adapting its solutions or its *business* model. The Portfolio and Strategic Planning Department ensures that the overall strategy is aligned with the project portfolio and helps define R&D projects together with the Units. The Company also has an Innovation Department headed by the Chief Innovation Officer and assisted by the Chief Medical Officer in order to develop its portfolio of biotechnologies by fully leveraging their medical added value.

2.1.2 Risks related to the emergence of rival technologies

The Company may have to face the emergence of new diagnostic techniques that may render some of its products entirely or partially obsolete.

In vitro diagnostics is a highly innovative sector in which the emergence of new technologies is a source of risks and opportunities. The Company's technologies include some that are currently complementary, but which could one day compete with each other. Certain technologies currently used by the Company may also be threatened by other more powerful technologies. Other technologies, such as spectroscopic techniques or microscopic imaging techniques, or a combination of both, could prove to be effective. DNA and bacterial and viral RNA sequencing give detailed information on the identification, resistance and virulence of strains and thereby constitute a potentially disruptive technology. Certain technological advances could pave the way for the identification of microorganisms and the testing of their antimicrobial resistance with few or no prior culture samples. Allowing for very rapid test results, these new diagnostic solutions could compete with the Company's current offering. The scale, complexity, and variety of data generated by the Company's current or future instruments or in the field of diagnostics more generally are constantly growing. Effective data extraction and testing techniques offering high value-added medical solutions can represent a threat for the Company's hardware and software solutions. The emergence of digital technology could result in the development of new diagnostic approaches used to complement but also to replace traditional solutions. Generally, new spectroscopic, biochemical or molecular biology technologies of which the Company currently knows nothing could appear.

Some of these technical innovations will entail marketing instruments that cost more than those resulting from traditional techniques. These new technologies may also lead to a decrease in, or discontinuation of, the use of reagents. Increased use of mass spectrometry, for example, might continue to lead to a drop in recurring sales, since sales of consumables and associated services would only be able to partially replace sales of reagents.

In addition, the Company may not be able to accurately assess the technological, medical and commercial opportunities that these new technologies may offer, and could be outdistanced by the competition.

Risk Management: The Company has various channels dedicated to technological vigilance in order to detect the emergence of new technologies and to anticipate their potential and the speed of their adoption by laboratories. It has an Innovation Department whose role is to identify new technologies and assess the most relevant from a technical, strategic, medical and commercial point of view. It has set up a "Data Analytics" Department, the aim of which is to study and provide customers and patients with innovative solutions based on the collection, processing and interpretation of data. Where applicable, it completes its portfolio of activities though acquisitions (for example: the 2015 acquisition of Applied Maths which has a specialised bio-informatics tool for microbiology, distributed throughout a large customer base). In sequencing, the Company signed an agreement with Illumina in 2014, leading to the marketing and sale of bioMérieux EpiSeq™ which offers solutions for epidemiology and for managing healthcare-associated infections. The main goal of this collaboration is to determine the opportunities and fields of application that this technology could contribute to the diagnosis of infectious diseases.

2.1.3 Risks related to competition

The Company may be unable to compete effectively in its market.

According to its estimates, the Company ranks 7th in terms of sales on the global *in vitro* diagnostic market. This market is rapidly evolving and competition is intensifying among the different players, particularly in certain markets, such as POCT, where the Company does not yet have a large market share.

The Company's competitors include major international companies, such as Roche, Abbott and Danaher, which are bigger and more experienced than the Company, and have larger financial resources and market shares, enabling them to invest more heavily in R&D and marketing and/or to set more competitive prices as a result of greater economies of scale. For a number of years now, more specialised competitors have also been emerging on the Company's strategic markets (see section 1.2.1.5). Finally, new competitors from emerging markets (especially China and India) are expanding and may offer products that are much cheaper than those of the Group.

As a result, the Company cannot be certain that its products will:

- be able to compete over the long term with products sold by competitors;
- allow it to gain or maintain significant market share and benefit from the same product reputation as its better-positioned competitors;
- respond quickly enough to the emergence of new technologies and to scientific advances on which the Company is dependent (see previous section).

Part of the Company's business is conducted on markets where it is awarded tenders, some of which are significant and which might not be maintained or renewed. This would affect its business and development.

Moreover, the Company's business depends on certain products whose growth could be impacted by the development of rival offers. The FILMARRAY® respiratory panel (see section 1.2.3.3) in particular is bioMérieux's primary parameter and is undergoing rapid growth. As expected, competitor companies have recently obtained their authorisation to bring tests to the American market permitting a syndromic approach. At the same time, the Company is working to increase the number of syndromic tests specific to various pathologies, and to continue to improve this system's analysis processing time, which provides strong medical value.

Risk Management: the Company has a team dedicated to monitoring the competition, and an Innovation Department. Its Clinical unit, with the assistance of the Chief Medical Officer, develops clinical trials to extend the scope of its tests to other applications. Finally, it has a Business Development Department that is in contact with companies in the sector that are likely to provide access to innovative technologies, thus enabling the Company to enhance its product line, particularly through licence agreements.

2.1.4 Risks related to international business

The Company is exposed to certain risks related to the international nature of its business.

The Company operates throughout the world. Accordingly, it faces numerous risks on account of its international operations and changes in the political and economic environment, including those relating to:

- risks of unpaid debt, both public and private, and limitations concerning the cross-border payment of invoices or the repatriation of profits or assets held abroad;
- exchange rate risks (see Note 27.1 in section 6.1.2 and the discussion of emerging countries in section 2.1.6 below);
- product distribution throughout the world and availability of transportation;
- natural disasters;
- management of a network of external distributors.

Furthermore, there are risks related to any non-compliance with the regulations concerning the countries in which the Group operates, these regulations being generally specific, changeable and complex.

As an example:

- risks related to unexpected changes or lack of harmonisation in regulatory matters;
- risks related to the complex and international structure of the Company, which require the full monitoring of the obligations, issues and tax risks with which it is confronted;
- differences in the protection of intellectual property rights in different countries;
- risks related to the emergence of new export-control regulations concerning countries in which certain customers of the Group are based;
- failure to comply with the Company's principles as set out in its Global Code of Conduct.

If these risks were to materialise, they could affect the development of the Company's business, as well as its profitability and working capital, in particular by increasing customer payment periods and increasing inventories. They could also lead to the recognition of significant expenses in the financial statements (impairment, tax reassessments, fines and penalties, etc.) and are therefore likely to have a negative impact on the Company's business, financial position or earnings.

Risk Management: the Company has a diversified geographical base. It has deployed a regional organisation that enables it to make decisions close to operating centres and to adapt its management to the economic environment of every country in which it does business. Furthermore, the Company includes a country-specific risk premium in the discount rate that is used to discount its cash flows, using a database validated by the Statutory Auditors. Its Regulatory Affairs Department allows it to verify compliance with current obligations and applicable regulations (see section 1.5). In addition, its Export Compliance Department monitors compliance with export control obligations and regulations. Also, the Company has a Tax Department which ensures compliance with tax regulations and obligations in all countries where the Company is established. The Company also has an Ethics and Compliance program, developed in each region, whose aim is to oversee compliance with applicable legislation (concerning corruption, control of exports and anti-competitive practices) and with the ethical standards set out in the Global Code of Conduct. The Company, for example, has strengthened its existing system in order to comply with the law on transparency, the fight against corruption and the modernisation of economic life, *i.e.* the Sapin II law.

2.1.5 Risks related to prices and reimbursements

Uncertainty over reimbursements of *in vitro* diagnostic analyses and over possible health insurance reforms could affect the Company's customers, and indirectly, the Company itself.

The commercial success of the Company's products notably depends on the extent to which private or public health insurance bodies reimburse the cost of analyses performed by the Company's customers.

A decision by a public or a private insurer to limit or stop the reimbursement of certain diagnostic analyses could have a significant impact on the demand for the Company's products and/or on the price charged by the Company to its customers. Likewise, in some countries, public authorities determine the price of a diagnostic analysis, and have a direct influence on the ability of customers to pay for products.

Health insurance bodies may not sufficiently value the benefits associated with certain diagnostics that use the Company's products, including products with high medical value, and define inadequate reimbursement thresholds.

In the United States, the reform of the health care system (Patient Protection and Affordable Care Act) has had significant impacts on the US healthcare market: this reform provides coverage to a larger portion of the population; however, healthcare reimbursements are trending down. These factors are leading the healthcare system to identify areas where it can improve efficiency and reduce costs. The impact on the Company is limited, representing both opportunities for sales of more automated systems and the risk of downward pressure on prices. Also, the results of the 2016 American presidential election could lead to the review of the Affordable Care Act, with consequences that are still difficult to evaluate. The Company's clinical products that are sold in the US are liable for the Medical Device Excise Tax. This tax will not be levied in 2016 and 2017 pursuant to the December 2015 moratorium.

Moreover, the Affordable Care Act has met with opposition since the results of the 2016 American presidential elections, but efforts to repeal the legislation have so far failed. The Company's clinical products on sale in the United States are liable for the medical device excise tax. This tax was suspended for 2018 and 2019.In 2017, the American act known as PAMA (Protecting Access to Medicare Act) was passed and contained provision for a 10% reimbursement for outpatients for most conditions. The direct impact on bioMérieux should be limited since most of the Company's products are not used in outpatient care. Nevertheless, the Company is expecting an indirect impact due to price pressure on its trade receivables.

Risk Management: the Company endeavours to increase the medico-economic value of its solutions through its Regulatory Affairs Department. This department files and defends requests for new product approval. The Medical Affairs Department is also key, assessing the medical value of the Company's products by conducting medico-economic studies and obtaining the related reimbursements.

2.1.6 Risks related to changes in the economic environment

2.1.6.1 Economic environment

The Company's business may be affected by a deterioration in the global economic environment and/or more moderate growth than expected in the *in vitro* diagnostic market.

For example, the volatility present in worldwide geopolitical and economic environments and in the currencies of many countries remains significant. Protectionist measures or regulatory barriers may be introduced in these countries, particularly in order to promote the emergence of local competitors.

The Company may be unable to devise an appropriate sales policy. This would translate into slower than planned growth in these countries, or the recognition of negative foreign currency transaction impacts on its sales reported in euros, which would also affect its operating income before non-recurring items, as an often limited portion of the Group's expenses are paid in the billing currency of its products and services.

Risk Management: the Company has a diversified geographical base. It has deployed a regional organisation that enables it to make decisions close to operating centres, in compliance with the Group's recommendations, and to adapt its management to the economic environment of every country in which it does business.

2.1.6.2 Customer consolidation

The consolidation of customers continues apace, particularly in Europe and the United States, for *in vitro* diagnostic products, which has led to the creation of technical platforms that process large test volumes daily. In parallel, this trend towards consolidation has also triggered a wave of decentralisation in the US, where tests are being conducted ever closer to customers (Point Of Care) in doctors' surgeries and pharmacies. In certain fields (particularly immunoassays), the Company's products and services could fail to meet market divisions.

Risk Management: the Company has established, particularly in North America and within the Industrial unit, a specific organisational system that enables it to efficiently manage its key strategic customers.

2.1.6.3 Increasing pressure on prices

This consolidation trend also allows customers to exert greater influence on product prices. In the United States in particular, hospitals' central purchasing offices pursue an assertive purchase price reduction policy. Pressure on prices is increased by the entry of new market players seeking to rapidly acquire market share as well as by public health policies, which generally tend to restrict reimbursement thresholds for healthcare products and services provided by the Group's customers (see section 2.1.5).

Heightened pressure on prices could prevent the Company from meeting its financial objectives for innovative and high medical value solutions.

Lower sales prices could have repercussions on the Company's sales and profitability and could therefore have a negative impact on the Company's business, financial position or earnings.

Risk Management: the Company pays particular attention to adjusting its prices based on the situation in the markets in which it operates. In addition, it has a diverse range of products, technologies and customers, along with a large geographical footprint. Its R&D efforts should enable it to regularly launch new products in order to meet changing market needs. bioMérieux's range of services could be a means of staving off increased pressure on prices.

2.1.7 Risks related to the business development strategy

The growth of the Company depends partly on targeted acquisitions, the acquisition of stakes, and external partnerships that enrich its technology portfolio, product offering and geographic positions.

The Company may be unable to:

- **find or retain partners willing to provide it with the technologies, products or market access it may need;**
- **pursue its strategy of the acquisition or use under licence of technologies developed by third parties, or renew the rights required for some of its operations at the expiration date;**
- **meet the objectives set at the time of acquisitions, chiefly owing to differences between the initial estimate and the actual results of the business plan.**

The value of certain targets or the conditions needed to obtain certain licences may represent obstacles to signing or renewing agreements required for the implementation of this strategy.

Acquisitions may be delayed by the complexities of finalising agreements, especially as regards obtaining regulatory clearance.

If the Company is unable to leverage this strategy, this could delay its growth and/or have a significant impact on its sales performance or financial position. The main licences on which the Company's business depends along with their expiration dates are listed in section 1.6.2.2.

Although the Company strives to conduct the due diligence necessary to properly value its target companies and their compliance with regulations, and to ensure that the business plan is being properly executed, the environment may change, and this could impact the Company's business, financial position, or ability to achieve its objectives.

Risk Management: the Company has set up a Technological Watch and Competitive Intelligence Department, as well as a Business Development Department staffed by international teams. Compared to its main competitors, it benefits from its relatively small scale, which gives it flexibility and makes decision-making under its Business Development strategy more efficient.

The Company may have difficulties in efficiently integrating the companies it acquires.

bioMérieux's strategy includes targeted acquisitions. These acquisitions seek to strengthen the Company's commercial positions, and/or enhance its innovation portfolio, products and services. If difficulties are experienced in integrating the acquired companies, the Company could lose key expertise, which would decrease the value of the technologies acquired, or could fail to benefit within the expected timeframe from the synergies calculated at the time of acquisition.

Risk Management: over the years, the Company has developed wide experience in integrating acquired companies and, during prior audits, it endeavours to anticipate the actions to be carried out, notably concerning intellectual property, technologies and synergies. The possibility of gradually rolling out the Global ERP in the newly acquired companies, covering most of the transactional processes and deployed in most subsidiaries of the Group, is also a means of alignment and integration.

The Company may take minority stakes in companies with which it signs development, research or technology agreements, or which invest in biotechnology companies. These stakes can involve financial risk.

The companies, which often develop products upstream (see Note 4.3.3 in section 6.2.2), tend to be exposed to greater risks than the Company. If they experience difficulties, bioMérieux might have to write down the value of the stocks it holds.

Risk Management: the Company carries out financial and commercial analyses of companies before investing in them. After investing in them, it monitors their financial position. In some cases, it may sit on the Board of a company it invests in.

2.1.8 Risks related to dependence on partners

The Company, which is dependent on partners to develop, manufacture and market certain products, could suffer from disagreements with its partners on the conduct of operations.

The Company collaborates with partners on the development of certain products (such as the development of blood biomarkers for traumatic brain injuries with Banyan Biomarkers), the manufacturing of certain products, and the marketing of its products in certain countries. For example, in China, the Company sells its products through distributors; in the United States, the Company uses third parties to store and distribute the reagents it produces or that it buys from other Group companies to sell in this country.

These partnerships may, in the event of strategic differences between the parties, prove more complex than anticipated and this may delay the associated product launches, put a stop to projects, affect the production or marketing of the Group's products or result in the termination of a partnership and affect its sales and operating income. Any incident affecting these third parties or cessation of their activity would affect the Company's activity and its operating income. For example, the Company could encounter difficulties in the handling of sales activities and services following the dissolution of the joint venture Sysmex bioMérieux Co., Ltd.

Risk Management: the Company has a Business Development Department, which endeavours to work in close collaboration with its partners. Projects are managed by joint steering committees comprising the teams of both partners.

2.1.9 Risk related to dependence on certain employees

The Company's success largely depends on certain key personnel, such as senior executives, scientists and high-potential employees. The loss of such personnel, particularly to competitors, or failure to hire new personnel could adversely affect its competitiveness and compromise its ability to meet its objectives. In addition, there could be a need to recruit more management and scientific personnel as business expands in areas that call for additional expertise and resources (such as R&D, marketing and regulatory clearance). The Company may be unable to attract or retain senior executives, scientists and other necessary key employees.

Risk Management: the Company places strong emphasis on recruitment and career development. It has set up a number of internal mobility and training programmes (see section 3.3.3.2 and 3.3.3.4). The Company endeavours to offer fairly competitive compensation. Each year, the Executive Committee reviews the succession plans for the main senior executives of the Group, high-potential employees and scientific experts, which is shared with the Board's Human Resources, Appointment and Compensation Committee.

2.1.10 Risks related to dependence on certain suppliers

The Company is dependent on certain suppliers, some of whom are exclusive. Its profitability and production capacity may be affected in the event of a disagreement, or if the suppliers fail to meet their obligations.

On the other hand, certain suppliers are highly dependent on their business relationship with the Company, which could prove to be costly should these relationships come to an end.

The Company could lose the exclusive rights it holds with certain key suppliers to competitors. This could have an impact on its competitive position and weigh on its sales and growth prospects.

Some Company product components could become obsolete. This could force the Company to build up additional stocks of these components, if the suppliers were to discontinue their production or they were to disappear, or even to redevelop some instruments in full or in part, leading to substantial development costs and lower margins.

The Company uses an extensive network of suppliers. The process of qualifying all the materials, components and supplies it uses is often quite long and limits the number of authorised suppliers. A disagreement with certain suppliers or a failure of suppliers to meet their obligations could create difficulties for the Company's manufacturing operations, including for some of its main products, leading in certain cases to delivery interruptions and material additional costs and delays resulting from the need to validate and put in place alternative procurement solutions. In addition, certain suppliers' quality defects could negatively impact the Group's products, despite all of the Group's efforts to control quality.

Risk Management: the Company has set up a Global Purchasing Department and maps the risks associated with its key suppliers. This department looks to secure supplies by maintaining close relationships with strategic suppliers and using as many suppliers as possible, and by endeavouring to enter into long-term agreements and holding buffer inventories. It also looks to involve its suppliers in a sustainable growth strategy. Supplier risk assessments in relation to geopolitical, societal and environmental factors supplement these security measures.

2.1.11 Risks related to the location of industrial facilities

The occurrence of an event causing a temporary or permanent interruption in production at one of the Company's manufacturing sites could have a negative impact on its financial position, sales and growth outlook.

2.1.11.1 "Single-site" process

The Company operates 18 manufacturing sites, each primarily dedicated to a single product line and technology, based on the principle of "one site-one product line". As a result, with the exception of ready-to-use media, key product lines are each manufactured at a single dedicated site that is generally close to the R&D, marketing and customer support teams in charge of these products. Duplicating production of these product lines at other sites would require significant technological, regulatory and financial investment in terms of time spent and resources used.

Any industrial, economic, political, labour, regulatory or environmental incident or accident affecting production capacity or causing a temporary or permanent interruption in production at the single-product manufacturing sites could give rise to a public health risk and have a material adverse impact on the Company's sales and image.

This kind of event could also affect the Company's profitability, either permanently with the structural reinforcement of its organisation, or temporarily through significant use of advisory and assistance services.

If it were impossible to quickly resume operations at the production facility concerned, the Company could be forced to relocate production of the product line concerned. Due to the complexity of the products manufactured by the Company, relocating production could be long and expensive for the Company, thus increasing the negative impact of the production stoppage on the Company's sales, financial position or earnings.

In France, the Company has an international logistics centre. As above, any economic, political, labour, regulatory or environmental incident causing a temporary or permanent interruption of operations at this centre could have a negative impact on the distribution of products and on the Company's financial position.

Risk Management: a contingency plan is already in place at the main sites, and the Company is working to extend these plans to all of its facilities. This risk is covered by the Company's insurance policy (see section 2.5). In addition, the Company has implemented regular monitoring of the natural disasters risk, which enables it to evaluate the impacts of climate change on the regions in which its sites operate. Furthermore, given that the Company consumes little water and is therefore hardly dependent on it, it does not anticipate any major risk associated with the increasing scarcity of this resource.

2.1.11.2 Risks related to the transfer of production and logistics activities

In order to optimise production and logistics, the Company may have to shut down certain facilities or logistics centres and transfer their activity to other sites. These transfers require the Company to obtain the regulatory clearance needed to produce IVD systems and could prove lengthier and more costly than originally expected, and even lead to a stoppage in production and distribution.

Risk Management: transfers of activity are managed by multidisciplinary project groups, aiming to deal with all of the associated problems.

2.1.11.3 Risks related to capital expenditure

Manufacturing sites, as described above, as well as the amount and growth of reagents and consumable product volumes, require significant capital expenditure to finance industrial investment.

In addition, returns on invested capital could be slower than expected.

If the Group is unable to finance its new manufacturing needs to maintain and renew its manufacturing sites or increase its production capacities, it could be forced to limit its growth in certain product lines, allocate its available resources differently or even abandon certain projects under development.

Risk Management: the Company works to ensure that its cash flow from operating activities is sufficient to cover its capital expenditure. It endeavours to retain medium-term credit facilities with banks, allowing it to maintain adequate cash reserves. The Company has also created a Capex Committee, which is in charge of authorising capital expenditure according to specific financial and operating criteria.

2.1.12 Risks related to the regulatory environment

Regulatory constraints could adversely affect the Company's ability to market its products or could increase their manufacturing costs.

The Company's products and their manufacturing process are subject to strict, fast-changing regulations which vary widely from one country to the next. These products are inspected by regulatory authorities throughout the development, manufacturing and marketing process.

The inspections – required by the regulatory authorities or initiated by the Company – may result in (i) modification of products or of their production methods, (ii) product withdrawal, (iii) the suspension of current product applications for products developed, (iv) a remedial action plan in the event of non-compliance, (v) in exceptional cases, the closure of a manufacturing site, if significant risks are caused by non-compliant results obtained when using the Company's products, and/or (vi) the Company being ordered to pay potentially significant fines.

The launch of *in vitro* diagnostic solutions is subject to the Company obtaining regulatory clearance. Securing the regulatory clearance or certification needed to market a new product may take several months or, in some countries, one to two years, and requires significant financial resources. Moreover, an increasing number of countries are creating regulatory bodies that are gradually implementing their own requirements for the registration of products, resulting in an increase in the number of registration cases to handle, whether for new references or existing references.

Manufacturing sites are subject to regulatory approval processes and periodic inspections, in particular by the US FDA. The Company's single-site organisation (see section 2.1.11.1) reduces its exposure to the risk of non-compliance that a third party could identify in an audit.

Also, the European RoHS directive (Restriction of Hazardous Substances) and the REACH regulations aim respectively to limit the marketing and use of certain dangerous substances in electrical and electronic equipment, and chemical substances considered to be "of very high concern". Over the last few years, they have gradually been applied to *in vitro* diagnostics and have led the Company to include these requirements in all of its activities. These regulations may oblige the Company to redevelop or even discontinue certain products if it cannot find alternative solutions.

The costs necessary to bring the products into compliance are recognised as expenses each year and no provisions specific to the RoHS and REACH regulations were recorded in the accounts of the Company on December 31, 2017.

Furthermore, a regulation concerning the unique identification of *in vitro* medical diagnostic devices is gradually coming into force. The Company is implementing, as and when the deadlines are established, the modifications needed to meet these new regulatory requirements: changes in product labelling, evolution in the Quality Management System, synchronisation of product data in the FDA's sole database and strengthening of traceability along the entire supply chain.

As a result, new applicable regulations or audits performed at the Company's manufacturing sites could:

- delay or preclude the marketing of new products by the Company;
- force the Company to halt production or sales of existing products;
- oblige the Company to change manufacturing and quality control processes;
- impose costly constraints on the Company as well as on its suppliers.

Lastly, the changes to the European regulations concerning *in vitro* medical diagnostic devices (see section 1.5.2) could lead to delays and additional costs in launching new products, for the Company and for all players in the European market. Similarly, the Company could be required to redevelop certain products in response to changing standards in the food industry.

Risk Management: the Company strives to reduce this risk by rigorously inspecting production output (see section 1.5.2) and by monitoring regulatory compliance through the Quality Management System Department in all countries in which the Group operates (see section 1.5.1). In addition, a number of standards or benchmarks (including ISO) are in force within the Group. These are described in section 1.5. The Company sets up specific project teams to reach the level of compliance expected at the various deadlines set by these new regulations. These teams set priorities, define the compliance action plan and ensure the viability of the solutions selected for current products and for future developments.

Its Regulatory Affairs Department allows it to identify new regulations and ensure compliance with current obligations and applicable regulations.

In addition, the Group complies with the EU WEEE directive on waste electrical and electronic equipment, and as such sets aside provisions to cover the removal of equipment from customer sites located within the European Union and the safe removal of heavy metals in some equipment. These provisions totalled €744,516 at December 31, 2017.

2.1.13 Risks related to information system failure

The Company could be affected by the failure of its information system, which may severely hamper its operations.

Any failure or malfunction of equipment, applications, the communication network, particularly the Global ERP system, or the electronic messaging system could adversely affect the Company's business and cause it financial losses.

Risk Management: to prepare for the eventuality of a major incident, the Company has set up disaster recovery procedures in order to quickly return to a satisfactory level of business. In addition, critical applications and networks are duplicated according to clearly defined criteria. The Company has also set up a process to manage and authorise any changes to its IT systems. Lastly, it endeavours to strictly control the access permissions to the various applications making up its information system.

The Company incurs the risk of attacks from cyber criminals.

With the development of cybercrime, the security of information systems is an important issue for the Company, notably in matters of protection of its data, particularly concerning its R&D and production know-how, its customers, employees and patients. In the event of a successful cyber attack on its information systems or on customers' instruments connected to these systems, the Company could incur the theft of confidential data or a complete or partial interruption of its operations. The development of its new products could also be affected, and all this could alter the reputation, financial position, and the rights and competitive advantages of the Company.

Risk Management: the Company pays particular attention to the security of its information systems, notably through a dedicated "Global Information Security Officer" function. This function works with internal experts and external partners to implement and maintain a security strategy and security management based on international information systems security standards ISO 27001 and ISO 27002 and in particular a system of risk analysis that combines governance, an IT security and processes policy, checks and audits, training and awareness-raising among end users with the use of the right technologies for reducing exposure to cybercrime.

The development of social media and digital communication tools brings about new risks.

The use of social media websites and digital communication tools, particularly to promote products or certain Group events, merits special attention. Negative comments could tarnish the Company's image. Furthermore, employees and partners of bioMérieux could, *via* their personal accounts, use social media and digital communication tools inappropriately, particularly by storing unsecured confidential information on unsecured public applications which could be misappropriated or misused by third parties, notably by disseminating sensitive and/or confidential information, which could harm the interests of the Company.

The misuse of social media or mobile phone technologies could have a negative impact on the Company's business, financial position, operating results or reputation.

Risk Management: the Company has drawn up a list of persons authorised to manage its accounts on social media websites and use digital communication tools. Only these persons can represent the Company on social media websites and digital communication platforms. The Company has also set up a system to monitor comments. Lastly, the Company aims to raise the awareness of and train those who have access to and/or hold sensitive information and to disseminate best practices to limit this risk, notably concerning the use of information systems.

2.2 Industrial and environmental risks

Liabilities with respect to the environment or changes in health, safety and environmental regulations and the ensuing cost of achieving compliance, could have an adverse effect on the Company's operating income and financial position.

The Company does not operate any facilities classified by the Seveso directive as "upper tier" (high risk) sites.

The nature of the Company's business requires it to use biological agents. Though these are used in compliance with international recommendations, and emergency response plans are in place, accidental dissemination of biological agents could entail a risk of exposure for people and the environment.

Environmental laws and regulations could require the Company to maintain and restore sites where potentially noxious industrial products are manufactured and stored, in the event that the sites were found to be contaminated. These obligations may relate to sites currently owned or operated, or to sites that were owned by the Company or operated in the past, or even sites where waste that it produced was dumped. Similar obligations may also apply to the recycling of instruments installed at user sites or sold to users.

The Company could be involved in legal or administrative proceedings relating to environmental matters. The introduction of stricter health, safety and environmental laws and more thorough enforcement measures than those currently applied could result in considerable costs and liability for the Company.

If manufacturing sites were to be closed for reasons relating to the enforcement of environmental and occupational health and safety laws, the Company could suffer a temporary interruption in the manufacture of certain products and the regulatory clearance needed to resume production could take a long time to obtain.

The amount of the provision related to this risk is given in section 2.1.12 above.

Risk Management: a Health, Safety and Environment (HSE) Department operating at Group level develops a harmonised and proactive approach aimed at preventing harm to individuals, property and the environment (see sections 4.2.2 and 3.3.2). The department looks to ensure that employees are aware of and comply with applicable regulations.

2.3 Regulatory and legal risks

2.3.1 Risks related to product liability

The production and marketing of diagnostic products generally expose the Company to product liability risks.

The Company could be held liable if a diagnostic error resulting from the defective performance of one of its products leads to unsuitable treatment of a patient or the marketing of contaminated products. Even if diagnostic products are designed, manufactured and delivered in compliance with the quality standards (described in sections 1.5 and 4.4.2.2) and it is common practice to perform a series of additional tests to reduce the risk of error for the most serious diseases, this risk cannot be totally eliminated.

The Group uses biological products that are manufactured or created from components developed from materials that are of human, animal or plant origin and which cannot yet be manufactured inexpensively using synthetic materials. This process causes risks in the use of these products or components because of the variability related to their origin.

There are no guarantees that the Company will always be able to obtain and maintain adequate insurance on acceptable terms to cover its liability. Should the Company fail to obtain insurance at a reasonable cost or otherwise protect itself against potential product liability claims, it could incur significant liability that could undermine the marketing of its products and considerably harm its business and financial position.

Risk Management: the Legal Affairs and Intellectual Property Department ensures compliance with applicable legal and regulatory requirements in its dealings with all of its partners (see section 4.4.2). The department has put in place insurance protecting it against legal risks. This includes a civil liability policy in respect of damage and business losses (see section 2.5).

2.3.2 Risks related to intellectual property

If intellectual property rights cannot be protected, the Company may not compete effectively or may find it impossible to maintain its profitability.

At December 31, 2017, the Company owned 531 patent families, 246 brand families and over 300 domain names. It has also obtained licences for a number of patents or trademarks for the products it uses or develops.

The Company's success depends, among other things, on its ability to obtain, maintain and protect patents and other intellectual property rights effectively. Intellectual property law in the health sector is constantly changing and gives rise to uncertainties. Accordingly, the Company may not be able to:

- develop patentable inventions;
- be granted the patents for which it has applied or will apply;
- obtain or renew the licences it needs for its business;
- ensure that the validity of the patents or trademarks it holds, or for which it has been granted a licence either now or in the future, will not be challenged by third parties;
- be sufficiently protected by its patents to exclude competitors;
- ensure that the patents or other intellectual property rights held, or for which the Company has been granted a licence either now or in the future, will not be challenged by third parties.

Within the scope of joint development projects, the Group cannot be certain that the confidential nature of its unpatented technologies or its industrial secrets will be effectively safeguarded by the mechanisms in place, or in the event that confidentiality is breached, that the necessary measures can be taken.

The Company's patents may be infringed, or the Company may infringe the patents of others.

Competitors may infringe the Company's patents or other intellectual property rights or successfully circumvent them through design innovations. Actions may be taken by the Company against infringement, which are expensive and labour-intensive. Policing unauthorised use of intellectual property is difficult, and the Company may not be able to prevent misappropriation of its intellectual property rights.

As the *in vitro* diagnostics industry develops, more and more patent applications are filed and patents granted, leading to an increased risk of unintentional infringement of third-party patents. In general, patent applications are not published until 18 months after the filing date or priority date where applicable, and in some cases patent applications are only published upon issuance of the patent. Therefore, the Company cannot guarantee that third parties were not the first to invent certain products or processes, and/or to file patent applications for inventions that are identical to those of the Company or for products or processes used by the Company.

If this occurs, the Company may have to obtain the appropriate licences to use third-party patents, cease certain activities or seek alternative technology if obtaining a licence is impossible or unprofitable.

Risk Management: to minimise intellectual property risks, the Company pursues an active policy of patenting and of monitoring third-party products to identify potential infringers of its patents (see section 1.6.2.1). As applicable, it pursues, with respect to these infringers, either amicable resolutions or the judicial proceedings required to protect its rights. Similarly, the Company checks the freedom to operate in relation to third-party patents for all products under development. The Company has set up a monitoring system to be able to prevent registration of third-party brands and trademarks that are likely to create confusion with its own key brands. Before launching a new brand, bioMérieux verifies as far as possible that the brand will not infringe the rights of third parties.

2.3.3 Risks related to managing the protection of personal data

Within the scope of its activities, the Company has access to personal data concerning patients. The confidentiality of personal data is protected through particularly strict regulations in the United States and Europe. In addition, systems marketed by the Company process patient data on a daily basis. The Company must ensure that the confidentiality, integrity and availability of this data are respected. The Company may fail to comply with these regulations or it may fail to protect patient data, which could result in administrative, civil and criminal sanctions. Finally, a new regulation (general regulation on data protection) will come into effect in May 2018. It aims to strengthen the framework for the protection of personal data (mainly patients and employees).

Risk Management: the Company has a Data Privacy Manager who reports to the Internal Audit, Risk and Compliance Department. The Data Privacy Manager supervises all current activities relating to the preparation, implementation and enforcement of Company policy in terms of protection of privacy in compliance with applicable international laws and regulations. The Company has initiated a programme to achieve compliance with the new general regulation on data protection.

2.3.4 Fraud risk

The development of new technologies and communication channels and the risk that employees fail to comply with the Company's procedures raises the risk of situations of fraud developing within Company entities.

Risk Management: to minimise the risk of fraud, the Company has put in place an internal control system designed to prevent and identify fraud and ensure that procedures are duly applied. These include regular internal and external audits (see section 4.4.2). The Company has set up a process for centralising information concerning attempted fraud and for managing corrective and preventive actions, notably for managing the risk of cybercrime (see section 2.1.13) and educating employees about the methods commonly used by fraudsters.

2.3.5 Risks related to claims and litigation

The Company is a party to a certain number of claims and litigation.

Claims and litigation involving the Company (or the Group), along with the related provisions, are described in Notes 14.4 and 14.5 in section 6.1.2.

bioMérieux, like other industrialists, was summoned before the Tribunal de Grande Instance de Paris by over sixty patients to obtain compensations linked to anxiety allegedly "generated by a lack of reliability of serodiagnostic tests" for Lyme disease.

bioMérieux objects to the claims in the summons that it considers groundless according to the present state of the available elements and considers that the financial consequences of this civil procedure cannot be reliably anticipated at this stage.

To the best of the Company's knowledge, there are no other governmental, legal or arbitration proceedings, whether pending or threatened, that are liable to have or that have had over the past 12 months a material impact on the Company's financial position or profitability.

2.4 Market risks and financial risks

2.4.1 Borrowing risks

See Note 27.1 in section 6.1.2.

2.4.2 Exchange rate risks

See Note 27.1 in section 6.1.2.

2.4.3 Credit risks

See Note 27.2 in section 6.1.2.

2.4.4 Liquidity risks

See Note 27.3 in section 6.1.2.

2.4.5 Counterparty risks

See Note 27.5 in section 6.1.2.

2.4.6 Interest rate risks

See Note 27.4 in section 6.1.2.

2.4.7 Pension risks

See Note 14.3 in section 6.1.2.

2.4.8 Share price volatility and liquidity risks

See Note 13.3 in section 6.1.2.

2.4.9 Risks related to investments in listed companies

The portfolio of listed assets held by the Company (Labtech, Dynavax Technologies, GeNeuro and Quanterix) is presented in Note 7.2 in section 6.1.2. The Company monitors changes in its equity investments and regularly updates their value in its financial statements according to the changes in their share prices.

2.5 Insurance and risk management

2.5.1 Insurance policy

The Company's policy regarding insurance coverage is designed to ensure that all subsidiaries have access to similar coverage, regardless of their size or location. Generally, all new companies acquired by the bioMérieux Group are included in the insurance programmes.

Coverage purchased takes into consideration the specific nature of local regulations, while at the same time reflecting the Group's centralisation and overall coverage policies. Insurance policies are purchased from insurance companies selected on the basis of their creditworthiness as well as their ability to provide the Company with risk prevention services.

Coverage is calculated on the basis of loss assumptions, taking into account the Company's risk profile. The following types of insurance cover the risks to which the Company is exposed as a result of its business and organisation:

- general and specific civil liability;
- property and casualty;
- transport;
- buildings.

2.5.2 Principal insurance policies

2.5.2.1 Civil liability

The nature of the Company's business has also been taken into consideration for the purpose of liability coverage (professional nature of most of its customers and batch manufacturing processes that reduce the likelihood of multiple risks). Separate policies are sometimes required to cover specific risks, either due to insurance regulations or applicable laws.

The Company and all of its subsidiaries are insured under an umbrella policy covering operating liability, liability after delivery and/or product liability and/or liability for experimentation, professional liability and liability for environmental damage caused by its products.

This umbrella coverage is separately supplemented by the following specific policies: civil liability for environmental harm caused by the companies of the Group and civil liability incumbent upon the Group pursuant to the regulations on biomedical research (Jardé Act).

The Company also has an insurance program covering the liability of its corporate officers, senior executives and representatives.

2.5.2.2 Property and casualty

The guarantees purchased include accidental events coverage (fire, machine breakage and computer damage in particular), as well as consequential operational losses.

The Company and its subsidiaries have umbrella coverage for property and casualty which includes coverage for accidental events such as fires, machine breakage, theft and natural events likely to affect the Company's sites, and consequential loss of operation.

This Master policy covers all subsidiaries located in the European Union, making it unnecessary for them to take out insurance locally. It can also be extended to cover subsidiaries located in major countries outside the European Union, including the United States, through local agreements with the same benefits or as supplementary coverage or where no coverage has been taken out locally to comply with regulations.

2.5.2.3 Transport

"Ordinary" risks related to the transport of goods by land, sea and air are covered by an umbrella insurance policy. Freight transportation insurance contains the usual exclusions, namely for nuclear, chemical, biochemical, electromagnetic and cyber risks.

2.5.2.4 Deductibles and premiums

The Group also takes care to keep confidential any information relative to deductible amounts and premiums, and the terms of coverage, to avoid them being used against its interests. This is particularly true in the case of liability insurance.

2.6 Administrative, legal and arbitration procedures

The Company is involved in a certain number of claims and litigation arising from the normal course of its business. It does not believe that these claims and litigation will have an unfavourable influence on the continuity of its operation. The Company is not involved in litigation considered to be material, with the exception of the proceedings described in Notes 14.4 and 14.5 in section 6.1.2 to the consolidated financial statements.

In particular, the Company, like other laboratories, was summoned before the Tribunal de Grande Instance de Paris by over sixty patients to obtain compensations linked to anxiety allegedly "generated by a lack of reliability of serodiagnostic tests" for Lyme disease.

3 Corporate Social Responsibility

The information provided below is consolidated information, unless otherwise stated.

3.1 Corporate Social Responsibility: at the heart of bioMérieux's concerns

3.1.1 An approach in line with the "bioMérieux spirit"

bioMérieux considers serving global public health to be an important responsibility, one that the Company takes very seriously throughout its various fields of expertise, in particular infectious diseases.

The Company's history reflects a long-standing commitment to Corporate Social Responsibility. Indeed, the coherence between the humanist values held by the Mérieux family and the concept of sustainable development allows the Company to create an active policy of social responsibility, incorporated into the corporate culture and translated into bioMérieux's international strategy.

bioMérieux is above all a corporate citizen, through its historic and pioneering commitment to the fight against infectious diseases. It builds its future on the values and strengths it develops in the following areas:

- in the social domain, through the collaborative and complementary work of Fondation Mérieux, which celebrated its 50th birthday in 2017, and Fondation Christophe and Rodolphe Mérieux, and by the signing of the Global Compact in 2003;

Adherence to the Global Compact: a foundation stone for bioMérieux, in keeping with its corporate culture (see section 3.3.7.2)

Since 2003, bioMérieux has renewed its support for the Global Compact every year. This international initiative, under the auspices of the United Nations, invites signatory companies to commit to respecting a code of ten principles related to human rights, working conditions, the environment and the fight against corruption. Every year bioMérieux publishes the progress made through the various initiatives undertaken in line with the Compact's principles.

For more information, see:
http://www.biomerieux.com/en/global-compact

- labour relations, through a global policy focussing on good social dialogue in support of ambitious economic performance with respect for local customs and legislation;
- environmental issues, with early commitments (such as bioMérieux Goes Green) having fed into the current policy which sets targets for 2020.

Finally, innovation supports public health with about 13% of the Company's sales going back into R&D, in order to develop new solutions to meet future health challenges (antimicrobial resistance, new epidemics, health care accessible to all).

For over 50 years, bioMérieux has combined economic development in support of public health with a social commitment to present and future generations.

A recognised CSR policy

For a number of years extra-financial rating agencies have been evaluating the CSR performance of bioMérieux and have included it in their SRI (Socially Responsible Investments) indices. These include the Ethibel Forum (Ethibel Sustainability Index (ESI) Excellence Europe) which draws on the work of the ratings agency VIGEO, or FTSE Russell (FTSE4Good Index). This year bioMérieux was included in the new indices and was awarded new labels (Vigeo Eiris, EcoVadis, OEKOM Research, CDP).

3.1.2 A commitment with three main priorities

bioMérieux's responsibility revolves around three priorities: social, labour relations and environmental issues. bioMérieux strives to advance public health issues in its industry by providing effective diagnostic tests for clinical and industrial applications, and by making them accessible to the greatest number of people.

The 2020 Health, Safety and Environment vision, updated in 2017, sets objectives in five main areas:

- improving performance[1]: with results exceeding expectations in 2016 and 2017, ambitions relating to energy and waste were revised upwards and reductions in water consumption will now be measured. As such, the objectives are as follows: 20% reduction in energy consumption, 25% reduction in waste produced 20% reduction in water consumption. The other objectives remain unchanged: 30% reduction of the frequency of lost-time occupational accidents, ISO 14001 and OHSAS 18001 certification for all industrial sites, with energy management system to be introduced at the main French sites;
- assessing the environmental impact of products and the materials associated with them at every stage of their life cycle, in order to take into account current best practice and to support an ambitious improvement plan;
- expanding the commitment to subsidiaries and sites, as well as to Group employees in order to ensure the program's success;
- introducing bioMérieux's HSE standards into its relationship with suppliers and supporting its implementation among logistics providers;
- putting into place tools for employees to gather information, suggest improvements and efficiently implement the HSE policy.

Social domain

The healthcare sector is a social issue for current and future generations. It is both aware of the stakes involved and has the means to address the public health challenges it faces as a world leader in microbiology:

- actions on the ground, through the Fondation Mérieux and the Fondation Christophe and Rodolphe Mérieux, to fight against infectious diseases through international collaborations or applied research in emerging countries (see section 3.2.2.1);
- coordination and education actions in the fight against antimicrobial resistance. Microbiological risks resulting from antimicrobial resistance are becoming a major public health issue worldwide, as recognised by the WHO. In major programs bioMérieux has committed to reasonable and appropriate use of antibiotics, thus limiting antimicrobial resistance;
- contingency plans in case of the emergence of epidemics such as the Ebola virus.

bioMérieux is also involved in more local actions, in partnership with educational institutions and employability structures, as well as with museums or through cultural events.

Labour relations

bioMérieux's employees are its most important asset. Around 70% of them are based in France and the United States. Thus, bioMérieux's activities are concentrated in these two countries. They act as reference points for the labour relations policy that bioMérieux strives to apply to all of its employees throughout the world, taking into account local regulations and customs. For example, the same recruitment procedures, pay policies, training policies and annual appraisals apply to all employees worldwide.

The importance of employees is reflected in a labour relations policy which is constantly evolving in order to best accompany employees through the three main phases of their professional careers:

- initial training: approximately 5% of bioMérieux's workforce in France are young people in work-study programs, providing them with their first professional experience. bioMérieux also maintains partnerships with colleges and universities in France's Rhône-Alpes region and funds scholarships;
- professional life (see section 3.3.5): a social dialogue, carried on over several years, has helped create a policy shared by the social partners and illustrated by the establishment of quality employee benefits (mutual health insurance, pensions, profit sharing, organisation of working hours, equal opportunities, integration of people with disabilities). To this is added an active policy of professional training, skills management and talent development;
- retirement: employee savings plans with matching contributions from the Company (PERCO) or with a Time Savings Account (CET), also matched, help employees anticipate and prepare for retirement.

Environmental issues

In the context of its 2020 HSE Vision roadmap, described above, bioMérieux has defined a health, safety and environment policy. It is aligned with the Company's strategy, and monitored and managed by a global Health, Safety and Environment Committee. It aims to address the challenges, in particular in regards to the environment, which confront the Company (energy transition, circular economy, responsible supply chain, eco-design, etc.).

3.1.3 Business Ethics and Compliance

bioMérieux's commitment to public health is part of a broader approach to protect patients' interests while upholding its own reputation and looking out for its shareholders' best interests. bioMérieux's actions are governed by a set of principles, directives, standards and procedures that correspond to current ethical norms. Thus, bioMérieux is developing an anti-corruption program which reflects the principles of the Global Compact and current regulations.

(1) Reference year: 2015.

3.1.3.1 Ethics and Compliance program

bioMérieux's Ethics and Compliance program (the program) places a strong emphasis on conducting business in compliance with all laws and regulations, as well as in line with the Company's own values and culture. bioMérieux expects its employees and partners to embrace and share these values.

The program is intended to allow all bioMérieux employees to contribute to the Company's growth, in compliance with business ethics, Group culture and all applicable regulations. It is designed to prevent unethical conduct. For this reason, staff training in the rules of business ethics is a central part of the program, which contributes to the prevention of risks. It draws on the Global Code of Conduct (see below), the principles of which will be gradually developed in line with annually set priorities.

In 2017, the program's main priorities were to:

- enhance measures to prevent corruption, in accordance with the new requirements of the Sapin II law;
- secure the distribution network;
- prevent conflicts of interest with healthcare professionals;
- understand and effectively apply export regulations;
- the new EU General Data Protection Regulation (GDPR).

Global Code of Conduct

A new version of the Global Code of Conduct, supplemented and adapted to new risks arising mainly from new regulations (in particular the fight against corruption, money laundering, relationships with healthcare professionals, the protection of personal data), was issued to all employees in late 2016. It has been translated into eight languages and was the subject of a global training and awareness program for employees in 2017.

To ensure widespread circulation:

- a training course on the code's content is offered to all employees;
- the code has been uploaded to the Company's corporate website and Intranet;
- references to the code and its content have been introduced into classroom and online ethics and compliance training.

Furthermore, outside partners are made aware of the code, and the Group requests that they comply with the principles of business ethics.

Anti-corruption principles

bioMérieux's Corruption Prevention program is based on two components. The first is the Global Code of Conduct, which forms the basis of the Ethics and Compliance program. The second is the Corruption Prevention Manual, which can be accessed on the Company's corporate website and intranet. The Manual sets out the Company's expectations in its relations with partners.

In addition, the Company has produced a document on "Business Principles for Third Parties" and a "Third Party Approval Form" to raise its partners' awareness of the importance of complying with the Company's ethical conduct rules when doing business.

The Corruption Prevention program is designed to:

- promote ethical conduct in business dealings;
- familiarise employees with the Company's rules and anti-corruption laws;
- give employees a forum in which to ask questions.

Finally, the Company is continuing to improve its anti-corruption program in line with the Sapin II law, including mapping specific risks and procedures.

Principles relating to the protection of personal data

The protection of personal data and respect for privacy are fundamental rights derived from the Universal Declaration of Human Rights of 1948. bioMérieux is committed to protecting the confidentiality of the personal data of its employees and partners.

Many countries have tightened regulations restricting the use and disclosure of personal data. These laws require companies to take steps to ensure the confidentiality, integrity and availability of this kind of data. bioMérieux must also anticipate new regulations that will apply in the future. The new EU General Data Protection Regulation (GDPR) which will enter into force in May 2018 and for which bioMérieux has begun a compliance program is a case in point. Every employee accessing personal data will be trained and will adhere to the principles of this regulation, and will only collect, use or disclose such information in compliance with bioMérieux's internal rules and national laws.

Principles relating to the protection of patient data

Through its involvement in the public health industry, bioMérieux has access to sensitive personal data, better known as patient data. bioMérieux is committed to respecting the protection, use and disclosure of healthcare data in accordance with applicable regulations in order to protect the privacy of patients.

Every employee with access to patient data is trained in the internal procedure for the protection of such data.

Training

The Ethics and Compliance program provides for online training, with the schedule, content and target audience determined on a yearly basis. The training aims to raise employee awareness of applicable internal regulations and procedures so that team members can conduct themselves in an upright, ethical manner in their business and work relationships.

In 2017, over 15,000 online courses have been given to employees across all subsidiaries, including courses on conflicts of interest and export controls. In addition, as part of the program to raise awareness about protecting patient data, all new employees with potential access to this type of data took part in a dedicated online training course. Furthermore, courses on the AdvaMed ("Advanced Medical Technology Association") and MedTech Europe (European association of medical equipment suppliers) Codes of Conduct were also distributed to the employees concerned. Finally, since 2016, all new hires have systematically taken three compulsory courses (on the Global Code of Conduct, the fight against corruption and conflicts of interest).

3.1.3.2 Organisation

The Ethics and Compliance Department is organised into regions to mirror the Group's own organisational structure. In addition to the Global Compliance Officer, it comprises a Compliance Officer for each of the three regions, as well as a Global Data Privacy Officer and a Global Training Officer. The department monitors exports and merged with the Ethics and Compliance Department in 2017.

bioMérieux's ethical principles extend to everywhere it operates. For this reason, teams of correspondents have been set up in each site and tasked with disseminating and applying the program's ethical and compliance-related principles at the local level. These teams also ensure that the Group's internal directives and all local laws and procedures are applied.

Each site has a dedicated Local Compliance Team (LCT), which at minimum comprises the subsidiary manager or site director and a training coordinator.

bioMérieux has established a network of personal data representatives across all of its sites and subsidiaries as well as in global functions. This network is responsible for serving as the interface between the Global Data Privacy Officer and the Units, in particular in terms of the new EU General Data Protection Regulation compliance program.

3.1.3.3 Whistle-blowing

Special structures comprising a dedicated hotline and e-mail address have been set up to listen to and advise employees so that they can express themselves freely and report situations of non-compliance.

Any employee who witnesses a breach of the Global Code of Conduct should first report the issue to his or her manager or supervisor. Employees may also contact the Human Resources Department, the Legal Department or the Ethics and Compliance Department.

An ethics hotline has been rolled out in all of bioMérieux's host countries. It provides employees with a local telephone hotline in the local language, as well as a website through which a report can be made online.

The Company has a zero-tolerance policy concerning threats to employees who have reported something in good faith, refused to break the law, or taken part in an investigation.

Finally, the Company has made the necessary changes to its procedures and tools in order to incorporate the status of whistleblower as defined by the Sapin II law.

3.1.4 Engagement with stakeholders

3.1.4.1 Regulatory authorities

National health authorities

The Company pays close attention to compliance with the requirements of health bodies governing the national markets in which it sells its products (see section 1.5.2). As part of a continuous improvement process, it takes into account their comments and opinions issued during inspections.

Environmental authorities and occupational health and safety authorities

All Company sites are subject to national, federal and/or local environmental and occupational health and safety regulations (see section 3.3.2.1). The relevant authorities may carry out scheduled or surprise inspections. On these occasions, the Company takes any observations and opinions they make into account.

3.1.4.2 Relationships with the local host communities

The Group is involved in the life of the local communities around its sites and subsidiaries, taking part in social and cultural initiatives.

The Company implements a policy promoting the employment of troubled youth and equal opportunities through partnerships with the Sport dans la Ville and Institut Télémaque associations.

- Since 2007, bioMérieux is one of the main partners of the *Sport dans la Ville* association in France, whose purpose is to promote the social and professional integration of young people from underprivileged neighbourhoods through sport. bioMérieux's commitment is reflected in particular by its sponsoring and welcoming of the young people from the association within the Company's various departments. By sponsoring a young person eager to succeed academically and integrate into the working world, despite the difficulties of their social environment, bioMérieux employees can contribute to improving the equality of educational and employment opportunities.

  In 2016, the partnership with *Sport dans la Ville* was strengthened by bioMérieux's participation in the Apprenti'Bus program, whose purpose is to fight against inequality through initiatives supporting educational assistance and the professional integration of young people in disadvantaged areas. Workshops on reading, writing, communication and digital tools are offered to around a hundred children aged from 7 to 11. These are organised in a bus that travels through the 13 neighbourhoods in the Lyon area where *Sport dans la Ville* is active. In 2017, bioMérieux was involved with the acquisition of a second *Apprenti'Bus* to enable *Sport dans la Ville* to intensify its efforts in one of the 13 neighbourhoods in the Lyon area where the charity operates.

- In 2014, bioMérieux launched a partnership with the *Institut Télémaque* whose mission is to support social mobility by sponsoring deserving secondary pupils from modest backgrounds who are eager to succeed in school. The Company financed, for the 2016-2017 school year, mentoring by bioMérieux employees of 16 young people selected by the *Institut Télémaque*. Tours of the Company premises and events at its sites in the *Rhône-Alpes* region were also organised to give young people a taster of activities and careers at bioMérieux.

bioMérieux is a partner to universities and educational institutions in *Rhône-Alpes*, a situation that allows it to strengthen its cooperation with academic research.

bioMérieux has had a partnership with EMLYON Business School since 2015. Through this agreement, bioMérieux became one of the first companies to join the Global Business Network of major international corporate partners. Thus it is becoming the expert life sciences partner as part of the I.D.E.A program (Innovation, Design, Entrepreneurship & Arts), a new pedagogical approach implemented by EMLYON to train the innovative entrepreneurs of the future. In the area of research, bioMérieux supports the development of work carried out within the Institut français de gouvernement des entreprises (IFGE), the EMLYON research centre and social laboratory dedicated to corporate governance issues. The partnership also includes the possibility of training for bioMérieux employees to help them enhance their skills, notably in relation to the digital transformation.

bioMérieux is also a founding member of the *Fondation Université Grenoble Alpes*, established in 2014. Set up in September 2014, the Foundation aims to support high-level research projects and promote equal opportunity.

Since 2015, bioMérieux has also been involved in the *Université Grenoble Alpes*'s BioHealth Computing program and has thus funded 20 grants for Master Excellence bioHC to enable the best students from this discipline to pursue their studies in an international environment. This program combines multidisciplinary approaches and is original in that it combines the disciplines of health, computer engineering and maths. This initiative is aligned with the Company's human resources policy to attract the talent and scientific profiles bioMérieux will need to address ongoing changes in its occupations. It also aims to promote equal opportunities by supporting students with significant potential who are in a vulnerable financial position so that they can continue their studies with a view to joining the Company.

bioMérieux has been a partner of the INSA(1) Lyon Foundation since 2010. In 2016, this partnership enabled a group of students from INSA Lyon to take part in the international iGEM(2) competition that took place in Boston in October 2016. On this occasion, they presented a project for the rapid diagnosis of sexually transmissible diseases, for which they won the best diagnostics project award. The Company also hosts interns from INSA, runs careers days at the school and takes part in its Company Forum.

Bike&Run'17: in 2017, bioMérieux supported and took part in the first Bike&Run'17 event organised on the campus of the Ecole Centrale de Lyon. Students from universities and educational institutions took part in this mixed race alongside companies from the *Auvergne-Rhône-Alpes* region. With student-company pairs competing, its aim was to enable manufacturers to share their values with under-graduates through a sporting event and to meet young talent in a different way. The Company has renewed its support for the 2018 edition of Bike&Run.

Long-term partnerships exist with ESTBB, a school in the Catholic University of Lyon's scientific cluster. Nearly 130 bioMérieux employees are former graduates and the Company welcomes young people as interns or on work-study programs every year. Since 2008 a bioMérieux human resources representative has also been part of the school's Development Council – a forum for educational directors to collect professional opinions. In October 2017, bioMérieux renewed its commitment to the school by signing an agreement formalising its partnership over the next three years.

In the United States, bioMérieux is a partner of the North Carolina State University. The Company sponsors the university's Biomanufacturing Training and Education Center (BTEC) and awards scholarships to two students each year. Moreover, its site in St. Louis (Missouri) employs interns from the University of Washington. In this state, scholarships have been awarded to students selected from 3 universities. Management teams enjoy close ties with these higher education institutions, a fact that enables bioMérieux to integrate young graduates into its teams.

In China, bioMérieux has established links with Jiao Tong University in Shanghai. In March 2017, 11 Company ambassadors held a meeting with students from the school of medicine's Medical Laboratory Department to present activities and career opportunities within the Company.

3.1.4.3 Relationships with organisations promoting public health

Pursuant to Act No. 2003-09 of August 1, 2003, the Company's Board of Directors decided to contribute a portion of sales to sponsorship activities. The majority of the contribution is allocated to projects supported by the Fondation Mérieux, recognised as a public utility, and the Fondation Christophe and Rodolphe Mérieux, under the aegis of the Institut de France. The remaining amount is allocated to sponsorship activities undertaken directly by bioMérieux (see section 3.2.2).

(1) Institut National des Sciences Appliquées
(2) International Genetically Engineered Machine

3.2 Social responsibility

3.2.1 Fighting antimicrobial resistance

In line with the One Health global approach promoted by international organisations to ensure common action in human health, animal health and environmental management, bioMérieux is actively contributing to the fight against antimicrobial resistance, recognised as a major threat to public health by leading health organisations and as a global priority by the United Nations. 2016 marked a turning point with the adoption of a "One Health" approach by the United Nations General Assembly. In June 2017, the European Commission, which has been heavily involved in the issue for a number of years, published an action plan based on this principle to fight antimicrobial resistance. Finally, in July 2017, this subject was included in the G20 Declaration which demonstrated the importance of the "One Health" approach and access to good diagnosis in fighting antimicrobial resistance.

It is also an important economic and social challenge for future generations. The projections are indeed concerning: an economic cost of more than $100,000 billion, and more than ten million deaths a year that may be linked to antimicrobial resistance in 2050, or one every three seconds.

bioMérieux participates in many international and national summits on this issue. For example, in September 2016, bioMérieux, represented by Mark Miller, Chief Medical Officer at bioMérieux, stressed the importance of diagnostic tests in the fight against antibiotic resistance at a satellite session of the United Nations General Assembly. In November 2016, bioMérieux was invited by the FDA to participate in the commission dedicated to microbiology, during its Advisory Committee on medical devices. In this context, the Company presented the results of a study demonstrating the benefits of the widespread use of its VIDAS® B•R•A•H•M•S PCT™ test to contribute to the proper use of antibiotics, in order to preserve their effectiveness over the long term. bioMérieux obtained FDA approval for this usage on February 24, 2017 (see section 5.2.2.4). In 2017, bioMérieux was signatory to the declaration on antimicrobial resistance at the last Economic Forum in Davos (Switzerland). The Company was also involved in the launch of the AMR Industry Alliance, a consortium aimed at making and measuring progress in combating antimicrobial resistance in industry. Mark Miller, Chief Medical Officer at bioMérieux, sits on the Board of AMR Industry Alliance as representative of the diagnostics industry. Finally, in November 2017 General Management signed the BIVDA(1) Antimicrobial Resistance Declaration.

As part of this drive, the Company has organised the bi-annual World HAI/Resistance Forum since 2007, bringing together world-renowned experts in the field of antimicrobial resistance and healthcare-associated infections. The forum last took place in June 2015 when the theme was: Antimicrobial Resistance: One world, one fight! The preliminary results of the first bioMérieux-supported "Global Point Prevalence Survey" on the use of antibiotics and resistant bacteria in hospitals were presented at the forum. This unprecedentedly broad study was coordinated by Professor Hermann Goossens and Dr Ann Versporten of the University of Antwerp in Belgium. It helped collect data from more than 100,000 patients in 335 hospitals in 53 countries. The results obtained highlight the need to optimise prescription habits. This investigation quickly established itself as a major element in the measurement and monitoring of corrective actions and has resulted, in some countries, in national improvement programs. It also highlights the importance of the *in vitro* diagnostic, as well as the need to use more diagnostic tests and improve antibiotic prescribing practices in all countries. More recently, the Global Point Prevalence Survey was conducted by the WHO with the CDDEP(2), IDSA(3) and GARP(4). bioMérieux has renewed its support for conducting another survey in 2017 which, with over 65 countries represented, will focus more specifically on education and low to medium income countries, particularly through online training developed by the BSAC(5). This training module, along with other tools, will enable hospitals to develop tailored action plans based on the results of the survey in their hospital and on local priorities.

In addition, continuing a collaboration with the pharmaceutical laboratory Pfizer, bioMérieux supports the multicentre surveillance study iCREST (infection-Carbapenem Resistance Evaluation Surveillance Trial). The objective of this project is to determine the prevalence of infections caused by bacteria resistant to the carbapenem class of antibiotics, and also to evaluate the efficacy of a new combination of antibiotics, bringing together ceftazidime and avibactam, in order to treat these serious and antimicrobial resistant infections. This study uses products developed by bioMérieux: the chromogenic culture medium CHROMID® CARBA SMART and two ETEST® antibiotic susceptibility tests, ETEST® ceftazidime/avibactam (RUO) and ETEST® meropenem.

Since 2016, bioMérieux has had a website in place dedicated to microbial resistance, whose main objective is to educate and raise awareness among the general public about the proper use of antibiotics and the medical value of diagnosis in the fight against this threat.

www.antimicrobial-resistance.biomerieux.com

(1) British In Vitro Diagnostics Association.
(2) The Center for Disease Dynamics, Economics & Policy.
(3) Infectious Diseases Society of America.
(4) Global Antibiotic Resistance Partnership.
(5) British Society for Antimicrobial Chemotherapy.

The Company also supports a number of initiatives to fight against microbial resistance in its host countries. bioMérieux participates every year in the "European Antibiotic Awareness Day", organised by the European Centre for Disease Prevention and Control (ECDC), and the "World Antibiotic Awareness Week" conducted by the WHO. In this context, bioMérieux is launching education and awareness-raising campaigns in regards to laboratories, clinicians, veterinarians and the general public to promote a more rational use of antibiotics. Thus, at World Antibiotic Awareness Week in 2017, at its Campus de l'Etoile site (Marcy l'Etoile (France)) bioMérieux presented an exhibition on antimicrobial resistance in the form of posters produced in conjunction with the Doctor Mérieux Biological Sciences Museum. This exhibition was used to raise awareness among Company employees about the proper use of antibiotics.

Finally, in Burkina Faso, bioMérieux has supported a cross-university degree in antibiology jointly organised by African and French experts through the funding of scholarships for six students from the University of Bobo-Dioulasso. The aim of this program is to train practitioners in public hospitals in prescribing antibiotics appropriately.

3.2.2 Promoting access to diagnostic tests for everyone

The table below shows the funds contributed to corporate sponsorships and other donations:

Contributions, donations and sponsorships *In thousands of euros*	2017	2016	2015
Contributions	3,047	2,578	2,659
of which to the Mérieux Foundation	*33*	*191*	*473*
of which to the Christophe and Rodolphe Mérieux Foundation	*2,000*	*1,325*	*1,325*
Sponsorships, other donations, national heritage and acquisitions of living artists' works	372	260	334
TOTAL	**3,419**	**2,838**	**2,993**
As a ‰ of net sales	*3.0*	*2.7*	*2.8*

3.2.2.1 Activities of the Foundations

Fondation Mérieux

Since its founding in 1967 by Dr Charles Mérieux, the Fondation Mérieux, an independent family foundation recognised as a public utility, has been engaged in the fight against infectious diseases in developing countries.

Its objective is to strengthen laboratory diagnostic capabilities, which are often lacking in many countries suffering from repeated epidemics. Its actions favour diagnosis as an essential part of patient care, and also as an essential tool for monitoring and controlling diseases.

Fondation Mérieux's activities are based on four objectives:

- increasing access of vulnerable populations to diagnosis by strengthening the role of clinical microbiology laboratories in national health systems;
- strengthening local applied research capacity by training researchers, developing collaborative programs and creating Rodolphe Mérieux laboratories, before transferring them to local stakeholders;
- developing the exchange of public health knowledge and initiatives in connection with the Centre des Pensières conference centre in Veyrier-du-Lac (Annecy - France);
- taking action for the mother and child through a holistic approach to health.

On September 14, 2017, the Fondation Mérieux celebrated its 50th anniversary at a gathering at the *Centre des Pensières*. The aim of this day, which brought together internationally renowned scientists, was to identify new ways of cooperating internationally to combat increased risks of epidemics.

Fondation Christophe et Rodolphe Mérieux

Since 2005, the Fondation Christophe et Rodolphe Mérieux, under the aegis of the Institut de France, is a shareholder of Institut Mérieux, holding one third of its shares. Its on-the-ground initiatives are financed through the dividends that it receives indirectly from Institut Mérieux (as the only shareholder to which Institut Mérieux distributes dividends).

The purpose of the Christophe et Rodolphe Mérieux Foundation is to support public health-applied biological research in developing countries, and more specifically aid in the fight against infectious diseases, and contribute to scientific and educational projects.

As part of its sponsorship activities, bioMérieux supports the actions of the Fondation Mérieux and the Fondation Christophe et Rodolphe Mérieux ("the Foundations"). These independent family Foundations fight against infectious diseases that affect developing countries by increasing their diagnostic capacities. The Mérieux foundations received €2 million in 2017.

The foundations have projects in some thirty countries. bioMérieux's support has helped to deliver many projects in support of vulnerable populations.

In Tunisia: construction work for the new Rodolphe Mérieux laboratory in Tunis began in April 2017. It will be the first P3 level laboratory in Tunisia and one of the first in Africa. Managed by the Institut Pasteur in Tunis, it will meet international security and quality standards and will improve

the standard of health research in the country. It will join a network of eight other Rodolphe Mérieux laboratories across three continents (Mali, Cambodia, Laos, Haiti, Madagascar, Lebanon, Bangladesh and Brazil).

In Cambodia: the Rodolphe Mérieux laboratory, at the University of Health Sciences in Cambodia (USSC), opened in April 2017, after renovation work and technical capacity-building. Its new units include the first biobank for storing biological materials from research projects conducted by the USSC as well as three units dedicated to molecular biology activities, a cutting edge testing technique which will make it possible to extend the scope of research and services carried out by the laboratory. As part of this renovation of the 120 m^2 laboratory with P2 level biosecurity, a very modern maintenance system has been fitted allowing it to be controlled remotely and offering substantial energy savings of around 40% compared with the old system.

Ivory Coast: the Christophe Mérieux prize was awarded to Serge Eholié and Xavier Anglaret, of the *Centre de recherche sur les maladies infectieuses et pathologies associées* (Centre for research into infectious diseases and associated pathologies) in Abidjan. Serge Eholié and Xavier Anglaret together manage a team that was founded in 1994 and is made up of highly respected Ivorian and French researchers. The team's mission is two-fold: to conduct research into infectious diseases so as to improve the health of the population and to train young scientists in medical research. Through this award in the amount of €500,000, the Fondation Christophe and Rodolphe Mérieux supports research in developing countries. Since its creation in 2007, this prize has been awarded to 12 researchers who work in the fight against diseases affecting their countries.

The 9th international meeting of the GABRIEL network (Global Approach to Biological Research, Infectious diseases and Epidemics in Low-income countries) was organised at the Centre des Pensières in December 2017. This network comprises 20 public and private institutions, including the Rodolphe Mérieux laboratories. A number of themes have been worked on: Flavivirus infections (dengue, Zika, yellow fever, etc.), tuberculosis, acute respiratory infections, enteric infections and pneumonia.

Going beyond strengthening local capabilities in biology, the foundations also act to protect the most vulnerable individuals, especially mothers and their children. In 2017 they developed their activities in this area in order to continue to respond to the emerging needs of these populations.

Faced with the extent of maternal and infant health needs, the foundations decided to build an extra storey on the Pauline Jaricot medical centre in Erbil (Iraqi Kurdistan), which offers comprehensive, high-quality treatment to the large displaced populations in the region. This new space, which is to open in early 2018, will be dedicated to healthcare for mothers and children. The Foundation's two partners in this project are two other institutions based in Lyon: *les Œuvres Pontificales Missionnaires de Lyon* and *la Fondation Saint-Irénée* (Pontifical Mission Society in Lyon and the Saint Irenaeus Foundation). The foundations are also building a medical/community centre for Yezidi women and children which are to open in early 2018. Fondation Mérieux also plans to rebuild the primary school in Qaraqosh.

In Haiti, the foundations support, in particular, the village of Nazareth in Leogane, a centre that welcomes and supports orphans and children in difficulty from the ages of 0 to 6. It was founded in 2012 with the support of the Fondation Christophe and Rodolphe Mérieux, following the earthquake, and currently hosts 60 children. In 2017, the foundations continued to support the *Maison d'enfants de Notre Dame de la Médaille Miraculeuse*, an orphanage at Cap Haïtien, which is home to 17 children, as well as the Association pour la Coopération avec la Micro Entreprise, a charity which has granted micro-loans to over 4,500 women over the last 11 years.

In Madagascar, the foundations are supporting a number of social/medical centres and charities by funding hospital treatment or medical exams (100 people benefited in 2017) or buying medication (1,200 children have benefited through four centres and charities).

3.2.2.2 A borderless diagnostic approach to respond to infectious diseases

Emergency solutions for emerging pathogens

Since 2014, bioMérieux has established a group of internal experts dedicated to threats from infections due to emerging pathogens (Zika, Ebola, MERS-CoV, Lassa fever, Marburg virus, Chikungunya, etc.) and which works to develop pertinent diagnostic tests. The aim is firstly to monitor the emergence of new epidemics, and secondly to develop and validate diagnostic tests for these emerging pathogens.

Thus, in response to the Ebola outbreak in West and Central Africa since 2014, the BIOFIRE FILMARRAY® clinical test for the Ebola virus (BioThreat-E test) was the first commercial test to receive Emergency Use Authorization (EUA) from the US Food and Drug Administration (FDA), in October 2014. The test was recognised by Frost & Sullivan in February 2015 with a Global New Product Innovation Award, which is given to companies that most actively demonstrate the ability to design a product that addresses unmet needs. In September 2015, the BIOFIRE FILMARRAY® BioThreat-E test received Emergency Use Assessment and Listing (EUAL) by the WHO, allowing it to be eligible for WHO procurement and use in countries affected by the epidemic. Finally, as part of collaboration with an INSERM team based at the Jean Mérieux P4 laboratory in Lyon, research has been conducted in the field of biosafety on the same test. These studies have shown the safety of the BIOFIRE FILMARRAY® platform when handling samples containing highly pathogenic agents. They were presented in December 2016 during the Congress of the African Society of Laboratory Medicine.

In addition, as part of a partnership with Donka Hospital in Conakry, Guinea, bioMérieux donated two BIOFIRE FILMARRAY® systems so that the hospital can conduct clinical studies on the BIOFIRE FILMARRAY® BioThreat-E test that makes it possible to detect the presence of the Ebola virus.

Lastly, bioMérieux also launched in 2015 MERS-HCoV r-gene®, a new research use only (RUO) kit for detecting the Middle East Respiratory Syndrome Coronavirus (MERS-CoV1), which represents a significant public health risk with a mortality rate of around 35%. This molecular solution makes it possible to detect and screen for this pathogen with a single PCR test per sample. Coronaviruses (CoV) are primarily the cause of respiratory and enteric diseases in people and certain animals. Moreover, in April, the Company announced CE marking for the BIOFIRE FILMARRAY® respiratory panel 2 Plus (RP2plus). It can test 22 pathogens simultaneously, including the coronavirus which causes MERS-CoV. This improved version of the BIOFIRE FILMARRAY® respiratory panel offers faster result times, greater sensitivity and updating of the disease-causing organisms already present in this panel.

R&D programs for emerging countries

In 2016, bioMérieux pursued the deployment of its R&D program to develop diagnostic solutions to fight infectious tropical diseases in countries with limited resources. This program is based on enhanced partnerships with internationally renowned academic institutes, foundations (GATES, FIND, etc.), governmental partners and funding consortia. bioMérieux has opened a Centre of Excellence in Brazil and has strengthened its partnership with the University of São Paulo, where local teams are conducting research projects, notably on arboviruses (Dengue, Chikungunya and Zika). In this context, in 2016, a funding application was made to the FAPESP (São Paulo Research Foundation) for a research program in Brazil on biomarkers for the severity of these infections so as to diagnose the worsening of ensuing illnesses. This application was approved by the FAPESP in the first quarter of 2017. Since January 2018, research has been conducted into patients with these infections.

Given its geographic presence in Africa, and its long-standing commitment to the continent, in 2015 bioMérieux launched a specific program to improve the health of mothers and children in Africa. It focuses on four types of pathologies: respiratory infections, diarrhoea, sepsis and meningitis. The program includes initiatives in the areas of training, innovation, access to diagnostic tests and partnerships.

Thus, following the partnership between bioMérieux and the NGO Alima a study was launched in Chad in 2015 on gastrointestinal diseases among malnourished children, in order to improve the quality of their medical care. bioMérieux provided free Since January 2018, research has been FILMARRAY® GI (gastro-intestinal) panel tests to the Chad-China Friendship Hospital in N'Djamena to conduct this study. The aim is to describe seasonal fluctuations in the prevalence of three enteropathogens among acutely malnourished children suffering from diarrhoea. The results, presented in the form of posters at the Institut Pasteur's Science Days (*journées scientifiques)* in 2016, as well as at the meeting of the ASTMH (American Society of Tropical Medicine and Hygiene), showed a high incidence of co-infection.

Similarly, bioMérieux also formed a partnership with McMaster University in Canada concerning the donation of a FILMARRAY® system and tests from the BIOFIRE FILMARRAY® GI panel for use in a clinical study in Botswana. The study, which is currently under way at the Botswana National Laboratory, aims to optimise the treatment of young children with acute diarrhoea.

3.2.2.3 Solidarity actions

Work with international organisations

bioMérieux works with many international organisations (Bill Clinton Foundation, United Nations, Doctors without Borders, etc.) as part of public health programs for the financing of global health and the development of *in vitro* diagnostic tests.

In 2014, Jean-Luc Belingard, then bioMérieux Chairman and Chief Executive Officer, joined the Gates-CEO Global Health Roundtable. This collaboration between health industry CEOs and Bill Gates aims to use innovation to address the major public health challenges facing disadvantaged populations. In particular, it seeks to foster initiatives to fight neglected tropical diseases in countries with limited resources.

In 2015, bioMérieux was among seven diagnostic providers selected by the Global Fund to Fight Aids as part of a new approach, recommended by the WHO, to monitor the viral load of patients with HIV. The Company's NUCLISENS® HIV range was selected following a technical and commercial evaluation. The goal of this three-year agreement is to reduce costs so that countries with limited resources have easier access to diagnostic tests.

Educational and awareness raising initiatives

In 2013, bioMérieux formed a partnership with Santé en entreprise (SSE), an association of companies whose goal is to promote and implement field programs to fight HIV, malaria and chronic diseases, in particular. SEE operates in France, Africa and the Caribbean, and develops initiatives aimed at employees, their families and the general public. This partnership has led to the creation of mobile HIV testing units and training for caregivers in corporate medical centres in Africa. In 2015, it was extended to hepatitis screening in France and related training for health care professionals.

Whilst the incidence of malaria is falling in Africa, and other diseases are emerging or re-emerging (Ebola virus for example), the role of diagnosis in tackling fevers is set to grow. In 2016, SEE (Santé en Entreprise) organised a workshop led by bioMérieux in Conakry, Guinea to exchange experiences on fever treatments. It was followed by a three-day training course in September 2017 in Conakry. Medical Affairs teams from bioMérieux and the Africa cluster helped to develop this course and deliver it on the ground. Course participants learned about differential diagnosis and the appropriate treatment of fever.

Similarly, in February 2017, bioMérieux sponsored a three-day workshop in Grand-Bassam (Ivory Coast) organised by the Institute of Medicine and Applied Epidemiology (*Université de Paris Diderot*) and *Université d'Abidjan*, on diagnostic and therapeutic strategies for fever in Sub-Saharan Africa. One hundred French-speaking experts (Sub-Saharan and North Africa) together with English-speaking experts from West Africa took this course, including paediatricians, gynaecologists and obstetricians faced with issues of maternal and neonatal infections. bioMérieux's presentation was about the importance of diagnosing sceptic conditions and of syndromic diagnosis in epidimological surveillance.

Support for local initiatives

In addition to the Group's corporate sponsorship policy, teams at the subsidiaries are involved in humanitarian activities in their countries, with a number of initiatives carried out in partnership with local NGOs.

3.2.2.4 Cultural philanthropy

bioMérieux has had close ties with the city of Grenoble for many years. Grenoble was accordingly chosen as home for the Christophe Mérieux Centre dedicated to research and the production of molecular biology systems. In addition to this scientific collaboration, bioMérieux wanted to support the city's cultural environment, notably as part of the Sponsors' Club of the Museum of Grenoble. Alain Mérieux, President of Institut Mérieux, is a founding member of the Sponsors' Club of the Museum of Grenoble. Thanks to this club, the Museum of Grenoble was able to acquire, in 2013, a collage by Picasso entitled "The Glass", and "Still Life" by Morandi in 2015.

bioMérieux supports the Lyon Museum of Fine Arts. The Company sponsored the purchase of Nicolas Poussin's painting "The Flight into Egypt" in 2008 and the acquisition of Jean-Honoré Fragonard's "*Le Rocher*" and "*L'Abreuvoir*", two paintings of considerable historical importance, in 2013. Finally, in 2015, bioMérieux contributed to the acquisition of Nicolas Poussin's painting "The Death of Chione".

For many years, bioMérieux has also supported diverse cultural events in France's Auvergne-Rhône-Alpes region, including the Chaise Dieu music festival in Haute-Loire (a partnership of over 30 years), the Baroque Music Festival of Lyon, and the Lumière cinema festival organised in Lyon every year by the Institut Lumière.

3.2.3 Management of suppliers and subcontractors

3.2.3.1 Responsible purchasing

For several years, bioMérieux has refocused on its core business that is undergoing profound changes due to progress in biology and *in vitro* Diagnostics technologies. The Company therefore works with numerous exterior partners: purchases of materials and services.

To ensure CSR continuity, bioMérieux is committed to the sustainable management of its relationship with partners, incorporating suppliers into its continuous improvement process and involving them in its sustainable growth strategy, based on environmental protection (see section 3.2.3.3), social progress and basic human rights.

bioMérieux's commitments and requirements with respect to its suppliers are described in the "Ethical and Sustainable Development Charter between bioMérieux and its suppliers". In June 2014, the Charter was completely rewritten to place greater emphasis on crucial aspects of the Company's approach to responsible purchasing and reflect its new organisation. It was signed by the Chief Operating Officer and the Vice-President, Corporate Purchasing.

Every year, bioMérieux provides specific training to purchasing teams in the implementation of this policy.

Since 2015, bioMérieux has been intensifying its efforts in favour of responsible purchasing and includes in its new contracts clauses on ethics and compliance as well as those specific to health professionals.

In terms of responsible purchasing, bioMérieux has stepped up evaluation of its suppliers by incorporating CSR criteria connected with their activities in the selection process and monitoring the CSR performance of strategic suppliers annually.

Since 2016, bioMérieux SA has used a service provider to enhance its procedures for monitoring its French suppliers, in particular in relation to the client's obligations under undeclared work regulations.

3.2.3.2 Supporting the local economy

Almost 90% of production is carried out in Europe and the United States. The Company makes around 90% of its purchases in these two regions, thus fulfilling its role as a supporter of local business.

In France, bioMérieux was among the first companies to sign the charter for responsible supplier relations initiated by the Business-to-Business Mediation Department (*Médiation inter-entreprises*) and the French Purchasing Association (*Compagnie des dirigeants et acheteurs de France – CDAF*). The contractors who signed this charter demonstrated their commitment to implementing best purchasing practices and to exercising their responsibility within a framework of mutual trust with suppliers, with full knowledge of and respect for their respective rights and duties.

The Company is also one of the founding members of Pas@Pas. This association brings together large companies with a strong commitment to socially responsible purchasing and representatives of people with disabilities and the underprivileged.

In the United States, in accordance with the purchasing policy of the Federal Supply Service and the General Services Administration, two federal administrations with which the Company has significant contracts, bioMérieux Inc. includes small business concerns in its supplier portfolio in line with a specific purchasing plan defined on an annual basis. These businesses are mainly managed by veterans, women or minorities. The purchasing teams of these companies receive appropriate training.

Moreover, the Purchasing Department of bioMérieux Inc. is a member of the St. Louis Minority Business Council and participates in seminars organised by the Chamber of Commerce on topics related to diversity.

3.2.3.3 Actions in favour of the environment

Since 2013, the international transport and logistics contracts signed by the Company contain requirements on greenhouse gas emissions generated by the services provided by its contractors, as well as recommendations to reduce their environmental impact.

bioMérieux continues its action plan with its raw materials suppliers to ensure compliance with REACH (Registration, Evaluation, Authorization, restriction of Chemicals) regulations and BPR (Biocidal Product regulation), and to anticipate potential future regulatory obligations.

3.3 Labour relations

3.3.1 Workforce

At December 31, 2017, the Group had 10,367 full-time-equivalent employees and temporary staff. The Group's workforce totalled 9,806 employees at December 31, 2016.

Expressed as employees on the payroll, the workforce comprised 10,321 employees (excluding temporary employees) as of December 31, 2017 (63% of whom outside France).

The indicators presented below are based on employees on the payroll.

3.3.1.1 Breakdown of workforce by gender

	Women	Men	Total workforce
2015 breakdown	4,403	4,775	9,178
2016 breakdown	4,647	5,017	9,664
2017 BREAKDOWN	**4,942**	**5,379**	**10,321**

Women account for 48% of the Group's workforce.

3.3.1.2 Breakdown of the workforce by gender and time worked

	Women		Men	
	Part time	Full time	Part time	Full time
2015 breakdown	12%	88%	2%	98%
2016 breakdown	12%	88%	2%	98%
2017 BREAKDOWN	**12%**	**88%**	**2%**	**98%**

Note: 6% of the Group's workforce works part time.

3.3.1.3 Number of departures by type of contract and departure

Departures	2017	2016	2015
Permanent			
Voluntary	724	581	618
Involuntary	232	352	183
SUB-TOTAL	**956**	**933**	**801**
Temporary			
Voluntary	111	95	98
Involuntary	241	259	307
SUB-TOTAL	**352**	**354**	**405**
TOTAL	**1,308***	**1,287**	**1,206**

* *Including eight people recorded as 2016 departures in 2017.*

In 2017, the voluntary turnover rate for employees on permanent contracts was 7.7% and 3.9% for employees with less than three years of seniority.

3.3.1.4 Number of new hires by type of contract

New hires	2017	2016	2015
Permanent	1,436	1,272	1,286
Temporary	529	501	403
TOTAL	**1,965***	**1,773**	**1,689**

* *Including 9 people recorded as 2016 hires in 2017.*

From 2016, Applied Maths Inc., Applied Maths NV and Hyglos GmbH employees are included following the acquisition of these companies that year.

3.3.1.5 Breakdown of departures and new hires by gender

2017	Women		Men		
Departures	Number	%	Number	%	Total
Permanent					
Voluntary	355	49.0%	369	51.0%	724
Involuntary	91	39.2%	141	60.8%	232
SUB-TOTAL	**446**	**46.7%**	**510**	**53.3%**	**956**
Temporary					
Voluntary	74	66.7%	37	33.3%	111
Involuntary	150	62.2%	91	37.8%	241
SUB-TOTAL	**224**	**63.6%**	**128**	**36.4%**	**352**
TOTAL DEPARTURES	**670**	**51.2%**	**638**	**48.8%**	**1,308**

New hires	Number	%	Number	%	Total
Permanent	635	44.2%	801	55.8%	1,436
Temporary	329	62.2%	200	37.8%	529
TOTAL NEW HIRES	**964**	**49.1%**	**1,001**	**50.9%**	**1,965**

In 2017, 32 employees had the opportunity of working in another entity of the bioMérieux Group.

3.3.1.6 Breakdown of workforce by age

Age	2017	2016	2015
Less than 25 years old	5%	4%	4%
25-34 years old	27%	27%	27%
35-44 years old	30%	31%	31%
45-54 years old	25%	25%	26%
More than 54 years old	14%	13%	12%

3.3.1.7 Breakdown of workforce by age and gender

Age	2017 workforce	Women	Men
Less than 25 years old	5%	5%	5%
25-34 years old	27%	27%	27%
35-44 years old	30%	30%	30%
45-54 years old	25%	25%	24%
More than 54 years old	14%	13%	14%

3.3.1.8 Breakdown of workforce by region

Geographic areas	2017	2016	2015
France	37%	38%	39%
EMEA*	13%	14%	14%
Americas	40%	38%	38%
North America	*35%*	*34%*	*34%*
Latin America	*5%*	*4%*	*4%*
Asia-Pacific	10%	10%	9%

* *EMEA: Europe, Middle East, Africa, excluding France.*

3.3.1.9 Breakdown of workforce by region and gender

Geographic areas	2017 workforce	Women	Men
France	37%	43%	31%
EMEA	13%	13%	13%
Americas	40%	35%	44%
North America	*35%*	*31%*	*40%*
Latin America	*5%*	*5%*	*5%*
Asia-Pacific	10%	9%	11%

3.3.1.10 Absenteeism

	2017			2016			2015		
Absenteeism: Value/ theoretical working days	No. of days absent	Theoretical No. of days[a]	%	No. of days absent	Theoretical No. of days	%	No. of days absent	Theoretical No. of days	%
France[b]	**32,517**	**752,644**	**4.3%**	**29,784**	**842,238**	**3.5%**	**28,284**	**816,781**	**3.5%**
EMEA[c]	**7,217**	**211,636**	**3.4%**	**7,605**	**222,777**	**3.4%**			
Asia-Pacific[d]	**6,137**	**192,067**	**3.2%**	**691**	**101,000**	**0.7%**	**1,988**	**110,893**	**1.8%**

(a) 2015 and 2016: calculated for all permanent, fixed-term and temporary contracts. 2017: calculated for all permanent and fixed-term contracts.
(b) bioMérieux SA (including days of absence for sick leave and days of absence related to occupational accidents, occupational illnesses and commuting accidents). Since 2016, maternity/paternity leave has not been included in absenteeism figures.
(c) Belgium, Germany, Italy, Poland, Spain, United Kingdom, Russia, Turkey.
(d) 2015 and 2016: China only. 2017: addition of Australia, Korea, Japan and India.

Specific efforts have been made this year to incorporate more data for key countries.

3.3.2 Occupational health and safety

3.3.2.1 Health and Safety Policy and organisation

The Health and Safety initiative is part of a global Health, Safety and Environment (HSE) policy signed by the Company's General Management, which covers all activities of the product's value chain: sites, subsidiaries and activities managed by the corporate department.

The HSE Department operates at Group level, in order to develop a harmonised and proactive approach aimed at preventing risks to individuals, property and the environment. This department reports to the Manufacturing & Supply Chain Director, a member of the Company's Executive Committee. The guidelines and the policy are discussed at quarterly HSE Committees, involving the Secretary General, the Manufacturing & Supply Chain Director and the Chief Executive Officer.

A network of HSE facilitators is in place at each site and subsidiary:

- for each site, an HSE manager reports to the site manager. This function can be supplemented by other people (HSE engineers, HSE technicians) depending on the site's size and risks;
- for each subsidiary, an HSE representative is appointed and is in charge of managing the process.

An HSE management system is in place within each site; it is based on continuous improvement by following the PDCA principle (Plan-Do-Check-Act). At end-2017, six sites were OHSAS 18001 certified (Marcy l'Etoile, Craponne, La Balme, Saint-Vulbas, Tres Cantos and Florence). In late January 2018, the Combourg site was added to this list of sites with OHSAS 18001 certification.

The Company has set a target of reducing the frequency of lost-time occupational accidents by 30% by 2020.

3.3.2.2 Assessment, prevention and control of occupational hazards

The Company measures its rate of occupational accidents and occupational diseases across all its activities. These events are taken into account in order to prioritise areas for improvement over time and reduce the number of incidents.

For this, the Occupational Health and Safety Management "toolbox" integrates numerous processes and tools that are deployed globally, such as:

- a reporting tool for hazardous situations and suggestions for improvements (about 5,000 cases reported annually by all employees);
- risk assessment for each workstation and regular updating;
- inspections and audits of activities to verify the adequacy of preventive measures;

bioMérieux has initiated a series of safety behaviour review visits on its Durham, St. Louis, La Balme, Craponne and Tres Cantos sites. Employees of all grades are affected. The aim of the safety behaviour review visits is to improve the way security is perceived. They are organised in such a way as to identify any deviation between practice and a given standard, to listen to and communicate with employees and to determine any corrective action. Launched in 2015 at the La Balme site, this program has led to a 50% reduction in accidents since it was introduced.

3.3.2.3 Well-being at work and promotion of healthy living

The Company integrates the prevention of psychosocial risks for its employees into its occupational hazards assessment process, and benefits, mainly in Europe, from many experiences and actions in their prevention and analysis. In France, for example, an agreement on occupational health has been signed with union representatives (see section 3.3.5.1).

In addition to the prevention of risks related to professional activities, the Company also takes into account the health of its employees:

- all Group employees benefit from health insurance coverage (public, private, or both);
- the sites promote sporting activity through the provision of sporting facilities or subsidies for subscriptions to gyms;
- the Company covers the cost of a seasonal influenza vaccination for its employees on most sites;
- the Company has rolled out a healthcare and health education pilot program at its North American sites, in the form of health days. These initiatives are deployed mainly through a medical centre dedicated to employees and their families in St. Louis. In this way, employees who so wish benefit from medical check-ups, early cancer screening and medical or nutritional advice given by professionals. The confidentiality of medical data is strictly observed and the Company does not have access to personal data;
- the St. Louis and Durham sites have introduced initiatives to raise awareness among employees and their families of top public health priorities (Health Center and RealAppeal programs). The bioMérieux Live Well Centre offers the site's 800 employees and their family primary healthcare services. Real Appeal is an online weight-loss program to which some 112 employees signed up in two months;
- in the United States, paternity and maternity leave have been extended to 2 and 12 weeks respectively.

The Company has organised a series of conferences on the theme of psychosocial risks at a number of sites in France. These lectures, led by a specialised teacher-trainer doctor, are part of a reflection on prevention and the improvement of the quality of life of employees. Moreover, internal training provision has been extended with a new one-day module entitled, "How to avoid burnout and to keep an eye on your employees" aimed at department heads. Indeed, the La Balme, Saint-Vulbas, Grenoble and Verniolle sites are involved in a pilot related to psychosocial risk assessment and managing it over time.

3.3.2.4 Occupational Health and Safety performance indicators

Occupational accidents are reported and analysed each month by the Executive Committee and the information is disseminated throughout the Company. bioMérieux has set the target of achieving a rate of occupational accidents less than or equal to 1.6 by 2020.

Safety indicators[(a)]	2017	2016	2015
Number of fatal occupational accidents	0	1	0
Number of lost-time occupational accidents	54	38	40
Number of occupational accidents without lost time	28	63	65
Number of days lost	1,291	784	899
Frequency rate of lost-time occupational accidents	2.9	2.2	2, 4
Frequency rate of total reportable occupational accidents	4.4	5.8	6.2
Severity rate	0.07	0.04	0.05
Number of occupational diseases	5	1	1
Number of reportable commuting accidents with or without lost time	24	15	13
Frequency rate of total reportable commuting accidents	1.3	0.8	0.8

(a) Refer to section 3.5.3 for the organisational scope covered.

3.3.3 Talent development

3.3.3.1 Career and performance management

Professional development is a strategic and social concern for bioMérieux. It helps to support employees throughout their career. It is built on a relationship of trust and dialogue between employees and managers.

All Company employees take part in a specific Performance Management Process (PMP).

This is made up of a tool to assess employees' performance over the past year. This assessment objectively considers whether employees achieved their expected results, and how. This is also made up of a development tool, which identifies employees' needs and aspirations, and implements whatever action is required to increase collective and individual performance.

3.3.3.2 Training

bioMérieux relies on the Mérieux University to train the Group's employees, helping them to adapt to a constantly changing environment and develop appropriate skills, in line with the Company's strategy, while diffusing a common management culture throughout the Institut Mérieux Group entities.

A new training platform was rolled out in April 2017, enabling each employee to view a catalogue of training offered by bioMérieux, all formats combined (classroom-based, e-learning, blended learning, video, etc.). This new platform can also be used to set up and administer communities of learners so as to establish links between trainers, managers, human resources representatives and learners.

Mérieux University offerings include:

- programs offered to managers to help them fulfil their duties. The bioMérieux Manager Essentials program is in place for all Group managers and has been deployed in four regional hubs in France, the United States, China and Brazil. In 2017, this program represented 12,761 hours of trainingand 788 managers trained.

  The New Leader Induction program, started in 2015, allows participants to familiarise themselves with the Group's challenges and instils in them a shared management culture. The program was undertaken by 46 people in 2017. The Fit for the Future program which is aimed at developing individuals identified as showing leadership potential also took place for the third time in December 2017, and was followed by 23 people.

  A 360° process is also in place, as well as team building and coaching by internal coaches. In 2017, 1,332 training actions took place as part of a personalised team building initiative (i.e. 165 days of support), allowing participants to work in particular on the structure and collaborative processes within these teams;

- specific training programs are offered to adapt the occupational competencies of each function. In 2017, high quality classroom and distance training totalled 5,553 hours, 5,553 hours for sales and marketing programs, 5,840 hours for finance courses, and 5,903 hours for science courses. A new global program aimed at developing supply chain skills within the organisation was also launched this year;
- a recruitment and career management program rolled out today across the EMEA region: a Search for Talent and "good recruitment practice" course are offered to managers; indeed, all employees can receive training to help them to determine their career plans and draw up a personalised action plan;
- the Ethics and Compliance training course was taken by all employees, amounting to 7,215 training hours in 2017;
- in late 2017, a new course on cyber-security was rolled out to all employees through distance learning;
- individual training plans are in place in all countries. In 2017, employees underwent an average of more than 18 hours of training per person;
- training in the Company's products is essential to best meet the needs of customers. In 2017, this training represented 43,195 hours.

Training hours for Mérieux University's main programs

Indicators	2017	2016	2015
Number of training hours in the Mérieux Manager Essentials program	12,761	16,001	16,948
Number of training hours in quality	5,553	11,160	13,889
Number of training hours in sales/marketing	15,666	9,152	5,290
Number of training hours in the Ethics and Compliance program	7,215	14,174	10,893
Average number of training hours per employee in France	23	23	24
Average number of training hours per employee in the United States	10	11	10
Average number of training hours per employee in China	43	48	43
Number of training hours in the Products program	43,195	66,350	51,857

In 2017, total training hours amounted to 188,625 hours.

Training programs provided through e-learning continued to progress; they now represent 30% of training actions and 5% by number of hours.

3.3.3.3 International Volunteers in Business

bioMérieux is maintaining its commitment to training young people by offering under 28s the opportunity to volunteer overseas through the International Volunteers in Business program (*Volontariat International en Entreprise*) lasting between 6 and 24 months.

Applicants must be nationals of a country within the European Economic Area. 12 applicants were recruited for the program in 2017, particularly in the fields of finance, quality, supply chain and sales administration.

3.3.3.4 Promotions and internal mobility

With its global presence and diverse range of technology, the Company can offer its employees professional development and internal mobility opportunities.

NUMBER OF EMPLOYEES WHO WERE PROMOTED DURING THE YEAR

	2017		2016		2015	
Geographic areas	Number of promotions	% of workforce	Number of promotions	% of workforce	Number of promotions	% of workforce
France	246	6.4%	298	8.1%	192	5.3%
EMEA	26	2.0%	32	2.4%	30	2.4%
Americas	209	5.1%	215	5.8%	257	7.3%
North America	*204*	*5.6%*	*203*	*6.2%*	*244*	*7.9%*
Latin America	*5*	*1.1%*	*12*	*2.8%*	*13*	*3.2%*
Asia-Pacific	34	3.2%	31	3.3%	76	8.9%
TOTAL	**515[a]**	**5.0%**	**576**	**6.0%**	**555**	**6.0%**

(a) In 2017, a drop in the number of promotions, explained in part by a review of grades (job grading) which resulted in cancelling out certain promotions in terms of reporting (see section 3.5).

BREAKDOWN BY GENDER OF THE EMPLOYEES WHO WERE PROMOTED DURING THE YEAR

2017	Number of promotions Men	% of promotions of male employees	Number of promotions Women	% of promotions of female employees	Grand Total
France	109	44.3%	137	55.7%	246
EMEA	10	38.5%	16	61.5%	26
Americas	129	61.7%	80	38.3%	209
North America	*127*	*62.3%*	*77*	*37.7%*	*204*
Latin America	*2*	*40.0%*	*3*	*60.0%*	*5*
Asia-Pacific	17	50.0%	17	50.0%	34
TOTAL	**265**	**51.5%**	**250**	**48.5%**	**515**

3.3.4 Diversity

Given that diversity is an undeniable factor in its economic performance, bioMérieux has introduced a policy to educate its employees and managers and to implement specific recruitment actions and monitor indicators to measure the Company's progress in this area.

3.3.4.1 Measures to promote gender equality

Half of the Group's employees are women (48% at December 31, 2017, 43% of whom are executives). Over 37% of managers are women. In France, the proportion is almost 43%, notably thanks to the "Gender Equality" agreement (see section 3.3.5.1). The Company has a non-discrimination policy whereby only the relevant skills are taken into account when assessing an internal or external application for a managerial position.

BREAKDOWN OF MANAGERIAL POSITIONS BY GENDER

	Women	Men	Total
France	43.4%	56.6%	100.0%
Outside of France	34.1%	65.9%	100.0%
Global	37.5%	62.5%	100.0%

In 2013, bioMérieux created the "Women Ready for Leadership Diversity" (WoRLD) program, sponsored by the Secretary General, which works to promote greater diversity in management positions. In 2017, this program continued with awareness-raising and briefing events on the theme of diversity. Moreover, bioMérieux has partnered with JUMP, a social enterprise working with individuals and organisations to eliminate gender inequality at work and to create a sustainable economy and more equal society. In 2016, the first JUMP Forum in Lyon, a European-wide day dedicated to professional equality and the promotion of women's careers, was organised at the initiative of the WoRLD network. In 2017, Mérieux Université once again played host to the one-day JUMP forum which was attended by international stakeholders and forward-thinking experts in the latest trends in gender equality. Moreover, several workshops were organised on the theme of work-life balance and good practice aimed at human resources managers and diversity decision-makers.

Finally, bioMérieux also participates in the French business network "Alliance for Diversity in Business" (*Alliance pour la mixité en entreprise* – AME), helping to promote women's access to managerial positions.

3.3.4.2 Measures taken to promote the employment and integration of employees with disabilities

BREAKDOWN BY GENDER OF EMPLOYEES WITH DISABILITIES

Geographic areas	% employees with disabilities/2017 workforce	% women with disabilities/ 2017 female workforce	% men with disabilities/ 2017 male workforce
France	3.7%	3.7%	3.8%
EMEA	1.2%	1.1%	1.3%
Americas	2.5%	2.3%	2.7%
North America	*2.8%*	*2.6%*	*2.9%*
Latin America	*0.2%*	*0.0%*	*0.4%*
Asia-Pacific	0.2%	0.0%	0.3%

A Company-level agreement covering all French sites is signed every four years and was renewed in 2017.

Through a voluntary contribution in particular, the Company funds, to the tune of €257,000 a policy to hire, integrate and train people with disabilities, and wishes to raise awareness among, and offer training to stakeholders involved in accommodating these people. It also helps to keep people in work through workplace adaptations (around 65% of the budget). As part of its initiatives developed over many years to support persons with disabilities, "Handibio" days were organised in France in 2017. The aim of these events is to raise awareness of disability among employees. Moreover, a recruitment day dedicated to people with disabilities was also held in 2017 to develop a pool of candidates and provide jobs, trainee and work placement programs. Close contacts were made with various schools to recruit young people with disabilities.

In France bioMérieux's policy in this area is helping to increase the proportion of employees with disabilities as stated in the Mandatory employment of disabled persons declaration (*déclaration obligatoire d'emploi des travailleurs handicapés* - DOETH). In 2017 the percentage of employees with disabilities stands at 5.84% compared with 5.86% in 2016.

As part of its CSR, bioMérieux is also working with businesses in the sector to enable people with disabilities to gain employment in an adapted environment.

3.3.5 Social dialogue

3.3.5.1 Work organisation

bioMérieux SA has concluded numerous agreements on work organisation, focusing on developing the topic of "Quality of worklife."

The organisation of working time took form with the introduction of the "35-hour week/working time arrangements" agreement. Various agreements were thus put in place to ensure better flexibility and work-life balance in particular:

- flex time was introduced alongside the fixed-schedule working day;
- staggered alternating morning/evening work and night and weekend shifts have changed, with benefits including rest days in recognition of the difficulty of these schedules, in order to adapt production and supply chain conditions to the competitive international environment;
- in light of the Company's stepped-up international expansion, which has increased the need for long trips to subsidiaries and customers, compensation for business travel outside working hours has been established;
- the new after-sales requirements of customers have been met by changes to customer services opening hours;
- the "Health in the workplace" agreement, signed in 2014, aimed at improving the health and welfare of employees at work, pays particular attention to workstations, organisation, night shifts and the prevention of psychosocial risks and harassment, in accordance with the non-discrimination principle.

  This agreement establishes alternate telecommuting for certain autonomous personnel, which can be applied in a constant manner, or during special events requiring a reduction in trips between home and work (pregnancy, health rehabilitation after an accident).

  The agreement establishes a Central HSWC (Health, Safety and Working Conditions) Committee, which meets twice a year and is headed by a site director and comprises the Employee Relations Manager, Company doctors, the Group Health, Safety and Environment (HSE) Manager and secretaries from the various HSWC Committees. This committee aims to bring all sites in line with best HSE practices, such as on occupational hazard assessment, the single assessment guidelines for occupational hazards (*Document Unique d'Evaluation des Risques Professionnels*, DUERP), and any HSE issue relevant to all sites. The Group's Italian and Spanish companies have their own equivalent of the HSWC Committee.

  In 2016, Psychosocial Risks (PSR) were integrated into the DUERP. This project, which involves all employees, trained by working groups in PSR and in the identification of the various stress factors and the different resources available to overcome these factors, is being trialled at the La Balme, Grenoble and Verniolle sites (France) before being rolled out across all other sites. PSR training, combined with change management training, is provided in parallel to Group managers and employee representatives, including in particular members of the HSWC.

3.3.5.2 Gender equality

The "Gender equality" agreements, renegotiated every three years, were instrumental in the introduction of measures designed to ensure equal pay and working conditions.

bioMérieux SA's efforts in this area were rewarded in April 2017, by the not-for-profit organisation Equileap which published the first ranking of companies promoting gender equality. This study ranked some 3,000 global companies according to 19 gender equality criteria (leadership, career management, work-life balance, pay and health policy, etc.). bioMérieux ranks 39th worldwide (7th nationally).

A new agreement was unanimously signed in October 2017. It builds on previous work and focuses on the introduction of tools to monitor performance indicators reviewed by an *ad hoc* committee. Moreover, it focuses on training for all internal stakeholders to prevent sexist language and behaviour and includes specific provisions for employees undergoing fertility treatment.

3.3.5.3 Employee relations

The Company considers that it maintains good social relations with its employees. There is a well developed tradition of social dialogue with the employee representative bodies. In 2015, an agreement concerning the status of employee representatives and social dialogue was approved unanimously. This agreement outlines the main principles of social dialogue and collective bargaining within the Company, clarifies the procedures for serving in different representative functions, and recognises the acquisition of skills and expertise through union activities.

In 2016, seven Company-wide agreements and addenda were signed in France, six unanimously, with two representative unions, the CFDT and the CGT.

In 2017, five Company-wide agreements and addenda were signed in France, one site-level agreement in France and one Europe-wide agreement. These seven agreements were signed by all representative unions (CFDT and CGT in the case of France).

Two agreements on the fixed and variable compensation of employees were signed unanimously:

- the agreement on the Mandatory Annual Negotiations, on salaries, working conditions and professional equality;
- addendum to the Discretionary profit-sharing agreement 2016-2018 which enabled additional discretionary profit-sharing of €275 in the 2016 financial year for each employee present for the whole of the financial year.

Four other agreements were signed:

- addendum to the Internal Mobility Agreement related to the transfer of 19 functions from Ivry sur Seine to Craponne (France) as part of organisational changes to R&D at the Industrial Applications unit. The Mobility Agreement, signed in June 2016 aims to bring all R&D within the Industrial Applications unit in June 2017. It formalises the Company's commitments to the employees concerned, in terms of support and accompanying measures (reclassification of the non-mobile employees and the spouses of mobile employees, contribution to the costs of mobility, etc.). The aim of the addendum signed in March 2017 was to extend the provisions of the agreement to employees in the Product Labelling Department of the Combourg and Ker Lann sites, enabling all employees covered by the agreements who are to leave the Company to continue to pay into the supplementary pension scheme and receive a bonus equivalent to the discretionary profit-sharing and performance-related bonus;
- the Gender equality agreement for 2018-2020 which will enter into force on January 1, 2018;
- site-level agreement for Craponne (France) on the introduction of substitution teams on Saturdays and Sundays. The aim of this agreement, entered into for a provisional seven-month term, is to ensure the continuity of customer service whilst a production line is transferred to a different building;
- agreement on workforce and skills forward planning (*accord sur la gestion prévisionnelle des emplois et des compétences* - GPEC) and professional training, unanimously signed and valid until March 31, 2020. This major agreement includes many provisions for continuing to match the business's competencies with the needs of industry and organisations, for improving internal mobility (currently almost 50% of permanent positions go to internal applicants), for improving support for individuals facing organisational change in order to help them become more agile, and for helping to keep more people in work and introducing more effective career management.

  The professional training strand includes tools to enable employees to adapt as effectively as possible to changes in their role and to plan for changes in their industry, or even to explore new occupations *via* facilitated pathways.

The European Works Council is to be renewed under the terms of a five-year agreement which was signed unanimously. Its aim is to extend its remit, clarify who sits on it and how it operates. This Council meets twice a year. The Council is composed of a representative of the EMEA Human Resources Department and the Director of Employee Relations France, as well as 11 staff representatives from bioMérieux SA and its Italian, Spanish and German subsidiaries. This agreement provides for the possibility of bringing in representatives of the staff of other European subsidiaries.

Finally, three agreements are under negotiation: the renewal of the agreement for employees with disabilities, the agreement on health and pensions costs, as well as an addendum to the agreement on the on-call system, which is to take into account the specificities of the bioMérieux SA occupations and new customer needs.

In 2017, the bioMérieux SA Central Works Council held 11 Information or Consultation Meetings. Depending on the topics on the agenda, members of the Executive Committee attend these meetings which have been a forum for discussing, in particular, the Company's situation, its environment, its financial performance, the Company's five-year strategy, its R&D policy, its industrial strategy, vision, organisation and plans of the Innovation Department, organisational changes, social balance sheet and gender equality report, within the context of implementing the Company-level agreements.

Since 2008, any European or international matters of this type are also addressed at two Annual Meetings of the European Works Council.

Finally, the Company's bylaws, voted on at the Annual General Meeting of 2018, contain provision for the appointment of a paid director by the Central Works Council. This appointment will take place in 2018, subject to the Annual General Meeting's approval of the change to the bylaws.

3.3.6 Compensation policy

At December 31, 2017, total personnel costs (salaries and wages, payroll taxes, discretionary and non-discretionary profit-sharing plans) amounted to €858 million compared to €771 million at December 31, 2016 (see section 6.2.1, Note 19).

3.3.6.1 Compensation structure

Compensation (fixed and variable) is set in each country on the basis of local conditions, the Company's results and individual performance. For executives, a worldwide grading of positions makes it possible to compare levels of responsibility and set compensation on the basis of local benchmarks.

In order to align staff with bioMérieux values and strategic priorities, Group employees receive variable compensation of which a portion is based on common indicators linked to the Company's performance.

For example, the compensation of bioMérieux SA employees consists of both a basic compensation (base salary, seniority pay, various bonuses and extra pay) and a variable compensation, which includes the provisions required by law and performance-related bonus, decided unilaterally by the employer. Since 2016, the Company sends all French employees an individualised wage and benefits summary (*Bilan Social Individuel*).

3.3.6.2 Employee share ownership

As a result of the Company's initial public offering as well as the introduction of the employee savings plans and several employee share ownership plans for Group employees over the last few years, one in two current employees are bioMérieux shareholders (see section 7.4.3).

In 2017, an employee share ownership plan was launched across all subsidiaries excluding France, the United States and Russia. All employees with at least a year of service were given the option of joining this employee share ownership plan (free shares given provided that a specific number of shares are purchased). The take-up rate is over 17%.

3.3.6.3 Profit-sharing, incentives and employee savings

bioMérieux SA has a non-discretionary profit-sharing plan calculated on the basis of the legal formula.

The profit-sharing plan, from which the bioMérieux SA employees have benefitted since 2013, has been renewed for 2016 to 2018 (see section 3.3.5.3).

The Company wants to closely involve its employees in the fruits of its growth through these different systems and the employee savings plans available to them, particularly in France: an employee savings plan (*Plan d'Epargne Entreprise,* PEE, established in 1987), a Company retirement savings plan (*Plan d'Epargne Retraite Collectif*, PERCO), and an employee shareholding plan. The Company encourages the saving of the collective variable compensation with these two latter plans through a matching contribution. The Company retirement plan (PERCO) benefits from a matching contribution by the Company, which can amount to up to 1.5% of the employee's gross annual compensation. In 2016, bioMérieux matched the contributions of its French employees placed on bioMérieux's Mutual Fund as part of the employee savings plan (PEE) (see section 7.4.3.1).

Discretionary profit sharing, including the corporate social contribution (*forfait social*), amounted to €15.8 million in 2017.

3.3.7 Human rights

3.3.7.1 Promotion of and compliance with the ILO's Core Conventions

bioMérieux adheres to the UN Global Compact, whose basic principles stem from the International Labour Organisation's (ILO) Conventions.

The Ethical and Sustainable Development Charter between bioMérieux and its suppliers refers to these principles under Working Conditions and Human Rights.
(See http://www.biomerieux.com/en/sustainable-purchasing).

3.3.7.2 Human rights principles

The Global Compact, under the auspices of the United Nations, to which bioMérieux has adhered since 2003, incorporates both the business community and civil society. The members undertake to implement concrete actions to alleviate the problems associated with globalisation and affecting emerging countries. The companies undertake to respect a charter of ten principles by implementing concrete actions every year related to any of these commitments.

Through these principles, Global Compact member companies and their subsidiaries are asked to promote and uphold international law on human rights. In accordance with Article 25 of the Universal Declaration of Human Rights, bioMérieux spearheads initiatives to give the underprivileged access to adequate diagnostics. In particular, it has reaffirmed its support for the Mérieux Foundation, which helps to fight infectious diseases.

3.4 Environmental responsibility

3.4.1 Assessment, prevention and control of environmental impacts

As part of its efforts to minimise its environmental footprint, bioMérieux evaluates its impacts on the environment (soil, water, air, noise, odours, energy, waste, etc.). The Company's initiatives are part of a circular economy approach based on non-wasteful and responsible use of natural resources and primary raw materials.

Environmental management occurs according to the principle of continuous improvement and includes:

- planning environmental objectives;
- the implementation of an action plan and an organisation empowering employee responsibility;
- the measurement and monitoring system (indicators, inspections, audits);
- the review of the achievement of objectives.

As in the field of health and safety, bioMérieux has introduced an environmental management system at each site; this is based on continuous improvement and the principle of PDCA (Plan-Do-Check-Act). At the end of 2017, 6 sites had ISO 14001 certification (Marcy l'Étoile, Craponne, La Balme, Saint-Vulbas, Tres Cantos and Florence), of which 2 have the new ISO version 14001:2015. As for the Combourg site, it received ISO 14001 certification with the new 2015 version end January 2018. Three commercial subsidiaries also have ISO 14001 certification (bioMérieux Spain, bioMérieux United Kingdom and bioMérieux Italy).

In case of new investment projects (extensions, new sites, increase in production capacity, etc.), a preliminary analysis of environmental impact is conducted. For new constructions, detailed guidelines are provided in the document entitled "HSE requirements for new constructions and major renovations".

Environmental initiatives are coordinated by the Group HSE Departments, which rely on a network of HSE representatives at each of the Company's sites and subsidiaries.

Many training courses in environmental protection are conducted within the Company:

- on the arrival of every new employee (see section 3.3.3.2);
- in the context of the deployment of the environmental management system on the sites in accordance with ISO 14001: raising awareness of environmental impacts and good prevention practices, and training in internal environmental auditing;
- as part of projects to reduce waste and energy consumption: *ad hoc* training in the relevant functions (production operators, packaging teams) to reduce unwarranted product scrap (see section 3.4.2.8).

3.4.2 Resource management

3.4.2.1 Water management

Water is used by the Company in formulating its products. Water is also used in refrigerating facilities, such as cold storage rooms, in controlled atmosphere areas and as a coolant in the manufacturing process. For this type of use, the Company prioritises closed-circuit systems.

bioMérieux uses the local water supply for the water needs of its manufacturing sites. bioMérieux does not directly extract water from the natural environment, except for the cooling requirements of its logistics platform located in Saint-Vulbas (France). At this site, a heat exchanger makes it possible to use the temperature difference with the local groundwater for cooling purposes. Water extracted from the groundwater is discharged after heat exchange, and has no direct contact with process water. Official authorisation is required to use the groundwater in this way.

Water consumption is monitored on a regular basis, and steps are taken to reduce it.

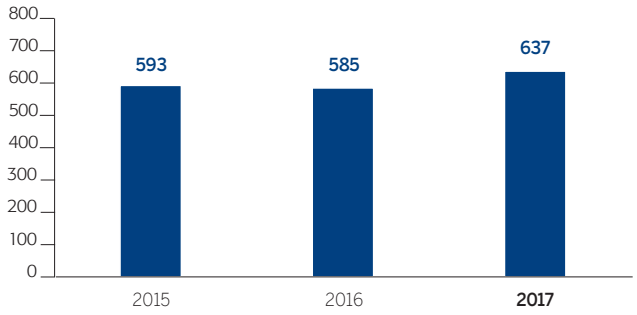
The Company has set the target of a 20% reduction in water consumption intensity by 2020 compared to 2015.

GROSS INDICATORS

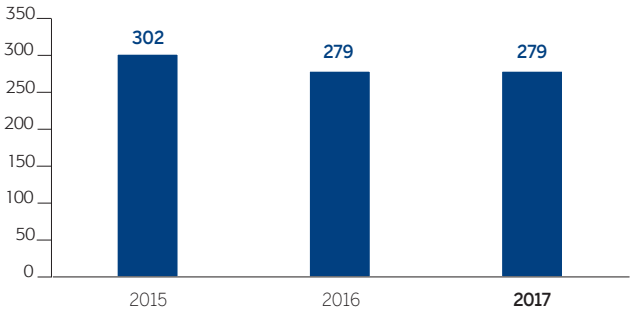
INDICATORS IN RELATION TO SALES IN €

CONSUMPTION OF PUBLIC WATER

Water consumption from pubic supply.
estimate in thousands of cubic meters.

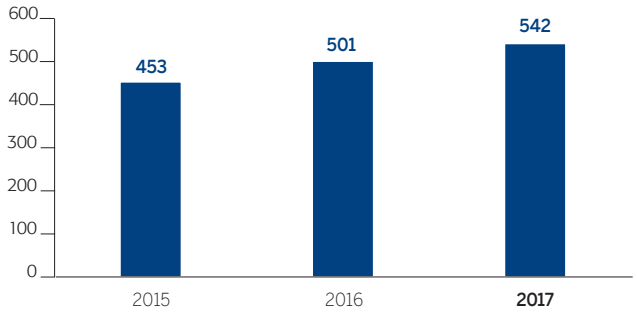


Water consumption from public supply in relation to sales.
cubic meters per million euros of sales.

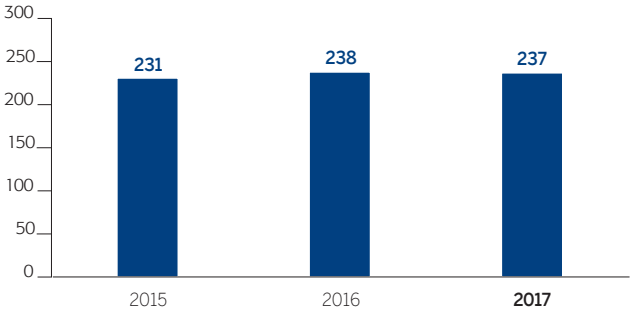


AMOUNT OF WASTEWATER DISCHARGED

Wastewater discharged.
Estimate in thousands of cubic meters.

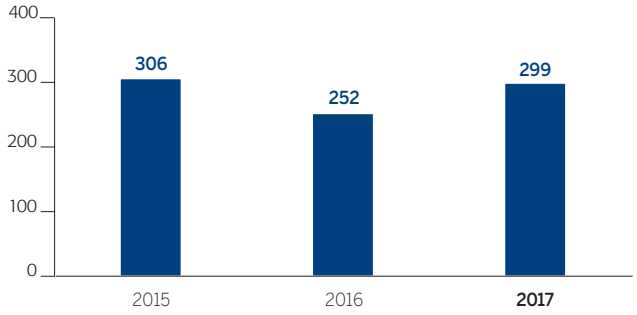


Wastewater discharged in relation to sales.
cubic meters per million euros of sales.

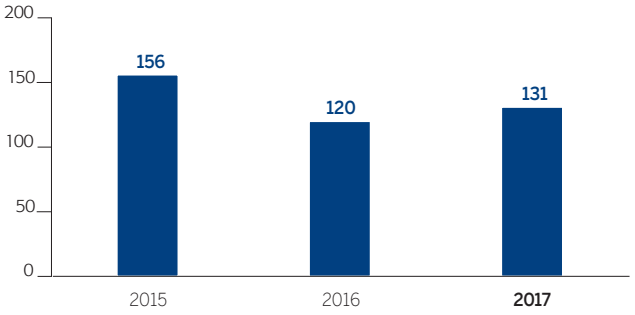


USE OF GROUNDWATER

Water from aquifer used.
estimate in thousands of cubic meters.



Water from aquifer used in relation to sales.
cubic meters per million euros of sales.



Between 2016 and 2017, an increase of 9% was recorded in water consumption in absolute terms. This rise was mainly due to the commissioning of the BioFire production building.

The Company is not subject to any specific local restrictions on water supply on a permanent basis. As regards possible seasonal restrictions, bioMérieux strives to comply with specific guidelines issued by local authorities in the event of drought (for example, limiting water use for lawn care).

3.4.2.2 Energy management

In order to improve energy efficiency, the Company implements an energy optimisation and saving program. Prior to constructing or refurbishing buildings, simulations are performed to measure their energy efficiency (*e.g.*: lighting, heating, ventilation and summer climate control). Efforts are made to find ways of reducing energy consumption to a low or very low level through systems that are researched, promoted and gradually applied. The new buildings for tertiary activities of significant size are subject to HQE (La Balme), LEED (St. Louis) or BREEAM (Marcy l'Etoile) environmental certification.

The Company has set the target of a 20% reduction in energy intensity in 2020 compared to 2015.

Even where no objective has been defined, the Company promotes the use of renewable resources for its energy supply, in areas of the world that offer acceptable alternatives:

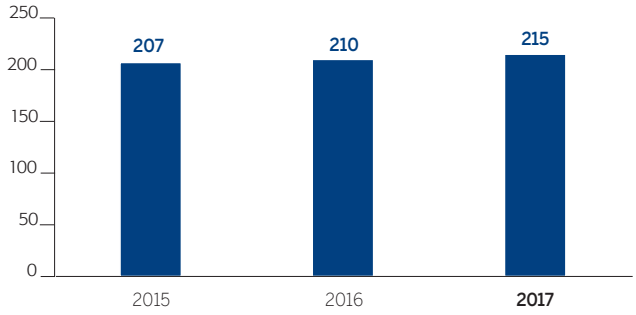
- from January 1, 2018, all of bioMérieux's French sites will receive 50% of their electricity supply from certified "green" sources;
- the Company's Swiss, Austrian, Brazilian and Canadian subsidiaries only use hydropower and the Colombian subsidiary uses hydropower for 90% of its needs.

GROSS INDICATORS

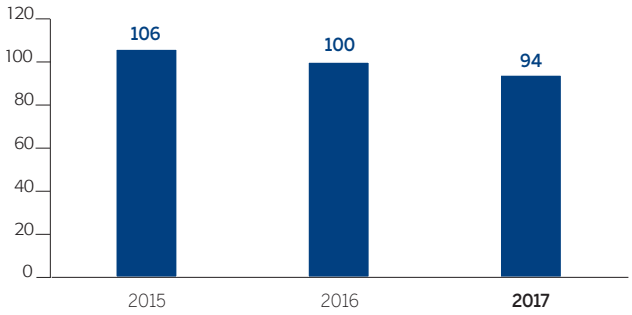
INDICATORS IN RELATION TO SALES IN €

TOTAL ENERGY CONSUMPTION

Total energy consumption.
In GWh.

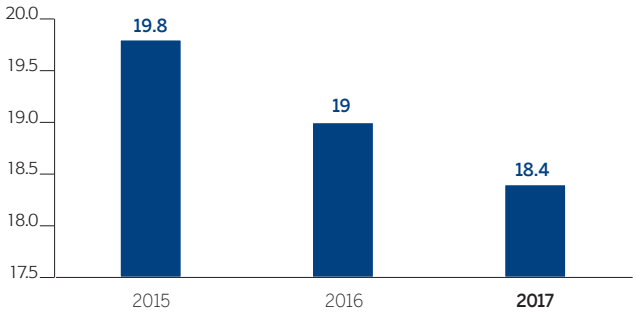


Total energy consumption in relation to sales.
MWh per million euros of sales.



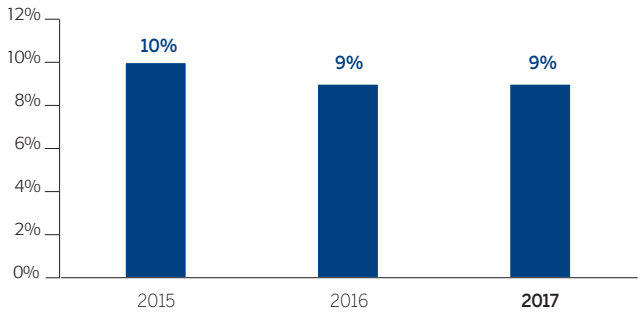
CONSUMPTION OF ENERGY FROM RENEWABLE SOURCES

Consumption of energy from renewable sources.
In GWh.



PERCENTAGE OF CONSUMPTION OF ENERGY FROM RENEWABLE SOURCES

Percentage of consumption of energy from renewable sources.



bioMérieux continues to conduct energy audits on its sites. The audit of the Tres Cantos (Spain) site in 2016 and the audits planned for the Durham and St Louis sites in 2018 will round out the six audits conducted in 2015. These audits are used as a starting point for an energy management system. The Company plans to certify its main French sites ISO 50001 by 2020.

3.4.2.3 Greenhouse gas emissions

The Company seeks to reduce greenhouse gas emissions. It has carried out Group-wide annual assessments of greenhouse gas emissions since 2013.

Assessment of significant emissions categories of GreenHouse Gas (GHG)

The emissions categories assessed include Scopes 1, 2 and 3 of the GreenHouse Gas (GHG) Protocol, as described in section 3.5.3. The assessment, conducted every year, covers the consolidated data from the previous year (for example, 2017 covers the 2016 data).

The significant GHG emissions, over a scope extended to all of the Company's value chain, mainly consist of:

Scope	Significant emissions categories	Emissions in tCO_2e (± uncertainty)
Scope 1	Direct emissions (Scope 1)	28,258 (±6%)
Scope 2	Energy purchases (Scope 2)	45,567 (±7%)
Scope 3	Commuting	16,624 (±8%)
	Business travel (air, rail, road)	10,470 (±13%)
	Downstream transport and distribution of goods	84,907 (±22%)
	Upstream transport and supply of goods	Not measured*
	Product use	Not measured*
	End of product life	Not measured*
	Purchase of goods and products	Not measured*
	Fixed assets	Not measured*
	Waste generated from operations	Not measured*

* Under evaluation.

As part of the objectives of 2020 HSE Vision in regard to logistics, pilot actions are planned with the Company's suppliers in 2017 and 2018 to evaluate alternative means of transport and track their emissions and their operational efficiency in the supply chain.

Initiatives developed

Commuting

bioMérieux promotes carpooling and the use of public transport wherever possible. The Marcy l'Etoile and Craponne (France) sites have been members of the Greater Lyon regional carpooling platform for several years. Similar arrangements are in place in the Company's other sites and subsidiaries.

The Group has also established a home working policy, effective since the first quarter of 2013, aimed at reducing commutes and offers financial incentives for employees to use public transport.

Business travel and vehicle fleet

The Company is pursuing an active policy of reducing and optimising travel, and has been deploying "telepresence" infrastructure allowing meetings to be conducted *via* video conference in conditions similar to those of actual meetings. Since end-2016 the main sites have been equipped.

Remote maintenance and updating of instruments

The development of the VILINK™ IT solution, enabling bioMérieux customers to benefit from remote interventions for incident resolution as well as for maintenance and updates, continued in 2017. Thanks to a fast and secure connection, this solution helps limit travel by engineers in the field and increases the speed of problem solving for customers.

Adapting to climate change

Risks associated with climate change are essentially either physical or transitional in nature. Physical risks are the result of damages directly caused by meteorological and climate phenomena which are the consequences of a changing climate system. Transition risks are the result of adjustments made to transition towards a low-carbon economy (particularly those intended to limit GHG emissions) in particular where such adjustments are poorly planned or occur suddenly. bioMérieux has put in place a policy aimed at limiting its GHG emissions in particular.

Thus, climate change may result in the discontinuation of activity on bioMérieux sites with negative consequences for its financial position and ability to meet its objectives. Nevertheless, the Company accounts for these risks in its risk analysis and management system by incorporating them in the business continuity plans (see section 2.1.11.1) for each of its sites.

Moreover, in order to respond to climate risk and protect its employees, emergency shelters exist on the American sites that are exposed to so-called extreme climate events.

3.4.2.4 Waste management

The Company is committed to optimising waste management, sorting waste at source and developing channels to recover and recycle materials and energy. As far as hazardous waste is concerned, the Company has implemented a strict policy of sorting at source and disposal by companies licensed to process such waste in an appropriate manner. All of the Company's sites have waste storage facilities.

The Company has set the target, in 2020, of a 25% reduction in waste generation compared to 2015.

All the Company's provisions and coverage for environmental risks are outlined in section 2.1.12 of the Registration Document.

As part of its continuous improvement approach, the Company is working to optimise the amount of materials used in packaging. For example, the switch from printed to electronic format for instruction notices for reagents has made it possible to reduce the size of secondary packaging.

In addition to reducing waste in absolute terms, the Company seeks to increase the proportion of recycled, composted, regenerated or incinerated waste from which energy can be recovered. The Marcy l'Etoile, Grenoble, Combourg, La Balme and Saint-Vulbas sites in France, and the subsidiaries in the United Kingdom and Germany are all "zero-landfill" sites.

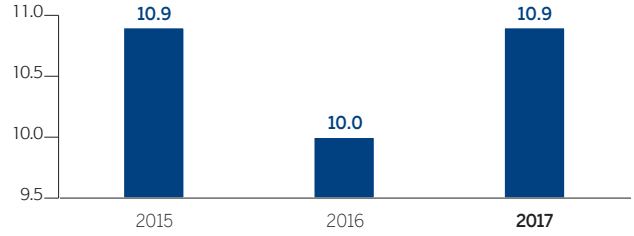
Sorting and recycling guides are available to employees. The Company raises awareness among employees of best waste management practices at events such as the National Sustainable Development Week in France.

GROSS INDICATORS

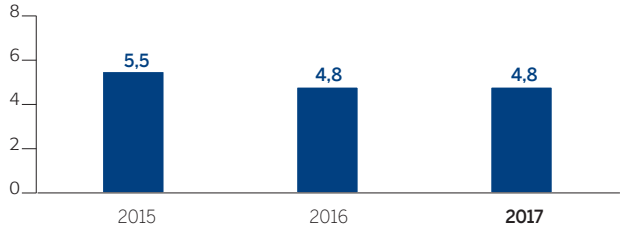
INDICATORS IN RELATION TO SALES IN €

TOTAL AMOUNT OF WASTE GENERATED

Waste.
estimate in thousands of metric tons.

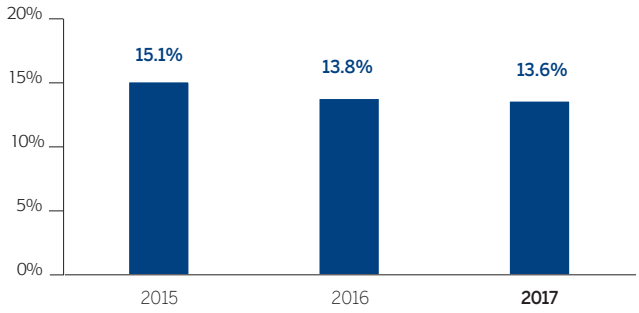


Waste in relation to sales.
metrics tons per million euros of sales.



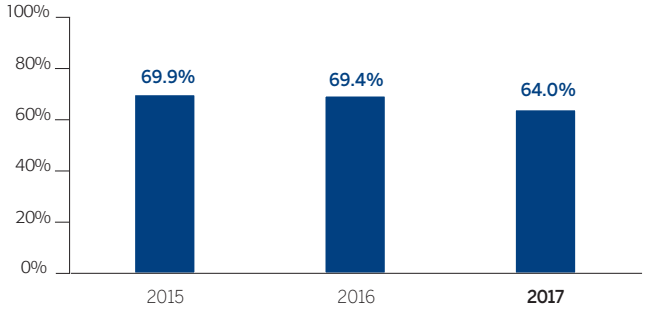
OF WHICH HAZARDOUS WASTE

Percentage of hazardous waste.
estimate in pourcent.



PERCENTAGE OF RECYCLED WASTE OR INCINERATED WASTE WITH ENERGY RECOVERY OR COMPOSTED

Percentage of recycled waste or incinerated waste with energy recovery or composted.



The quantity of waste generated rose in absolute terms compared to 2016. This increase is mainly due to the commissioning of the BioFire production building.

The Company contracts with a food services provider for the management of its corporate restaurants, in particular for its sites in La Balme, Craponne and Marcy l'Etoile (France). As part of the fight against food waste, bioMérieux and its subcontractor periodically undertake an analysis of thrown-out food in order to assess its origins and reduce the phenomenon. One solution that produced results was to stop offering bread as a free item.

Furthermore, organic waste at the Marcy l'Etoile, Durham, Craponne and La Balme sites is sorted and sent to a composting facility.

3.4.2.5 Pollution prevention

Discharges into water

- Tests are carried out regularly on the Company's biggest production sites, based on several parameters. The Craponne and Marcy l'Etoile sites in France have invested in facilities to neutralise their wastewater on site before discharging it into the network feeding the municipal treatment plants to which they are connected. This aims to improve water quality and ensure compliance with the parameters set in their discharge agreements.
- In connection with its contribution to the fight against antimicrobial resistance, bioMérieux has implemented measures at its industrial sites to collect at source and eliminate, through specialised channels, preparations containing antibiotics used in manufacturing or R&D.
- The Marcy l'Etoile site was monitored for mercury discharges by the French national program for the reduction of hazardous substances in water (RSDE). In 2015 a supplementary order from the local Prefect validated the effectiveness of the measures taken by bioMérieux to eliminate mercury in its discharges and ended the monitoring in place.

Discharges into the soil

- The Company's sites are equipped with systems designed to retain or confine fire-water runoff in order to prevent discharge into the natural environment.

Discharges into the air[1]

- The Company does not have any facilities that discharge significant levels of emissions into the air and therefore does not collect consolidated data on air emission indicators. SO_2 and NO_x emissions relating to the operation of boilers are monitored at each site in accordance with the applicable regulations.

3.4.2.6 Paper management

Initiatives are being implemented across all of the Company's sites and subsidiaries to reduce paper consumption, including incentives for greener printing practices.

- A new printing solution resulting in improved management of paper consumption was rolled out across the Company.
- The use of recycled paper is encouraged.
- More broadly, the Company is keen to modify its processes to replace hard copies with electronic media: an Electronic Document Management system with an electronic review and approval system has been in place since 2010. This solution enables all employees, regardless of where they are, to access original documents through a Web interface. Thanks to this system, the utilisation, circulation and archiving of paper-based documents has been significantly reduced.
- The use of paper consumables (notes, labels) to provide information on products to customers has been reduced. A project to eliminate instruction notices included with reagents is under way for all reagents when permitted by local regulations in the reagents' destination. Electronic instructions will instead be downloadable from the Company's technical library.

3.4.2.7 Land use

bioMérieux does not use land as such for the purposes of its industrial activity.

The Company pays particular attention to the development of sites and ensures that they preserve quality green areas, space permitting.

3.4.2.8 Management of raw materials

Since 2011, bioMérieux has implemented Six Sigma manufacturing projects for finished and semi-finished products. Objectives include reducing wastage (waste, the consumption and use of raw materials) while complying with the Company's quality standards.

3.4.3 Noise pollution

The Company's sites are managed in such a way as to avoid noise pollution along property boundaries. Whenever equipment or activities may generate noise, precautions are taken to reduce the disturbance to acceptable levels.

(1) Excluding greenhouse gas emissions, see section 3.4.2.3.

3.4.4 Biodiversity

The Company's facilities are located in industrial and urban areas and are not in places where nature, fauna and flora are protected. The Company puts special emphasis on the appearance of its facilities and on the landscaping and attractive architecture of its sites. It has also discontinued the use of pesticides at several sites.

In first-half 2016, bioMérieux acquired Hyglos, which owns an innovative endotoxin assay technique. Previously such assays required the use of the blood of horseshoe crabs, an endangered species. With this acquisition, bioMérieux can now offer an alternative solution, thereby preserving a protected species.

3.4.5 Eco-design of products

The life cycle of a product includes its design, production, distribution, use and end-of-life processing. It can have an impact on the environment, health or safety of bioMérieux employees and customers.

bioMérieux's objective is to consider the design, use and handling of the products and the materials associated with them at every stage of their life cycle, in order to ensure their compliance with regulations and to support an ambitious improvement plan.

The Company has issued an internal guide to eco-design in order to formally integrate the environmental aspects of the product life cycle in the development process. This guide prescribes restraint in the use of materials in a broad sense: it applies to all materials used to produce our diagnostic systems. Two new pilots were conducted in 2017 to evaluate the guide's relevance and update it before incorporating new developments.

For example, designing a product that will require less refrigeration during storage means reducing the energy consumption of this stage of its life cycle. In addition, the product composition is designed to minimise risks, both during its manufacture by bioMérieux, and during its handling by our customers.

3.5 Methodology – indicator scope

3.5.1 Calculation scope of quantified indicators

The scope corresponds to the bioMérieux Group with the exception of Advencis (merged by bioMérieux on September 30, 2017), Applied Maths and Hyglos, acquired in 2014, 2015 and 2016 respectively, unless otherwise stated. BioFire, acquired in 2014, is included in the quantified data from that year onwards.

3.5.2 Collection and consolidation of data

Health and Safety data are collected on a monthly basis, and environmental data on a quarterly basis, from HSE representatives in the Company's entities. Data are consolidated by the Group HSE team.

With regard to occupational Health and Safety, all consolidated data comply with regulations for recording occupational accidents and diseases for each country in question.

Reporting covers all entities with 20 or more full-time equivalent employees. A total of 315 full-time equivalent employees are not covered.

Human resources data is collected at year end through the information system used by all Group entities, except for absenteeism data, which are consolidated on the basis of information managed locally.

3.5.3 Definition and method of calculating the indicators

Human resources

- Workforce applicants, new hires and departures: permanent and temporary employees (excluding interns, international volunteers (VIE) and agency staff).
- Training: all training hours recorded and delivered in the training management system used by all Group entities, whether *via* e-learning or classroom-based.
- Promotions: for an employee still employed by the Company at December 31 of year N, identification of career changes involving a change in level together with related reason, compared to December 31 of year N-1. Change in employee grade to a higher level (classification from the collective agreement applicable to bioMérieux or Mercer international classification).
- Absenteeism: number of days of absence (excluding maternity leave, paternity leave and leave related to length of service) divided by the theoretical number of working days (excluding weekends, public holidays, paid vacation and workweek reduction time) and multiplied by the average annual FTEs.

Health and Safety

- Number of lost-time occupational accidents: number of accidents occurring in the workplace and resulting in more than one day's lost time (the day on which the accident occurs is not counted as lost time). The number of accidents includes those involving both permanent and temporary employees.
- Accidents are categorised as follows: lost-time occupational accident, occupational accident without lost time and non-reportable accident. The last category was created in 2017 to better standardise the way accidents are recorded across different countries and includes accidents for which bioMérieux considers it has no means of prevention (*e.g.*: injury during team activity off work premises or during personal activities carried out on work premises, sickness unrelated to work, food poisoning, etc.).
- Number of days lost: number of days lost following a lost-time occupational accident that occurred during the year. The day of the accident's occurrence is not counted as lost time. The extension to work stoppage days is counted in the month and the year the accident occurred.
- Frequency rate of lost-time occupational accidents: number of occupational accidents with lost time per million hours worked.
- Frequency rate of total reportable occupational accidents: number of occupational accidents with or without lost time per million hours worked.
- Severity rate: number of days off work per thousand hours worked.
- Number of occupational diseases: an occupational disease is the result of exposure, of any duration, to a risk existing in the normal practice of the profession.

Environment

Data for previous years may be modified following adjustments.

Indicators relating to water:

- water consumption (thousand m^3);
- the performance indicator monitored is the total water consumption of the Company's entities in cubic meters in relation to the Company's sales (in m^3 per €million);
- discharge of industrial effluents (thousand m^3).

Indicators relating to energy:

- total energy consumption (GWh);
- consumption of energy from renewable sources (GWh);
- the performance indicator monitored is the total energy consumption (from all energy sources) of the Company's various entities in relation to the Company's sales (in MWh per €million).

Indicators relating to waste:

- total amount of waste produced (metric tons): One-off waste such as inert waste, construction/demolition waste and waste from contaminated soil is excluded from the scope.

- hazardous waste: Total amount of hazardous waste produced (metric tons). Hazardous waste is waste with one or more properties that poses a threat to human health or the environment, and requires special processing. This category includes chemical waste, infectious waste, or waste electrical and electronic equipment;
- recovery of materials or energy: the performance indicator monitored is the ratio, expressed as a percentage, of the total weight of waste composted, recycled or incinerated with energy recovery to the total weight of waste.

Indicators relating to greenhouse gas emissions:

- The annual balance sheet contains consolidated data for year y-1.
- greenhouse gas emissions are assessed using GreenHouse Gas Protocol and Bilan Carbone® methodologies.

The following indicators are assessed:

Scope	Type	Input data	Emission factors
Scope 1	Direct emissions from fixed combustion sources	Fossil fuel consumption *via* environmental reporting	GHG Protocol
	Direct emissions from mobile sources equipped with a thermal combustion engine	CO_2 data collected from our suppliers	N/A
	Fugitive direct emissions	Cooling gas emissions after accidental leak. This data is collected *via* environmental reporting	IPCC 2016, others
Scope 2	Indirect emissions related to electricity consumption	Electricity consumption collected *via* environmental reporting	ADEME
	Indirect emissions related to use of steam, heat or cooling	Heated water consumption collected *via* environmental reporting	ADEME
Scope 3	Commuting	Calculation of average distances by site	ADEME
	Business travel	CO_2 data collected from our suppliers	N/A
	Car rentals	CO_2 data collected from our suppliers	N/A
	Global freight	CO_2 data collected from our suppliers	N/A
	Local freight	CO_2 or mass x distance result collected from our suppliers depending on the transport type (air, road, sea)	Air: GHG Protocol Road: ADEME Sea: GHG Protocol
	Product use	Average energy consumption of equipment	ADEME
	End of product life		

Uncertainties are calculated as follows:

- uncertainty for input data: assessment based on experience and practice;
- uncertainty about the emission factor: take value provided for the protocol used on the factor.

3.6 Report by the independent third party on the consolidated environmental, labour-related and social information

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as independent third party certified by COFRAC[1] under number 3-1050 and member of the network of one of bioMérieux's Statutory Auditors, we hereby report to you on the consolidated environmental, labour-related and social information presented in the management report, hereinafter the "CSR Information" for the year ended December 31, 2017 in accordance with article L.225-102-1 of the French Commercial.

Responsibility of the Company

The Board of Directors is responsible for preparing the Company's management report including CSR Information prepared in accordance with the provisions of article R.225-105-1 of the French Commercial Code and with the guidelines used by the Company (hereinafter the "Guidelines"), a summary of which can be found [at the end of chapter 5] of the management report and which is available on request from the Company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of Ethics governing the audit profession and the provisions of article L.822-11 of the French Commercial Code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the codes of ethics, professional auditing standards and applicable legal and regulatory texts.

Responsibility of the independent third party

On the basis of our work, it is our responsibility to:

- certify that the required CSR Information is presented in the management report or, in the event that any CSR Information is not presented, that an explanation is provided pursuant to the third paragraph of article R.225-105 of the French Commercial Code (the Statement of completeness of CSR Information);
- express limited assurance that the CSR Information, taken as a whole, is, in all material respects, fairly presented in accordance with the Guidelines (Reasoned opinion on the fairness of the CSR Information).

However, it is not our responsibility to determine compliance with the other legal provisions applicable in the case at hand, in particular those contained under article L.225-102-4 of the French Commercial Code (plan de vigilance) and Act No. 2016-1691 of December 9, 2016, the so-called Sapin II law (anti-corruption).

Our work mobilised the skills of five people between September 2017 and the date at which our report was signed over a period of around seven weeks.

We performed our work in accordance with the professional auditing standards applicable in France, with the decree of May 13, 2013 determining the conditions in which the independent third party performs its engagement and, concerning our reasoned opinion, with ISAE 3000[2].

1. Statement of completeness of CSR Information

Nature and scope of our work

We conducted interviews with the relevant heads of department to familiarise ourselves with sustainable development policy, as a function of the labour and environmental impact of the Company's activity, its social commitments and any action or programs related thereto.

We compared the CSR Information presented in the management report with the list provided for by article R.225-105-1 of the French Commercial Code.

For any consolidated information that was not disclosed, we verified that the explanations provided complied with the provisions of article R.225-105, paragraph 3 of the French Commercial Code.

We ensured that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 of the French Commercial Code and the entities it controls as defined by article L. 233-3 of said Code within the limits set out in the methodological Note 3.5 of the management report.

Conclusion

On the basis of this work and given the limits set out above, we attest that the required CSR information has been included in the management report, with the exception of information on greenhouse gas emissions which are included for the period January 1 to December 31, 2016 and not the 2017 financial year as stated in the methodological note.

(1) Scope of clearance available on www.cofrac.fr
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical information

2. Reasoned opinion on the fairness of the CSR Information

Nature and scope of our work

We conducted around ten interviews with the people responsible for preparing the CSR Information in the departments charged with collecting the information and, where appropriate, the people responsible for the internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in the light of their relevance, completeness, reliability, impartiality and comprehensibility, and taking good market practice into account when necessary;
- verify the implementation of a data-collection, compilation, processing and control procedure that is designed to produce CSR Information that is exhaustive and consistent, and familiarise ourselves with the internal control and risk management procedures involved in preparing the CSR Information.

We determined the nature and scope of our tests and controls according to the nature and importance of the CSR Information in the light of the nature of the Company, the social and environmental challenges of its activities, its sustainable development policy and good market practice.

With regard to the CSR Information that we considered to be the most important[1]:

- at parent entity level, we consulted documentary sources and conducted interviews to substantiate the qualitative information (organisation, policy, action, etc.), we followed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data and we verified their consistency and concordance with the other information in the management report;
- at the level of a representative sample of[2] entities selected by us; by activity, contribution to the consolidated indicators, location and risk analysis, we conducted interviews to ensure that procedures are followed correctly and performed tests of details, using sampling techniques, in order to verify the calculations made and reconcile the data with the supporting documents. The selected sample represents on average 28% of the headcount and 20% of the Group's energy consumption, considered to be levels characteristic of the social and environmental items.

For the other consolidated CSR information, we assessed consistency based on our understanding of the Company.

We also assessed the relevance of explanations given for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes used, in our professional judgement, allow us to express limited assurance; a higher level of assurance would have required us to carry out more extensive work. Because of the use of sampling techniques and other limitations intrinsic to the operation of any information and internal control system, we cannot completely rule out the possibility that a material irregularity has not been detected.

Conclusion

Based on this work, no material irregularities came to light that call into question the fact that the CSR Information, taken as a whole, is presented fairly, in all material respects, in accordance with the Guidelines.

Paris-La Défense, February 27, 2018
The independent third party
ERNST & YOUNG et Associés

Christophe Schmeitzky
Partner in charge of Sustainable Development

Bruno Perrin
Partner

(1) **Human resources:**
- *Indicators (quantitative information):* total headcount, number of new hires and departures by type of contract, turnover, rate of absenteeism, rate of voluntary departures of employees with less than three years seniority, number of internal promotions, total number of training hours, frequency rate of lost-time occupational accidents, severity rate of occupational accidents.
-*Qualitative information:* employment, organisation of working time, absenteeism, labour relations (organising social dialogue, overview of collective agreements), occupational health and safety, occupational accidents, particularly their frequency and severity, as well as occupational diseases, training policies implemented, diversity and equal opportunities and treatment (measures taken as regards gender equality, the employment and integration of people with disabilities, efforts to combat discrimination), the promotion of and compliance with the ILO fundamental conventions (freedom of association, elimination of discriminations, forced work and child labour).

Environmental and social information:
- *Indicators (quantitative information):* total consumption of public water, use of groundwater, total energy consumption, consumption of energy from renewable sources, greenhouse gas emissions (scope 1 and 2, as well as valuation of scope 3), wastewater discharged, total amount of waste generated, total amount of hazardous waste, total amount of waste recycled, composted, regenerated or incinerated from which energy can be recovered.
-*Qualitative information:* the general policy regarding environmental matters (organisation, employee information and training programs, assessment and certification procedures, environmental protection and the prevention of risks and pollution, the amount of provisions or guarantees for risks), pollution and waste management (measures to prevent, reduce or repair damage caused by discharges in the air, in water and in soil, measures for preventing, recycling and eliminating waste), the sustainable use of resources, climate change (significant greenhouse gas emitting items due to the Company's activities, energy consumption, measures taken to improve energy efficiency and the use of renewable energy), land use, water consumption, the territorial, economic and social impact (employment, regional development, impact on the local population), dealings with stakeholders (conditions for dialogue, partnership and sponsorship activities), the importance of subcontracting and integrating labour-related and environmental concerns into the Company's purchasing policy and its relations with suppliers and subcontractors, fair trade (actions taken to prevent corruption, measures taken to protect the health and safety of consumers).

(2) Subsidiaries BioFire Diagnostics LLC (Salt Lake City Dx site), bioMérieux SA (Marcy l'Étoile site), bioMérieux UK Ltd (Basingstoke site).


BIOMÉRIEUX

4 Corporate governance

4.1 Corporate governance: principles and framework for implementation

The Company complies with applicable corporate governance requirements. It refers to the AFEP-MEDEF Corporate Governance Code, which summarises current corporate governance principles applicable in France, revised in November 2016. This code may be viewed online on the MEDEF website:

http://www.medef.com/fileadmin/www.medef.fr/documents/AFEPMEDEF/2017/Code_de_gouvernement_d_entreprise_des_societes_cotees_novembre_2016.pdf.

The provisions of the code that have not been applied and the reasons for such non-compliance are set out in the following table.

The recommendations of the HCGE, received by letter in 2015 and to which the Company has responded, are listed in the table below where the Company has decided not to follow them.

Term of office of directors *Staggering of directors' terms of office*	In light of the renewal in 2014 of seven of the nine directors, the staggering of directors' terms of office was not possible. The Company addressed this point in its letter to the HCGE by considering the risk associated with the simultaneous renewal of directors' terms of office to be limited in a controlled company in which the Board of Directors runs smoothly. Nevertheless, the Board of Directors will submit to the 2018 Annual General Meeting an amendment to the bylaws providing for the renewal of directors on a rolling basis and the ability of "the Annual General Meeting [to] appoint one or several director(s) for terms of one, two or three years". The renewal of the terms of office of six directors, under these conditions, during the 2018 Annual General Meeting, will thus permit a staggered renewal of terms, following the renewal of two directors in 2016 and the 2017 appointment of two new directors.
Board of Directors' assessment of General Management *The Board of Directors assesses and evaluates the performance of General Management independently and collectively*	In view of Alexandre Mérieux's roles as a director and as Chairman and Chief Executive Officer, the members of the Board of Directors assess General Management's performance in the presence of General Management.
Regular meetings of the non-executive directors without executive or internal directors present	For the reasons indicated above, the Company has never organised meetings for the non-executive directors without the executive or internal directors being present. During the Board of Directors' self-assessment, the directors deemed, in a majority, that this idea was inappropriate, believing that directors attending Board meetings are able to speak freely and discuss issues openly.
Shares held by the directors *Significant number of shares*	Each of the directors held a number of Company shares in accordance with the internal rules.
Employment contract and corporate office	The Chairman and Chief Executive Officer has an employment contract with Institut Mérieux.
Independent directors	Michele Palladino has been a director of the Company for over 12 years. Upon discussion, the Board of Directors considers that he remains an independent director. His opinions, willingness to speak freely and professionalism in his role as director are constant testimony to his independence. Harold Boël is a director of Mérieux NutriSciences Corporation, consolidated by the Institut Mérieux. The Board of Directors, after discussion with the Human Resources, Appointment and Compensation Committee, considers that he remains an independent director. Indeed, bioMérieux and Mérieux NutriSciences have business relationships that are outside the competence of the Board of Directors. Harold Boël has no influence in this regard. There are thus no conflicts of interest.

4.2 General management, administrative, management and supervisory bodies

The Company is incorporated as a French joint stock company (*société anonyme*) with a Board of Directors.

4.2.1 General Management

The Chairman of the Board of Directors is entrusted with the General Management.

Alexandre Mérieux is Chairman and Chief Executive Officer since December 15, 2017. He succeeded Jean-Luc Belingard who had held this position since January 1, 2011. He will remain in office until the expiration of his term of office as director, *i.e.* until the Annual General Meeting to be held in 2018 to approve the financial statements for the year ending December 31, 2017.

The Chairman and Chief Executive Officer has the broadest powers to act in all circumstances in the name of the Company. He exercises his powers within the limits of the corporate purpose and subject to the powers expressly granted by law to Shareholders' Meetings and to Board of Directors' meetings. He represents the Company in its dealings with third parties.

Furthermore, the Chairman and Chief Executive Officer does not take any major decisions without the collective approval of the Board of Directors.

The Board of Directors has not specifically limited the powers of the Chief Executive Officer, except as regards certain provisions set out in its internal rules and defined in section 4.2.3.1.

The Company believes that, as a controlled company, this method of governance is best suited to its operations and to protecting its interests.

The Company ensures that the prerogatives of each corporate body (Annual General Meetings, the Board of Directors and General Management) are fully respected. Moreover, the Board of Directors' review of all major matters relating to the Company and the presence of seven independent directors among the ten members of the Board prevent any centralisation of powers and promote compliance with the rules of good governance.

The Executive Committee assists bioMérieux's General Management in the performance of its duties.

Executive Committee

This committee is chaired by Alexandre Mérieux. Its other members are Michel Baguenault (Secretary General, Head of Human Resources, Communications, Legal Affairs and Intellectual Property), Pierre Boulud (Corporate Vice-President Asia-Pacific Region, Investments and Strategic Planning), Nicolas Cartier (Corporate Vice-President, Industrial Applications unit), Pierre Charbonnier (Corporate Vice-President, Manufacturing and Supply Chain), Claire Giraut (Corporate Vice-President and Chief Financial Officer), replaced as of March 1, 2018 by Guillaume Bouhours, François Lacoste (Corporate Vice-President, Clinical unit), Mark Miller (Chief Medical Officer), Yasha Mitrotti (Corporate Vice-President, Europe, Middle East and Africa Region and Worldwide Sales Performance), Alain Pluquet (Chief Data Analytics Officer), Randy Rasmussen (Corporate Vice-President, Molecular Biology), Kirk Ririe (Chief Innovation Officer), and Stefan Willemsen (Corporate Vice-President, Americas Region).

The Executive Committee is responsible for implementing decisions validated by the Board of Directors regarding the Company's general strategy. The committee is responsible for overseeing strategic projects, deciding on priorities and implementing the necessary resources within the Company's various departments, such as deciding on significant capital expenditure (property, plant and equipment or intangible assets). It meets once every three months. At each meeting, the committee reviews the Company's operations as well as its regulatory and quality management, financial situation, and sales and workforce, and monitors the Group's major projects. It also meets every month using telepresence technology.

4.2.2 Composition of the Board of Directors

The Board of Directors is composed of at least three members and up to the maximum number permitted by law.

At December 31, 2017, it had ten members of whom seven were independent.

The terms of office of Alexandre Mérieux, Jean-Luc Belingard, Michele Palladino and Philippe Archinard were renewed by the Annual General Meeting of May 28, 2014 and will expire at the close of the Annual General Meeting to be held in 2018 to approve the financial statements for the year ended December 31, 2017. Agnès Lemarchand and Philippe Gillet were also appointed directors during this General Meeting for the same term.

The terms of office of Marie-Hélène Habert and Harold Boël were renewed by the Annual General Meeting of May 26, 2016 and will expire at the close of the Annual General Meeting to be held in 2020 to approve the financial statements for the year ending December 31, 2019.

Marie-Paule Kieny and Fanny Letier were also appointed directors during the Annual General Meeting of May 30, 2017 for a four-year term, *i.e.* until the close of the Annual General Meeting to be held in 2021 to approve the financial statements for the year ending December 31, 2020.

The Board of Directors did not request that the 2017 Annual General Meeting renew Henri Thomasson and Michel Angé who were appointed as non-voting members by the General Meeting of May 28, 2014 for a three-year term. Since this Annual General Meeting, the Board of Directors is no longer assisted by non-voting members.

Alain Mérieux was appointed the Founding Chairman by the Board of Directors, to take effect from August 28, 2017, for a four-year term expiring at the end of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2020. The Annual General Meeting of May 30, 2017 approved the amendment of the bylaws enabling the Board of Directors to "appoint an honorary Founding Chairman, a natural person, selected from among the former Chairpersons of the Company". The Founding Chairman is eligible indefinitely. He is invited to all Board meetings and attends the Board of Directors sessions in an advisory role. He must nevertheless comply with the internal rules of the Board of Directors. His right to information and communication is identical to that of the members of the Board of Directors.

The four representatives of the Works Council participate in the meetings of the Board of Directors.

Finally, during 2018, one employee-director will be appointed under the conditions defined in the bylaws that will be submitted to the approval of the 2018 Annual General Meeting. In particular, in compliance with the bylaws, the paid director shall be appointed by the Central Works Council, for a four-year term, subject to the approval of amendments to the bylaws at the 2018 Annual General Meeting.

4.2.2.1 Description of directorships

The table below presents all of the directorships and positions held in other companies by each of the Company's corporate officers based on the information they have submitted.

Alexandre Mérieux

MAIN POSITION WITHIN THE COMPANY: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Non-independent director 44 years old Born on 01/15/1974 Son of Alain Mérieux (Founding Chairman) Nationality: French First appointed on: 04/16/2004 Term expires: 2018 Number of bioMérieux shares held: **60**	**Other directorships and positions held at 12/31/2017 (all companies):** *Within the Group[(a)]:* — Deputy Chief Executive Officer and Vice-President of the Institut Mérieux — Chairman of Mérieux Développement SAS, Mérieux NutriSciences Corp. (Chairman) (United States) — Director of IM US Holding (US) — Manager of SCI ACCRA — Director of the Christophe and Rodolphe Mérieux Foundation and the Mérieux Foundation *Outside the Group[(a)]:* — Director of Financière Sénior Mendel SAS (France) **Directorships and positions that have expired in the past five years** *Within the Group[(a)]:* Permanent representative of Mérieux NutriSciences Corp (ex-Silliker Group Corp), bioMérieux India Private Ltd. (India), bioMérieux UK Ltd. (United Kingdom), bioMérieux Polska sp. z.o.o. (Poland), BTF (Australia), Skiva SAS, bioMérieux Canada, AES Laboratoire Groupe SA (term expired: 2012), AES Chemunex SA (term expired: 2013), bioMérieux Inc. (United States) (term expired: 2014), bioMérieux China Ltd. (China), bioMérieux Shanghai Ltd (China), Sysmex bioMérieux Ltd (Japan), SGH, Foncière de Montcelard SAS (term expired: 2015) *Outside the Group[(a)]:* N/A	**Other professional activities and past positions:** *Management experience and expertise:* — HEC Montréal — Marketing Director of Silliker in 2003 and 2004 — President of Adriant SAS (term expired in 2008) — Corporate Vice-President of the Industrial Applications unit of bioMérieux from 2004 to 2011 — Corporate Vice-President of the Microbiology unit and Manufacturing and Supply Operations from 2011 to 2014

(a) Company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code (Code de commerce).

Philippe Archinard

MAIN POSITION WITHIN THE COMPANY: MEMBER OF THE AUDIT COMMITTEE

Non-independent director 58 years old Born on 11/21/1959 Nationality: French First appointed on: 06/10/2010 Term expires: 2018 Number of bioMérieux shares held: **30**	**Other directorships and positions held at 12/31/2017 (all companies)** *Within the Group[(a)]:* — Chairman and Chief Executive Officer of Transgene SA (France - listed company) — Chief Executive Officer of TSGH (France) — Permanent representative of TSGH, director of ABL Inc. (US) *Outside the Group[(a)]:* — Director of Erytech Pharma SA (France – listed company) — Director of CPE Lyon – Representative of FPUL — Chairman of BIOASTER (Foundation for scientific cooperation) **Directorships and positions that have expired in the past five years** N/A	**Other professional activities and past positions:** *Management experience and expertise:* — Graduate of Harvard Business School — Chief Executive Officer of Innogenetics (Belgium) from 2000 to 2004 — Director of the Immunotherapy Department of the Institut Mérieux

(a) Company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code (Code de commerce).

Jean-Luc Belingard

MAIN POSITION WITHIN THE COMPANY: CHAIRMAN OF THE STRATEGY COMMITTEE
MEMBER OF THE HUMAN RESOURCES, APPOINTMENT AND COMPENSATION COMMITTEE

Non-independent director	**Other directorships and positions held at 12/31/2017 (all companies)**	**Other professional activities and past positions:**
69 years old Born on 10/28/1948 Nationality: French First appointed on: 09/15/2006 Term expires: 2018 Number of bioMérieux shares held: **150**	*Within the Group[a]:* — Director of Institut Mérieux (France), Transgene SA (France – listed company), ABL Inc. (United States) *Outside the Group[a]:* — Director of Stallergenes Greer (UK – listed company), Pierre Fabre SA (France), LabCorp of America (US – listed company), Lupin (India – listed company) **Directorships and positions that have expired in the past five years** *Within the Group[a]:* Director of AES Laboratoire Groupe SA (term expired: 2012), AES Chemunex SA (term expired: 2013) *Outside the Group[a]:* N/A	*Management experience and expertise:* — HEC Paris — MBA Cornell University (US) — CEO of Roche Diagnostic and Member of the Executive Committee of Roche Group (1990 to 1999) — Member of the Management Board and CEO of bioMérieux-Pierre Fabre from 1999 to 2001 — Chairman and Chief Executive Officer of Ipsen (2001 to 2010) — Chairman and Chief Executive Officer of bioMérieux (2011-2017)

(a) Company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code (Code de commerce).

Harold Boël

MAIN POSITION WITHIN THE COMPANY: CHAIRMAN OF THE AUDIT COMMITTEE

Independent director[b]	**Other directorships and positions held at 12/31/2017 (all companies)**	**Other professional activities and past positions:**
53 years old Born on 08/27/1964 Nationality: Belgian First appointed on: 05/30/2012 Term expires: 2020 Number of bioMérieux shares held: **150**	*Within the Group[a]:* — Director of Mérieux NutriSciences Corporation (US) *Outside the Group[a]:* — Deputy director of Sofina SA (Belgium – listed company), Société de Participations Industrielles (Belgium), Domanoy (Belgium), SODAVI (Belgium), **Directorships and positions that have expired in the past five years** *Within the Group[a]:* N/A *Outside the Group[a]:* Member of the Supervisory Board of Eurazeo (France – listed company) (term expired: September 2017) Director of Caledonia Investment plc (UK – listed company (term expired: May 2017)), Suez Environnement (France – listed company (term expired: 2016)), Henex (term expired: 2014), Electrabel (term expired: 2014), François Charles Oberthur Fiduciaires (term expired: 2012)	*Management experience and expertise:* — Bachelor degree in Chemistry from Brown University (US) and diploma in Materials Science Engineering from Ecole polytechnique fédérale de Lausanne — Various managerial positions in the steel industry within the Corus Group — Chief Executive Officer of Sofina (Belgium – listed company)

(a) Company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code (Code de commerce).

(b) Independent director, as defined in the Board of Directors' internal rules, as set out in section 4.2.2.3.

Philippe Gillet

MAIN POSITION WITHIN THE COMPANY: MEMBER OF THE STRATEGY COMMITTEE

Independent director[b]

60 years old
Born on 01/26/58
Nationality: French

First appointed on:
05/28/2014
Term expires: 2018

Number of bioMérieux shares held:
132

Other directorships and positions held at 12/31/2017 (all companies)

Within the Group[a]:
N/A

Outside the Group[a]:
— Director of Berger, Van Berchem & Cie SA (Switzerland)

Directorships and positions that have expired in the past five years
N/A

Other professional activities and past positions:

Management experience and expertise:
— Chief Innovation Officer of SICPA
— Vice-President for academic affairs (Provost) of the Federal Institute of Technology in Lausanne (Switzerland), from 2010 to 2016
— PhD in Geophysics and Geochemistry and a Doctorate in Earth Science (Ecole Normale Supérieure de Paris)
— Director of Ecole Normale Supérieure de Lyon (2003-2007)
— Secretary in the French Ministry of Research and Higher Education (2007-2010)

Other directorships and positions:
— Chairman of the Scientific Council of the Ile de France Region
— Chairman of the Scientific Council of the INRA
— President of the "International Risk Governance Council" Foundation (Switzerland)
— Member of the Executive Committee of the BNP Paribas Foundation

(a) Company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code (Code de commerce).

(b) Independent director, as defined in the Board of Directors' internal rules, as set out in section 4.2.2.3.

Marie-Hélène Habert

MAIN POSITION WITHIN THE COMPANY: MEMBER OF THE HUMAN RESOURCES, APPOINTMENT AND COMPENSATION COMMITTEE

Independent director[b]

52 years old
Born on 04/04/1965
Nationality: French

First appointed on:
05/30/2012
Term expires: 2020

Number of bioMérieux shares held:
57

Other directorships and positions held at 12/31/2017 (all companies)

Within the Group[a]:
N/A

Outside the Group[a]:
— Director of Communication and Patronage of Dassault Group
— Director of Dassault Aviation SA[c], Dassault Systèmes SA[c] and Artcurial SA[c]
— Vice-President of the Serge Dassault Foundation
— Permanent representative of GIMD on the Supervisory Board of Immobilière Dassault SA[c]
— Manager of H Investissements SARL and HDH (non-trading company)
— Member of the Supervisory Board of Groupe Industriel Marcel Dassault SAS[c]

Directorships and positions that have expired in the past five years

Within the Group[a]:
N/A

Outside the Group[a]:
— Director of Dassault Développement SA[c] (term expired: 2014)

Other professional activities and past positions:

Management experience and expertise:
— Graduate of Université de Paris II (business law), post-graduate diploma in Business law and Taxation from Université de Paris I/La Sorbonne and post-graduate diploma in marketing from IEP Paris

(a) Company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code (Code de commerce).

(b) Independent director, as defined in the Board of Directors' internal rules, as set out in section 4.2.2.3.

(c) Companies controlled by GIMD within the meaning of article L.233-16 of the French Commercial Code.

Agnès Lemarchand

MAIN POSITION WITHIN THE COMPANY: MEMBER OF THE AUDIT COMMITTEE

Independent director[b]	**Other directorships and positions held at 12/31/2017 (all companies)**	**Other professional activities and past positions:**
63 years old Born on 12/29/1954 Nationality: French First appointed on: 05/28/2014 Term expires: 2018 Number of bioMérieux shares held: **150**	*Within the Group[a]:* N/A — *Outside the Group[a]:* Director of Saint-Gobain (listed company) and Solvay SA (Belgium - listed company) — President of Orchad SAS **Directorships and positions that have expired in the past five years** *Within the Group[a]:* N/A *Outside the Group[a]:* — Member of the Supervisory Board of CGG (listed company – term expired: October 2017) — Member of the Supervisory Board of Areva (listed company – term expired: January 2015) — Member of the Supervisory Board of Vivescia Industries (SCA), representing Bpifrance Participations (term expired: 12/31/2015) — Executive Chairman of Steetley Dolomite Limited (term expired: 2014) — Member of the Economic, Social and Environmental Committee, working in the economic division (term expired: 2014) — Member of the Supervisory Board of Mersen (listed company – term expired: 2013).	*Management experience and expertise:* — Graduate of the National Chemical Engineering Institute in Paris (ENSCP) and Massachusetts Institute of Technology (US) and holds an MBA from INSEAD — Chief Executive Officer of the French Organic Industry (Industrie Biologique Française – IBF) from 1986 to 1991 — Chief Executive Officer of Prodical (Ciments Français Group) from 1991 to 1996 — Strategy Director of Lafarge's specialty materials division from 1997 to 1999 — Chair and Chief Executive Officer of Lafarge's limestone division from 1999 to 2004 — Varied entrepreneurial experience including in management buy-out transactions

(a) Company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code (Code de commerce).

(b) Independent director, as defined in the Board of Directors' internal rules, as set out in section 4.2.2.3.

Michele Palladino

MAIN POSITION WITHIN THE COMPANY: MEMBER OF THE STRATEGY COMMITTEE

Independent director[a]	**Other directorships and positions held at 12/31/2017 (all companies)**	**Other professional activities and past positions:**
77 years old Born on 06/13/1940 Nationality: Italian First appointed on: 07/6/2004 Term expires: 2018 Number of bioMérieux shares held: **6,000**	N/A **Directorships and positions that have expired in the past five years** President and Managing Partner of Michele Palladino & C SAS (term expired: 2010)	*Management experience and expertise:* — Chief Executive Officer of bioMérieux until 1993

(a) Independent director, as defined in the Board of Directors' internal rules, as set out in section 4.2.2.3.

Marie-Paule Kieny

MAIN POSITION WITHIN THE COMPANY: MEMBER OF THE STRATEGY COMMITTEE

Independent director[b]	**Other directorships and positions held at 12/31/2017 (all companies)**	**Other professional activities and past positions:**
62 years old Born on 04/24/1955 Nationality: French First appointed on: 08/28/2017 Term expires: 2021 Number of bioMérieux shares held: **180**	*Within the Group[a]:* N/A *Outside the Group[a]:* N/A **Directorships and positions that have expired in the past five years** *Within the Group[a]:* N/A *Outside the Group[a]:* N/A	*Management experience and expertise:* — Assistant Director General of the WHO from 2010 to 2017 — High Performance Boards training at IMD, Lausanne, Switzerland, in 2016 *Other directorships and positions:* — Chair of the Board of the Foundation Drugs for Neglected Diseases Initiative, Geneva, Switzerland (since July 2017) — Chair of the Board of the Medicines Patent Pool Foundation, Geneva, Switzerland (since September 2017) — Board member of the Human Vaccine Project, New York, US (since October 2017)

(a) Company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code (Code de commerce).

(b) Independent director, as defined in the Board of Directors' internal rules, as set out in section 4.2.2.3.

Fanny Letier

MAIN POSITION WITHIN THE COMPANY: CHAIR OF THE HUMAN RESOURCES, APPOINTMENT AND COMPENSATION COMMITTEE

Independent director[b] 38 years old Born on 03/15/1979 Nationality: French First appointed on: 05/30/2017 Term expires: 2021 Number of bioMérieux shares held: **30**	**Other directorships and positions held at 12/31/2017 (all companies)** *Within the Group[a]:* N/A *Outside the Group[a]:* — Director of Nexans (listed company) **Directorships and positions that have expired in the past five years** *Within the Group[a]:* N/A *Outside the Group[a]:* N/A	**Other professional activities and past positions:** *Management experience and expertise:* — Graduate of Sciences Politiques Paris, the ENA and the Institut français des administrateurs (IFA) — Civilian director at the French Treasury Department (Ministry of Finance) from 2004 to 2012 — Secretary General of the Inter-Ministry Committee on Industrial Restructuring (CIRI) from 2009 to 2012, — Deputy director of the office of the Minister of Industrial Recovery from 2012 to 2013, — Director then Executive Director of the French Regional Investment funds of Bpifrance since 2013 *Other directorships and positions* — Director of Alliance Industrie du Futur — Director of Fabrique de l'Industrie — Director of Pacte PME

(a) Company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code (Code de commerce).

(b) Independent director, as defined in the Board of Directors' internal rules, as set out in section 4.2.2.3.

In the same manner, the information regarding Alain Mérieux, Founding Chairman, non-director, is listed below.

Alain Mérieux

MAIN POSITION WITHIN THE COMPANY: FOUNDING CHAIRMAN

79 years old Born on 07/10/1938 Father of Alexandre Mérieux (director and Chairman and Chief Executive Officer) Nationality: French First appointed on: 07/10/1986 End of term of office as director: 08/28/2017 Number of bioMérieux shares held: **870**	**Other directorships and positions held at 12/31/2017 (all companies)** *Within the Group[a]:* — Chairman of Compagnie Mérieux Alliance SAS — Chairman of Institut Mérieux — Director of Transgene SA (France - listed company), ABL Inc. (United States), bioMérieux Italia SpA (Italy) — Chairman and director of the Mérieux Foundation — Director and Honorary Chairman of the Christophe and Rodolphe Mérieux Foundation *Outside the Group[a]:* — Director of Compagnie Plastic Omnium SA (France - listed company), CIC Lyonnaise de Banque (France) — Director of the Pierre Fabre Foundation **Directorships and positions that have expired in the past five years** *Within the Group[a]:* Mérieux NutriSciences Corp. (United States) *Outside the Group[a]:* Synergie Lyon Cancer (cancer centre), the Centaure Foundation, the Edmus Foundation (term expired: 2012), Ecole vétérinaire de Lyon (term expired: 2013), President of BIOASTER Technology Research Institute (term expired: 2014), Association LyonBioPôle, Chairman of the Université de Lyon Foundation (term expired: 2015)	**Other professional activities and past positions:** *Management experience and expertise:* — Graduate of Harvard Business School — PhD in Pharmacy (former intern of the Hospices Civils de Lyon) — Chairman and Chief Executive Officer of the Company (1965 to 2010) — Senior executive for more than 50 years

(a) Company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code (Code de commerce).

The members of the Board of Directors can be contacted at the Company's registered office in Marcy l'Etoile, France (Rhône).

4.2.2.2 Limit on directorships

The laws currently in force on the maximum number of directorships are applied within the Company.

4.2.2.3 Independent directors and conflicts of interest

In accordance with the independence criteria, the Board of Directors' internal rules provide that directors are deemed to be independent when they have no direct or indirect relationship of any kind with the Company, the Group or the Management, which could impair their freedom of judgement.

Based on this definition, at December 31, 2017, the Board of Directors comprised seven independent directors out of ten members:

- Harold Boël;
- Philippe Gillet;
- Marie-Hélène Habert;
- Marie-Paule Kieny;
- Agnès Lemarchand;
- Fanny Letier;
- Michele Palladino.

The directors, during the Board of Directors meeting of February 27, 2018, were able to review and discuss the analysis of the Human Resources, Appointment and Compensation Committee on the independence of the directors. They confirmed the classification of independent for the directors listed above, particularly in the light of criteria defined by the AFEP-MEDEF Corporate Governance Code. In particular, the Board of Directors considered as independent (i) Michele Palladino, director for over 12 years, and (ii) Harold Boël, director of the Mérieux NutriSciences Corporation, an American company owned by Institut Mérieux (see section 4.1).

The Board of Directors therefore evaluated the potential conflicts of interest that could arise from Harold Boël's directorship at Mérieux NutriSciences Corporation, and has concluded that no conflicts of interest exist. The two companies are independent and each act in different areas. The existing business relations are not likely to call into question their independence.

Other than Harold Boël, since the independent directors have no relationship of any kind with the Company, the Group or the Management, there is no conflict of interest which the Board of Directors could be required to discuss.

To the best of the Company's knowledge:

- no member of the Board of Directors or Deputy Chief Executive Officer of the Company has been convicted of fraud in the past five years;
- no member of the Board of Directors or Deputy Chief Executive Officer of the Company has been involved, in the past five years, in any bankruptcy, court-ordered receivership or liquidation, in their capacity as member of an administrative, management or supervisory body or as Chief Executive Officer;
- no sentence has been pronounced in the past five years against any member of the Board of Directors or a Deputy Chief Executive Officer of the Company barring them from serving on an issuer's administrative, management or supervisory body or from participating in the management or conduct of the affairs of an issuer;
- no member of the Board of Directors or Deputy Chief Executive Officer of the Company has been charged with an offence or had any official public disciplinary action taken against them by a statutory or regulatory authority (including recognised professional bodies).

To the best of the Company's knowledge, there is no potential conflict of interest between the duties to the Company of any member of the Board of Directors or a Deputy Chief Executive Officer, and their private and/or other interests. The agreements involving certain directors are subject to the procedures concerning related-party agreements and are described in section 7.7.

To the best of the Company's knowledge, no commitments have been undertaken by members of the Board of Directors that restrict their freedom to dispose of their bioMérieux shares, other than the rules on insider trading and closed periods.

Corporate officers' interests in the Company and the Group

In accordance with EC regulation No. 809-2004 of April 29, 2004, readers are reminded that Alain Mérieux and his son, Alexandre Mérieux, are the main shareholders of Compagnie Mérieux Alliance, the holding company of Institut Mérieux, which is the main shareholder of the Company and of which they own the majority of the share capital and voting rights (see sections 7.4.1 and 7.4.2).

4.2.2.4 Application of the principle of gender equality in the Board room

The Company complies with article L.225-18-1 of the French Commercial Code (*Code de commerce*). The Board of Directors is composed of ten members of which four are women:

- Agnès Lemarchand appointed by the Annual General Meeting of May 28, 2014 as director for a four-year term; the Board will propose the renewal of her term of office to the 2018 Annual General Meeting;
- Marie-Hélène Habert appointed by the Annual General Meeting of May 26, 2016 as a director for a four-year term;
- Fanny Letier and Marie-Paule Kieny, appointed by the Annual General Meeting of May 30, 2017 as directors for four-year terms.

4.2.3 Practices and work of the Board of Directors

The Board of Directors is responsible for defining and implementing the Company's strategies. It has powers to act on all questions concerning the smooth running of the Company and settles all matters affecting the Company by its deliberations, within the limits of the corporate purpose and subject to the powers expressly granted to Shareholders' Meetings. The Board of Directors carries out all controls and procedures that it deems appropriate.

The Chairman organises and oversees the Board's work and reports thereon to the Shareholders' Meeting. He ensures that the Company's management bodies operate effectively and that the directors are able to perform their duties.

The committees of the Board of Directors are in charge of examining issues assigned to them by the Board of Directors or the Chairman of the Board, preparing the Board of Directors' work on these issues, and reporting their findings to the Board of Directors in the form of reports, proposals, communications or recommendations.

The committees act in an advisory capacity. The Board of Directors determines at its own discretion how to follow up on the findings reported by the committees. Each director remains free to vote as he wishes, without being bound by these studies, investigations or reports. Nor is he bound by any recommendations made by the committees.

At the filing date of this Registration Document, the Board of Directors of the Company had created three committees: the Audit Committee, the Human Resources, Appointment and Compensation Committee and the Strategy Committee, as described in section 4.2.3.3.

4.2.3.1 Internal rules of the Board of Directors

The internal rules, adopted in 2004 by the Board of Directors and intended to define its operating procedures, in addition to legal, regulatory and statutory requirements, are regularly updated to reflect new legal provisions and the recommendations of the AFEP-MEDEF Corporate Governance Code. It is regularly updated. All Board members have agreed to comply with the internal rules.

The internal rules provide that directors must first ensure that they are fully informed of the general and specific obligations attached to their duties and are familiar with securities regulations pertaining to breaches of stock exchange regulations before accepting their duties. They must familiarise themselves and comply with the laws and regulations, the bylaws, the Board of Directors' internal rules and any additional information that the Board of Directors may provide to them, the rules concerning the Board provided for in the AFEP-MEDEF Corporate Governance Code (particularly the rules of ethics for directors) as well as the Global Code of Conduct adopted by the Company.

The internal rules also provide that directors:

(i) represent all the shareholders, even though they are shareholders themselves holding at least ten shares, and must act in the Company's interests in all circumstances;

(ii) must inform the Board of any actual or potential direct or indirect conflict of interest between the interests of the Company and their own interests or those of the shareholder or group of shareholders they represent, and must abstain from voting on the issues concerned;

(iii) undertake to devote the necessary time and attention to their duties;

(iv) undertake to remain independent in their analysis, judgement, decision-making and actions, and to resist all direct or indirect pressure that may be placed on them by directors, specific groups of shareholders, creditors, suppliers and other third parties. Similarly, if they believe that decisions taken by the Board are not in the interests of the Company, they undertake to clearly express their opposition and strive to convince the Board of the merits of their opinion;

(v) must be diligent and participate in all meetings of the Board of Directors and, if applicable, of the committees on which they serve;

(vi) are bound by a strict duty of confidentiality beyond the exercise of discretion required by law with respect to non-public information acquired in connection with their role as directors;

(vii) are bound by a duty of loyalty;

(viii) must trade in the Company's shares only in compliance with the Global Code of Conduct adopted by the Company; and

(ix) provide the Board with all relevant information concerning compensation and benefits-in-kind paid to them by the Company or a Group entity, and their directorships and positions held in all companies and other legal entities, including details on their attendance at all committees of French or foreign companies.

The Board of Directors' internal rules provide that the Board of Directors must decide on (i) the approval of the strategic plans of the Company and its subsidiaries, (ii) the approval of the annual budget and, on a quarterly basis, its implementation, and (iii) the authorisation of all key transactions (acquisitions, exchanges, settlements, granting of security interests, all financing arrangements, etc.) exceeding €30 million and not provided for in the strategic plan or the budget.

The internal rules also provide that the Board of Directors must be notified of any significant event affecting the operation of the Company and more specifically its financial and cash position and commitments.

4.2.3.2 Work and self-assessment of the Board of Directors

During the financial year ended December 31, 2017, the Company's Board of Directors met six times and:

- appointed a new Chairman and Chief Executive Officer;
- analysed the quarterly reviews of the Company's operations and affairs and major projects;

- approved the parent company financial statements and the consolidated financial statements for the year ended December 31, 2016 along with the related press release, and prepared the Annual General Meeting, namely by approving the various reports required by law and the description of the share buyback program; approved the interim financial statements and interim financial report, along with the related press release;
- approved the budget;
- studied opportunities for Business Development;
- proposed the appointments of Fanny Letier and Marie-Paule Kieny as directors;
- proposed the appointment of Grant Thornton as Statutory Auditors;
- implemented the delegation from the Annual General Meeting of May 30, 2017 regarding the division of the nominal value of shares and updated the bylaws; validated the associated draft press release;
- heard the minutes and recommendations, if any, of its committees;
- studied the Company's sustainable development and CSR policies and met with the independent third party to discuss the CSR report;
- decided the principles and criteria for the compensation of the executive corporate officers for the 2017 financial year and the compensation of the corporate officers for the year ended December 31, 2017;
- discussed the Company's policy in terms of professional equality and equal pay in the workplace;
- approved the proposed merger by absorption by bioMérieux of Advencis, and the necessary delegations and authorisations;
- studied the actions implemented within the EMEA and Americas regions; studied international expansion projects;
- granted powers concerning sureties, endorsements and guarantees to the Chairman and Chief Executive Officer for 2018;
- granted free shares to certain Group employees;
- implemented a new share buyback program;
- decided on the creation of a new committee, the Strategy Committee, to replace the Innovation and Technological Breakthroughs Committee, which was eliminated, then approved the internal rules of the Board, as amended;
- defined the new composition for the committees and the rules for the distribution of directors' fees;
- approved three related-party agreements and performed an annual review of any existing related-party agreements that remained in force during the year.

In addition, as stipulated in its internal rules, each year the Board of Directors devotes an agenda item to the Board's operations in order to (i) evaluate the quality and effectiveness of the Board's deliberations, (ii) assess the Board of Directors' actual roles and duties, (iii) analyse the reasons for any shortcomings as perceived by the Chairman, directors or shareholders, and (iv) analyse the independence criteria applicable to directors.

At its meeting of February 27, 2018, the Board of Directors carried out a self-assessment based on a questionnaire in which each director was able to state his or her opinion.

The Board of Directors discussed the responses received and confirmed that its responsibilities and duties were fulfilled and it was operating effectively, both in terms of the standard and effectiveness of its meetings. Regular, in-depth analysis of the strategy must be pursued and should be facilitated by the introduction of a Strategic Committee, thus enabling a better understanding of the future issues facing the Company.

- The directors consider that their access to information concerning the Group and its environment is sufficient, and that such information is of a high quality and is sent to them in a timely manner. A new online resource helps the Board of Directors to communicate more quickly and easily.
- The majority of directors consider that the information provided for the discussion of topics on the agenda is presented with sufficient internal or external analysis on which to base decisions. The Audit Committee appreciates the presentation of the Company's approach to risks and proposes that this topic should also be shared with the Board on a regular basis. The directors consider that there could be a more systematic approach to monitoring the topics presented to the Board.
- The directors consider their training to be adequate and also emphasise the need for continued efforts by Management, throughout their term.
- With respect to General Management, directors believe they are fully independent and able to speak freely and appreciate the efforts made by members of the Executive Committee to explain and share knowledge as well as regularly attend meetings. They consider that they have sufficient access to other information than that provided by the General Management, and particularly at the Audit Committee level.
- They deem it important that the independent directors meet outside of these Board meetings, irrespective of the transparency and openness shown by the Management and the standard of discussion at those meetings. In 2018, these meetings will be organised. They also consider that the independent directors are duly independent. (see above) They consider that significant personal contributions, as well as regular attendance, are criteria for the smooth running of the Board and the right composition.
- The members of the Board committees believe that the committees on which they sit function effectively, and that the frequency with which the committees are held and duration of committee meetings are fully satisfactory. They also express great satisfaction with the standard of work produced by the committees. They appreciate the division of work between the committees and the Board and the high standard of discussion within the committees as well as the effective communication of information. Moreover, new members consider the induction and training they receive to be satisfactory.

4.2.3.3 Committees of the Board of Directors

The Board of Directors' internal rules provide that the Board of Directors may set up one or more permanent or temporary committees to help it accomplish its work and contribute effectively to the preparation of its decisions.

The committees are in charge of examining issues referred to them by the Board of Directors or the Chairman of the Board, preparing the Board of Directors' work on these issues, and reporting their findings to the Board of Directors in the form of reports, proposals, communications or recommendations.

The committees act in an advisory capacity. The Board of Directors determines at its own discretion how to follow up on the findings reported by the committees. The directors remain free to vote as they choose and are not bound by the committees' studies, investigations or reports, nor by any recommendations they may issue.

Audit Committee

Breakdown

The Audit Committee has three members appointed by the Board of Directors from among its members who are not members of the Company's Management. It consists of a majority of independent directors.

At December 31, 2017, the Audit Committee, which was created in 2002, had three members: Agnès Lemarchand, Harold Boël and Philippe Archinard. Harold Boël and Agnès Lemarchand are independent directors within the meaning of the Board of Directors' internal rules. Two-thirds of the committee are therefore independent members. The Audit Committee is chaired by Harold Boël.

All of the committee's members have specialised financial or accounting expertise. Agnès Lemarchand, Harold Boël and Philippe Archinard each possess "financial or accounting expertise" as set out in article L.823-19 of the French Commercial Code (*Code de commerce*) and in the AMF's July 22, 2010 working group report on Audit Committees. They acquired this expertise through their general management experience in major industrial groups (in the case of Agnès Lemarchand and Harold Boël) and in pharmaceutical groups (in the case of Philippe Archinard).

Practices

The committee meets (including by conference calls) as often as it deems necessary and at least twice a year, before the review by the Board of Directors of the annual and interim financial statements. The Audit Committee appoints a Chairman from among its members, who may hold a directorship but no management or other position as corporate officer within the Company or the Group. Depending on the points on its agenda, the Audit Committee invites members of the Finance, Internal Audit, Risk and Compliance, and Investor Relations Departments, or the Statutory Auditors and exceptionally General Management, to its meetings. External experts may be called upon as required. In consultation with the Chairman of the Board of Directors, the Audit Committee is provided with all of the resources it considers necessary to properly perform its duties.

Work

Pursuant to the Board of Directors' internal rules, as modified in 2016 to take into account the audit reform within the European Union applicable as of June 17, 2016, the Audit Committee's duties are to assist the Board of Directors. It is primarily responsible for (i) ensuring the monitoring of the preparation of financial information, (ii) ensuring the effectiveness of internal control and risk management systems as well as the internal audit, (iii) making a recommendation on the Statutory Auditors proposed for appointment by the Shareholders' Meeting, (iv) monitoring the Statutory Auditors' performance of their duties, (v) monitoring the independence of the Statutory Auditors, (vi) approving the provision of services other than the statutory audit and (vii) reviewing the draft financial press releases in particular relating to the interim financial statements and quarterly sales.

The Audit Committee meets between one and four days before the Board of Directors' meeting held to approve the annual and interim financial statements and prepares a report on its meeting. It met seven times in 2017.

The Audit Committee reviewed the annual and interim financial statements, including the notes thereto and the year-end accounting options, as presented by the Company's Chief Financial Officer, along with the related reports. It reviewed press releases relating to fourth-quarter 2016 sales, the annual financial statements for 2016, the 2017 interim financial statements and sales for the first, second and third quarters of 2017. The committee also reviewed the draft of the Registration Document including the management report, the Chairman's report on the internal control procedures and the Company's CSR report as well as the work of the third party entity regarding CSR. It examined the results of internal audit assignments as well as the reports issued by the Internal Audit, Risk and Compliance Department. It also examined the action plan of the current year. It was informed of the 2017 action plan implemented by the Ethics and Compliance Department. More generally, it regularly reviewed the work carried out by the Internal Audit, Risk and Compliance Department. It also reviewed the crisis management process. It reviewed the updates to the risk map as well as the Group's insurance policy.

The Audit Committee pre-approved the services performed by the Statutory Auditors other than the certification of the financial statements.

The Statutory Auditors issued a detailed report on their audit engagement relating to the annual and interim financial statements and on auditor independence, and regularly informed the Audit Committee of changes in accounting rules and legal regulations. The Audit Committee has been informed of the content of the reform of the audit and its consequences for the committee. Finally, the Audit Committee reviewed the Company's exchange rate policy and its implementation, as well as the strategy for managing excess cash. It also reviewed the budget process. The Audit Committee informed the Board of Directors on February 28, 2017 of its recommendations and the justification of its choice.

The Statutory Auditors also held private discussions with the members of the Audit Committee.

Finally, the Audit Committee held an extraordinary session in order to study the Company's handling of IFRS 15. In accordance with its operating rules, the Audit Committee reported to the Board of Directors on the performance of its duties and presented the observations that it deemed appropriate.

Human Resources, Appointment and Compensation Committee

Breakdown

Pursuant to the Board of Directors' internal rules, the Human Resources, Appointment and Compensation Committee comprises three members appointed by the Board of Directors from among its members. It consists of a majority of independent directors.

The Board of Directors set up the Compensation Committee in 2004 and changed the committee's roles and responsibilities in 2010 by

including human resources functions. As a result, it became the Human Resources, Appointment and Compensation Committee.

At December 31, 2017, the Human Resources, Appointment and Compensation Committee was composed of Fanny Letier, who chairs the committee, and Marie-Hélène Habert and Jean-Luc Belingard. Marie-Hélène Habert and Fanny Letier are independent directors within the meaning of the Board of Directors' internal rules. Two-thirds of the Human Resources, Appointment and Compensation Committee are therefore independent members. In addition, the Chairman and Chief Executive Officer is involved in the committee's work on the selection and appointment of directors as well as on the compensation policy applicable to the main non-officer executives.

Practices

The Human Resources, Appointment and Compensation Committee meets at least once a year. Meetings are called by the Chairman of the Board of Directors.

With respect to appointments, the committee is responsible for making recommendations on the composition of the Board after considering all relevant information prior to making a decision: desirable balance in Board membership to reflect the Company's shareholding structure, identifying and evaluating possible candidates, and renewal or non-renewal of terms of office. In particular, the committee defines and implements the procedure for selecting future independent directors and reviews potential candidates before any action is taken in their regard.

The committee must establish a succession plan for executive corporate officers to fill any unforeseen vacancy.

With respect to the compensation of the Company's corporate officers, the committee is primarily responsible for (i) making recommendations to the Board of Directors concerning fixed and variable compensation, supplementary and specific pension and personal protection plans, benefits in kind and other financial benefits to which the Chairman and Chief Executive Officer and, where applicable, the Chief Operating Officer, may be entitled; (ii) recommending to the Board an overall amount of directors' fees, as well as rules governing the distribution of such fees and the individual amounts payable to each director based on their attendance record at Board meetings and committee meetings; and (iii) where applicable, proposing to the Board of Directors the rules governing the variable portion of corporate officers' compensation and ensuring that these rules are applied. The Human Resources, Appointment and Compensation Committee is also informed of the compensation policy applicable to the main non-officer executives.

With respect to stock options and free share grants, where appropriate, the committee submits to the Board of Directors its observations regarding the Company's stock option and free share plans proposed by the Chairman and Chief Executive Officer and makes recommendations on the different categories of beneficiaries. The options or free shares granted to corporate officers are examined on a case-by-case basis by the committee.

Work

The Human Resources, Appointment and Compensation Committee met twice in 2017. The main subjects discussed during these meetings were as follows: pay negotiations, the Group's compensation policy, including the matrix of variable compensation applicable to employees, the payment of an additional incentive bonus in France and the renegotiations of the future profit-sharing plan, the implementation of a retention plan for US employees indexed to the bioMérieux share price, the allocation of directors' fees, free share grants, including the employee share ownership plans excluding France and the United States, the 2017 variable bonus for the Chairman and Chief Executive Officer, the allocation of variable compensation and the 2017 compensation policy for executive corporate officers, the independent analysis of the directors, the creation of the position of Founding Chairman within the Board, the new directors' fees budget and their distribution, the elimination of the Innovation and Technological Breakthroughs Committee and the creation of the Strategy Committee, as well as the new composition of the committees.

In accordance with its operating rules, the committee reported to the Board of Directors on the performance of its duties and provided the Board with all useful information.

The Strategy Committee

Breakdown

The Strategy Committee was created on December 15, 2017. Pursuant to the Board of Directors' internal rules, this committee comprises at least three members appointed by the Board of Directors from among its members. A Chairman ensures the proper operation of the committee.

At December 31, 2017, the members of this committee were Marie-Paule Kieny, Michele Palladino, Philippe Gillet and Jean-Luc Belingard, its Chairman.

Practices

The committee meets as often as it deems necessary and at least once a year, when convened by the Chairman. The committee may invite members of the Company's management and may also call upon external experts.

Work

The Strategy Committee's purpose is to discuss the main strategic topics with General Management, particularly changes in the technological, medical and market environments, and to guide the strategic choices of the Company, both in terms of technologies and its business model.

This committee has not yet held a meeting.

In accordance with its operating rules, the Strategy Committee will report to the Board of Directors regarding the performance of its tasks and will provide any observations it deems useful.

4.2.3.4 Participation of the directors in the meetings of the Board of Directors and the committees in 2017

Directors	Board of Directors		Audit Committee		Human Resources, Appointment and Compensation Committee		Innovation and Technological Breakthroughs Committee[a]	
	Attendance rate	Number of meetings	Attendance rate	Number of meetings	Attendance rate	Number of meetings	Attendance rate	Number of meetings
Jean-Luc Belingard	100%	6/6	-	-	-	-	-	-
Alexandre Mérieux	100%	6/6	-	-	-	-	-	-
Alain Mérieux[b]	100%	4/4	-	-	100%	2/2	-	-
Philippe Archinard	100%	6/6	86%	6/7	-	-	-	-
Harold Boël	83%	5/6	86%	6/7	-	-	-	-
Philippe Gillet	100%	6/6	-	-	-	-	-	-
Marie-Hélène Habert	66%	4/6	-	-	100%	2/2	-	-
Agnès Lemarchand	100%	6/6	100%	7/7	-	-	-	-
Michele Palladino	100%	6/6	-	-	100%	2/2	-	-
Fanny Letier[c]	100%	2/2	-	-	-	-	-	-
Marie-Paule Kieny[d]	100%	2/2	-	-	-	-	-	-

(a) No meetings of the Innovation and Technological Breakthroughs Committee were held during 2017.
(b) Director until August 28, 2017 then Founding Chairman; Chairman of the Human Resources, Appointment and Compensation Committee until August 28, 2017.
(c) Director since May 30, 2017.
(d) Director since August 28, 2017.

4.3 Directors compensation and benefits

The information and tables set out in this section were prepared in accordance with the AFEP-MEDEF Corporate Governance Code and its user guide and comply with AMF recommendation No. 2012-02 (updated November 22, 2017), "Corporate governance and executive compensation in companies referring to the AFEP-MEDEF Code – Consolidated presentation of the recommendations contained in the AMF annual reports" and AMF recommendation No. 2009-16 (updated April 13, 2015), "Guide for the preparation of Registration Documents".

4.3.1 Summary of directors' fees

The maximum amount of directors' fees paid to directors is €400,000 per year, in accordance with the 11th resolution of the Ordinary General Meeting of May 30, 2017 (for the financial year ended on December 31, 2017). This amount previously stood at €300,000 pursuant to the fifth resolution of the Ordinary General Meeting of June 12, 2008.

For the financial year ended December 31, 2017, the distribution rules for directors' fees, established by the Board of Directors meeting of February 28, 2017, upon the recommendation of the Human Resources, Appointment and Compensation Committee, are the following:

In euros	Annual fixed amount*	Variable amount *(per meeting and per director)*
Board of Directors	5,000	5,000
Audit Committee	2,000	4,000
Human Resources, Appointment and Compensation Committee	2,000	3,000
Innovation and Technological Breakthroughs Committee	2,000	3,000

* *Calculated pro rata to the number of months in office of the directors.*

In addition, the Board of Directors meeting of December 15, 2017 approved the elimination of the Innovation and Technological Breakthroughs Committee and the creation of a Strategy Committee. It also defined the distribution rules for this committee's directors' fees.

In euros	Annual fixed amount*	Variable amount *(per meeting and per director)*
Strategy Committee	2,000	3,000

* *Calculated pro rata to the number of months in office of the directors.*

In accordance with the AFEP-MEDEF Corporate Governance Code, the variable portion linked to directors' rate of attendance or participation on the Board of Directors or a committee is greater than the fixed portion.

SUMMARY OF DIRECTORS' FEES (TABLE 3)

Board members	**Directors' fees paid in 2017 *(in euros)***	Directors' fees paid in 2016 *(in euros)*
Alexandre Mérieux	25,000	20,000
Philippe Archinard	51,000	41,000
Jean-Luc Belingard	25,000	20,000
Harold Boël	51,000	38,500
Philippe Gillet	27,000	21,000
Marie-Hélène Habert	28,000	27,000
Marie-Paule Kieny[(a)]	11,667	not applicable
Agnès Lemarchand	55,000	32,000
Fanny Letier[(b)]	12,917	not applicable
Alain Mérieux[(c)]	17,667	27,000
Michele Palladino	33,000	32,000
TOTAL	**337,250**	**258,500**

(a) Marie-Paule Kieny has been a director since August 28, 2017.
(b) Fanny Letier has been a director since May 30, 2017.
(c) Alain Mérieux has been the Founding Chairman since August 28, 2017 and has not received any directors' fees since this date.

The directors did not receive any directors' fees in respect of any directorship held within Company subsidiaries.

4.3.2 Compensation policy

This section specifies (i) the principles and criteria for the determination, distribution and allocation of the fixed, variable and exceptional components of total compensation and the benefits-in-kind of the executive corporate officers of the Company for the 2018 financial year, namely the Chairman and Chief Executive Officer and the Chief Operating Officers, where applicable, as well as (ii) the variable or exceptional compensation components allocated during the financial year ended December 31, 2017 to the same executives. This section was written in application of the provisions of article L.225-37-2 of the French Commercial Code and is included in the report on corporate governance referred to in articles L.225-100 *et seq*. of the French Commercial Code (*Code de commerce*). These principles were decided by the Board of Directors meeting of February 27, 2018, upon the recommendation of the Human Resources, Appointment and Compensation Committee. It will be subjected to a vote during the Annual General Meeting of May 17, 2018.

4.3.2.1 Principles and criteria for the determination of the compensation of executive corporate officers for the 2018 financial year

General principles

The Human Resources, Appointment and Compensation Committee and the Board of Directors analyse the overall compensation for executive corporate officers taking into account all of the components:

- fixed portion;
- annual variable portion;
- deferred variable portion;
- multi-annual variable portion;
- if applicable, extraordinary compensation;
- entirely conditional stock option plans and performance shares;
- directors' fees;
- benefits-in-kind;
- termination benefits; and
- supplementary pensions.

The Human Resources, Appointment and Compensation Committee and the Board of Directors take into account:

- the Company's interest and strategy;
- the performance and development of the Company and the executive, on an annual and multi-annual basis;
- the compensation policy for all the Group's senior executives;
- the compensation paid directly by Institut Mérieux;
- analysis of market practices which allow them to compare the level and structure of executive compensation with that in force in other SBF 120 companies of a similar size (compensation level and trends, respective position and weight of each component of compensation) and in international companies operating in similar businesses; and
- if applicable, specific situations that may give rise in exceptional circumstances to extraordinary compensation.

The elements are reviewed on a yearly basis.

Moreover, the Human Resources, Appointment and Compensation Committee and the Board of Directors have decided:

- that no benefits in connection with a non-compete clause will be paid in the event of departure; and
- that no additional compensation will be paid by a Group subsidiary outside of directors' fees.

Fixed compensation

Fixed compensation for executive corporate officers is determined by taking into account the level and difficulty of responsibilities, experience in the function and area of the Company's business, seniority in the Group and practices in force in groups or companies of a similar size.

Fixed compensation may only be reviewed at fairly long intervals – in theory every two or three years – excluding the overall pay review for all Company employees and barring exceptional events.

In addition to their functions within the Company, the executive corporate officers can exercise functions within the Institut Mérieux, for which they may be paid under the terms of an employment contract. This compensation is not rebilled to bioMérieux. The compensation paid directly by Institut Mérieux is therefore excluded from the Shareholders' Meeting's vote.

By a decision of the Board of Directors on December 15, 2017, Alexandre Mérieux, hitherto Chief Operating Officer, was appointed Chairman and Chief Executive Officer. Consequently, based on a recommendation from the Human Resources, Appointment and Compensation Committee, the Board of Directors decided to: increase his total fixed compensation (portion paid by bioMérieux) from €380,000 to €450,000. This increase shall take effect from June 1, 2018, subject to approval at the Annual General Meeting of May 17, 2018.

Annual variable compensation

Principle applied in the Company

The same caps and rules apply to the variable portion of compensation payable to executive corporate officers as apply to compensation for all Company employees.

The variable portion is expressed as a percentage of basic pay at December 31 of the year. This percentage depends on the grade of the employee. It represents a theoretical target for the variable portion in the event that the employees achieve 100% of their objectives. For the purpose of calculating variable compensation, a maximum achievement rate of 120% is applied. The Company's multiplier coefficient is then applied (matrix defined each year depending on achievement of the growth targets for revenue and contributive operating income before non-recurring items, and adopted by the Human Resources, Appointment and Compensation Committee and the Board of Directors), which in 2018 may reach a maximum of 135%. Thus, the amount of variable compensation cannot exceed 162% of the reference salary at December 31, 2018.

Variable compensation is calculated as follows:

Fixed compensation at December 31 x target bonus x % achievement rate x Company coefficient

Specific application to executive corporate officers

For executive corporate officers, objectives are set for the financial year. These objectives take into account the performance criteria selected based on the Company's strategy.

They comprise:

- on one hand, the Group's quantitative financial targets as per the guidance announced to the market at the beginning of the year, based on growth in revenue and contributive operating income before non-recurring items; and
- on the other hand, specific qualitative objectives regarding personal targets which are reviewed each year and defined in light of the Group's strategy priorities. The quantitative and qualitative components each determine 50% of variable compensation.

The extent to which the objectives have been met ("achievement rate") and the amount of variable compensation are determined by the Board of Directors based on a recommendation of the Human Resources, Appointment and Compensation Committee during the meeting held to approve the financial statements for the year.

Deferred variable compensation

The Board of Directors may decide upon a variable compensation component that is based on qualitative and quantitative criteria and subject to continued employment by the Company.

Multi-year variable compensation

Multi-year variable compensation may be granted to executive corporate officers. In 2018, no variable multi-year compensation will be offered to executive corporate officers.

Extraordinary compensation

Executive corporate officers may benefit from extraordinary compensation in the event of specific performance or the particularly successful implementation of certain projects by these executives. In 2018, no extraordinary compensation will be offered to executive corporate officers.

Stock option plans and performance shares

General principles

The level of shares awarded takes into account all of the elements used to determine the executive corporate officers' compensation as well as the market practices adopted by comparable listed companies.

Generally speaking, the respective proportion of stock options and performance shares awarded varies in line with the grade and performance of the beneficiaries, with the proportion of stock options increasing with the beneficiary's degree of responsibility and performance.

Under IFRS 2, the value of any share-based payment award is limited to one year of fixed and target variable compensation, with the target variable corresponding in this case to the compensation due when the beneficiary has an achievement rate of 100%. The total amount of annual awards to corporate officers must not exceed 2.5% of the total compensation pool approved by the Shareholders' Meeting for stock option and free share grants within the Group, or 5% of the annual total award (calculated where applicable in equivalent stock options for combined stock option and performance share grants).

Balance and proportionality

The conditions for the award and exercise of stock options and for the award and vesting of performance shares for executive corporate officers are contingent on demanding and appropriate internal and/or external performance criteria, which must be met over several consecutive years. The share-based payment plan formally states that executive corporate officers must be employed by the Group at the end of the vesting period in order to exercise their options or for their performance shares to vest.

Total stock option and performance share awards represent a low percentage of equity.

Mandatory holding period ("lock-up") for shares awarded by the Company

In accordance with French law and with the AFEP-MEDEF Corporate Governance Code, the Board of Directors sets the number of shares that corporate officers are required to hold:

- for performance shares, executive corporate officers must hold a number of shares equal to 40% of the performance shares, that will ultimately be awarded upon expiry of the vesting period;
- for stock options, executive corporate officers must hold a number of shares resulting from each exercise of options equal to 40% of the theoretical net capital gain (after tax and social security levies) calculated at the option exercise date.

The mandatory holding requirement will cease to apply three years after the award or at the end of the corporate officer's term of office.

Given the restrictive holding requirement set, it was not considered appropriate to require the executive corporate officers to purchase a specific quantity of shares in the Company when their performance shares become available, as recommended by the AFEP-MEDEF Corporate Governance Code.

The executive corporate officers are required to hold their shares in registered form, whether they are subject to the holding requirement or not.

The Group's internal Code of Conduct aimed at preventing insider trading forbids any sale of the Company's shares for a period of 30 calendar days preceding the date of publication of the Company's annual and interim financial statements (or 21 calendar days preceding the publication of quarterly information). This requirement to refrain from trading in the Company's shares expires one day after the clear publication of privileged information (*e.g.*, in an official press release). During authorised trading periods, the Legal Department should be consulted in the event of any doubt about a possible transaction. In accordance with the AFEP-MEDEF Corporate Governance Code, executive corporate officers may not exercise the options allocated to them during these closed periods, even when the exercise of options is not followed by a sale of shares.

The directors' share grant plans, like all of those implemented within the Company, expressly state that it is prohibited to perform financial transactions that would have the effect of hedging the risk inherent to these shares. The ban applies for the whole vesting period and, if relevant, any lock-up period.

In 2018, no stock options or performance shares will be granted to the Chairman and Chief Executive Officer.

Other components of compensation and benefits-in-kind

Directors' fees

Directors' fees paid to executive corporate officers are part of the pool approved by the General Meeting and are the same as those paid to the other directors. Their allocation is defined by the Board of Directors and comprises a fixed portion, and a variable portion, specific to each Board and committee. Their payment depends on the executives' attendance on the Boards (they are not members of any committees).

A new directors' fees amount was approved by the Annual General Meeting of May 30, 2017. During 2017, the Board of Directors defined new distribution rules for directors' fees.

Supplementary pensions

Supplementary pensions for executives are the same as those for Company managers, *i.e.* a so-called "article 83" defined contribution plan.

Benefits-in-kind

Executive corporate officers are provided with a company car.

The Chairman and Chief Executive Officer receives a company car provided by the Institut Mérieux that is not re-billed to bioMérieux. This item is therefore excluded from the vote of the 2018 Annual General Meeting.

Termination benefits

The Board of Directors may decide to allocate termination benefits according to market conditions and according to the rules of the AFEP-MEDEF Corporate Governance Code.

The Chairman and Chief Executive Officer does not benefit from termination benefits.

4.3.2.2 Components of the compensation of executive corporate officers for the 2017 financial year

Jean-Luc Belingard in his role as Chairman and Chief Executive Officer from January 1 to December 15, 2017.

Components of compensation due or granted in respect of 2017	Amounts or accounting value subject to vote	Presentation
Fixed compensation	€875,821	Total fixed compensation amounted to €875,821 for 2017. This fixed compensation was paid by Institut Mérieux (€375,323 not subsequently rebilled to bioMérieux) and bioMérieux (€500,498).
Annual variable compensation	€1,252,424	On December 17, 2010, the Board of Directors set the variable compensation based on qualitative and quantitative criteria. This compensation is paid by bioMérieux and is reviewed annually by the Human Resources, Appointment and Compensation Committee, which reports its findings to the Board of Directors. Pre-defined quantitative criteria based on the achievement of growth targets set for sales and contributive operating income before non-recurring items as per the guidance announced to the market at the beginning of the year determine 50% of variable compensation; Pre-defined qualitative criteria based on the individual performance of Jean-Luc Belingard within the Company determine the remaining 50% of variable compensation. Mr Belingard's gross variable compensation for 2017 in respect of his duties as Chairman and Chief Executive Officer was therefore set at €1,252,424 representing 143% of his fixed compensation at December 15, 2017 (110% achievement rate and application of the Company's 130% coefficient for 2017).
Deferred variable compensation	N/A	No deferred variable compensation was decided upon during the 2017 financial year.
Multi-year variable compensation	N/A	Jean-Luc Belingard does not receive any variable multi-year compensation.
Extraordinary compensation	0	Jean-Luc Belingard was not awarded any extraordinary bonus.
Stock options, performance shares and other components of long-term compensation	Stock options = N/A Shares= €2,394,000 Other long-term compensation = N/A	No stock options were granted during 2017. Jean-Luc Belingard was granted 60,000 free shares on May 26, 2016. The grant depends on continuous employment and performance criteria. The performance criteria are based (i) 50% on qualitative criteria taking into account in particular the integration of BioFire and (ii) 50% on quantitative criteria relating to the improvement of the Group's contributive operating income before non-recurring items in 2016, and, as of 2017, its free cash flow (FCF). If the 2016 contributive operating income before non-recurring items, on a like-for-like basis, is greater than or equal to the 2015 contributive operating income before non-recurring items, one third of the quantitative criteria will be validated; if the 2017 FCF, on a like-for-like basis, is higher than the 2016 FCF, one third of the quantitative criteria will be validated; if 2018 FCF, on a like-for-like basis, is higher than 2017 FCF, one third of the quantitative criteria will be validated. Certain qualitative performance criteria are kept confidential for strategic reasons.
Directors' fees	€25,000	Jean-Luc Belingard received directors' fees in accordance with the terms and conditions set by the Board of Directors.

Jean-Luc Belingard in his role as Chairman and Chief Executive Officer from January 1 to December 15, 2017.

Components of compensation due or granted in respect of 2017	Amounts or accounting value subject to vote	Presentation
Value of benefits-in-kind	€16,468	Jean-Luc Belingard has the use of a company car and accommodation provided by Institut Mérieux.
Termination benefits	24 months of total fixed and variable compensation	On December 17, 2010, the Board of Directors had set termination benefits for Jean-Luc Belingard equal to 24 months of his total fixed and variable compensation. It had decided that these termination benefits would only be payable in the event of a forced departure resulting from a change in control or strategy. The Board of Directors of December 15, 2017 confirmed that Jean-Luc Belingard's termination benefits would not be paid to him upon his resignation as Chairman and Chief Executive Officer.
Benefits in connection with a non-compete clause	N/A	Jean-Luc Belingard was not subject to a non-compete clause.
Supplementary pension plan	€16,681	Jean-Luc Belingard is eligible for a supplementary pension plan with the following characteristics: defined contribution pension in accordance with article 83 to which the Company contributes up to salary bracket C on behalf of bioMérieux (€15,225) and Institut Mérieux (€1,456).

Alexandre Mérieux in his role as Chief Operating Officer from January 1 to December 15, 2017, then Chairman and Chief Executive Officer from December 15 to 31, 2017

Components of compensation due or granted in respect of 2017	Amounts or accounting value subject to vote	Presentation
Fixed compensation	€462,137	The total fixed compensation for 2017 was paid by Institut Mérieux (€82,137, not subsequently rebilled) and bioMérieux (€380,000). This compensation was not reassessed in relation to the compensation set at December 31, 2016.
Annual variable compensation	€592,800	Variable compensation is reviewed annually by the Human Resources, Appointment and Compensation Committee. The pre-defined quantitative criteria are based on the achievement of objectives relating to financial performance indicators applying to all of the Company's employees (growth in sales and contributive operating income before non-recurring items). The pre-defined qualitative criteria are based on the individual performance of Alexandre Mérieux within the Company. Qualitative criteria determine 50% of Alexandre Mérieux's annual variable compensation. All variable compensation for a given year is paid during the following year by bioMérieux. The amount of variable compensation awarded to Alexandre Mérieux for 2017 in respect of his duties as Chief Operating Officer was set at €592,800 (representing 156% of his fixed compensation at December 31, 2017 in respect of his duties within bioMérieux), calculated based on an achievement rate of 120% and application of the Company's 130% coefficient for 2017.
Deferred variable compensation	N/A	Alexandre Mérieux does not receive any deferred variable compensation.
Multi-year variable compensation	N/A	Alexandre Mérieux does not receive any multi-year variable compensation.
Extraordinary compensation	N/A	Alexandre Mérieux does not receive any extraordinary compensation.
Stock options, performance shares and other long-term compensation	Stock options = N/A Performance shares = N/A Other long-term compensation = N/A	No stock options were granted during 2017. Alexandre Mérieux does not receive any performance shares.
Directors' fees	€25,000	Alexandre Mérieux receives directors' fees in accordance with the terms and conditions set by the Board of Directors.
Value of benefits-in-kind	€7,692	Alexandre Mérieux has the use of a company car provided by Institut Mérieux.
Termination benefits	N/A	Alexandre Mérieux does not receive any termination benefits.
Benefits in connection with a non-compete clause	N/A	Alexandre Mérieux does not receive any benefits in connection with a non-compete clause.
Supplementary pension plan	€17,087	Alexandre Mérieux is eligible for a supplementary pension plan with the following characteristics: defined contribution pension in accordance with article 83 to which the Company contributes up to salary bracket C on behalf of bioMérieux (€16,240) and Institut Mérieux (€847).

4.3.2.3 Information required on the corporate officers for the Registration Document

SUMMARY TABLES (TABLE 1)

SUMMARY OF COMPENSATION, STOCK OPTIONS AND FREE SHARES GRANTED

to Jean-Luc Belingard – Chairman and Chief Executive Officer from January 1 to December 15, 2017

In euros	2017	2016
Compensation for the year	2,169,713	2,216,007
Value of stock options granted during the year	0	0
Value of performance shares granted during the year*	0	2,394,000
Value of the other long-term compensation plans	0	1,750,000
TOTAL	**2,169,713**	**6,360,007**

* *At the share allocation date (May 26, 2016), according to IFRS 2 accounting method.*

SUMMARY OF COMPENSATION, STOCK OPTIONS AND FREE SHARES GRANTED

to Alexandre Mérieux – Chief Operating Officer from January 1 to December 15, 2017, then Chairman and Chief Executive Officer from December 15 to 31, 2017

In euros	2017	2016
Compensation for the year	1,087,629	1,067,809
Value of stock options granted during the year	0	0
Value of performance shares granted during the year	0	0
Value of the other long-term compensation plans	0	0
TOTAL	**1,087,629**	**1,067,809**

SUMMARY OF COMPENSATION

Jean-Luc Belingard

SUMMARY OF COMPENSATION, STOCK OPTIONS AND FREE SHARES GRANTED

to Jean-Luc Belingard – Chairman and Chief Executive Officer from January 1 to December 15, 2017 (Table 2)

In euros	Amounts paid for 2017		Amounts paid for 2016	
	Payable	Paid	Payable	Paid
Fixed compensation (bioMérieux)	500,498	500,498	519,635	519,635
Fixed compensation (Institut Mérieux)	375,323	375,323	375,323	375,323
TOTAL FIXED COMPENSATION	**875,821**	**875,821**	**894,958**	**894,958**
Variable compensation (bioMérieux)[(a)]	1,252,424	1,281,999	1,281,999	1,087,084
Variable compensation (Institut Mérieux)	0	0	0	0
Deferred variable compensation[(b)]	0	1,750,000	1,750,000	1,600,000
Extraordinary compensation[(c)]	0	0	0	0
TOTAL VARIABLE COMPENSATION	**1,252,424**	**3,031,999**	**3,031,999**	**2,687,084**
Target variable, % of basic pay	100%	100%	100%	100%
Actual total variable compensation *(%)*[(a)]	143%	143%	143%	122.1%
Maximum variable compensation	156%	156%	156%	156%
Directors' fees	25,000	25,000	20,000	20,000
Benefits-in-kind[(d)]	16,468	16,468	19,050	19,050
TOTAL	**2,169,713**	**3,949,288**	**3,966,007**	**3,621,092**
Value of stock options granted during the year		N/A		N/A
Value of shares granted during the year		N/A		2,394,000

(a) Variable compensation is calculated based on the reference fixed compensation at December 31, i.e. €875,821 (of which €500,498 for the bioMérieux portion). All percentages are calculated on this basis when they concern amounts payable for the financial year. Maximum variable compensation for 2017 takes into account the 2017 multiplier coefficient of 130% (135% maximum) applicable to all employees.

(b) 2017 and 2016 bonuses described below.

(c) Based on the recommendation of the Human Resources, Appointment and Compensation Committee, the Company's Board of Directors approved the payment of an extraordinary bonus to Jean-Luc Belingard in recognition of his contribution to the BioFire acquisition, completed in January 2014.

(d) Company car and accommodation provided by Institut Mérieux.

TABLE OF FREE PERFORMANCE SHARES GRANTED

to Jean-Luc Belingard by bioMérieux and any other Group company (Table 6)

Number and date of plan	Number of shares granted during the year	Value of shares according to the method used for the consolidated financial statements[a]	Acquisition date	Availability date	Performance criteria
May 26, 2016	60,000[b]	€2,394,000	May 26, 2019	At the end of Jean-Luc Belingard's term of directorship	Yes[c]

(a) At the share allocation date (May 26, 2016), according to IFRS 2 accounting method.
(b) Quantity updated from the 2016 Registration Document following the stock split that took place on September 20, 2017.
(c) Presence conditions and performance criteria. Performance criteria incorporate (i) 50% qualitative criteria, taking into account the integration of BioFire, and (ii) 50% quantitative criteria, relating to the improvement of the Group's contributive operating income before non-recurring items in 2016 and, as of 2017, free cash flow (FCF). If the 2016 contributive operating income before non-recurring items, on a like-for-like basis, is greater than or equal to the 2015 contributive operating income before non-recurring items, one third of the quantitative criteria will be validated; if the 2017 FCF, on a like-for-like basis, is higher than the 2016 FCF, one third of the quantitative criteria will be validated; if 2018 FCF, on a like-for-like basis, is higher than 2017 FCF, one third of the quantitative criteria will be validated. Certain qualitative performance criteria are kept confidential for strategic reasons.

Alexandre Mérieux

SUMMARY OF COMPENSATION, STOCK OPTIONS AND FREE SHARES GRANTED

to Alexandre Mérieux – Chief Operating Officer from January 1 to December 15, 2017, then Chairman and Chief Executive Officer from December 15 to 31, 2017 (Table 2)

In euros	Amounts paid for 2017		Amounts paid for 2016	
	Payable	Paid	Payable	Paid
Fixed compensation (bioMérieux)	380,000	380,000	365,000	365,000
Fixed compensation (Institut Mérieux)	82,137	82,137	81,200	81,200
TOTAL FIXED COMPENSATION	**462,137**	**462,137**	**446,200**	**446,200**
Variable compensation (bioMérieux)[a]	592,800	592,800	592,800	390,720
Variable compensation (Institut Mérieux)	0	0	0	0
Extraordinary compensation	0	0	0	0
TOTAL VARIABLE COMPENSATION	**592,800**	**592,800**	**592,800**	**390,720**
Target variable compensation as a % of total compensation (bioMérieux portion only)[a]	100%	100%	100%	100%
Actual variable compensation in %[a]	156%	156%	156.00%	107.05%
Maximum variable compensation[a]	162%	156%	156%	156%
Directors' fees	25,000	25,000	20,000	20,000
Benefits-in-kind[b]	7,692	7,692	8,809	8,809
TOTAL	**1,087,629**	**1,087,629**	**1,067,809**	**865,729**
Value of stock options granted during the year		N/A		N/A
Value of performance shares granted during the year		N/A		N/A

(a) Variable compensation is calculated based on the reference fixed compensation at December 31, i.e. €380,000. All percentages are calculated on this basis when they concern amounts payable for the financial year. Maximum variable compensation for 2017 takes into account the 2017 multiplier coefficient of 130% (135% maximum) applicable to all employees.
(b) Company car provided by Institut Mérieux.

Alain Mérieux

Alain Mérieux receives a fixed salary, determined and paid by Institut Mérieux and rebilled in part to bioMérieux, within the scope of the service agreement between the two companies.

SUMMARY OF COMPENSATION, STOCK OPTIONS AND FREE SHARES GRANTED

to Alain Mérieux – Director until August 28, 2017 (Table 3)

In euros	Amounts paid for 2017	Amounts paid for 2016
Directors' fees[(a)]	17,667	27,000
Other compensation	133,078	131,200
TOTAL	**150,745**	**158,200**

(a) As a director of bioMérieux. No directors' fees are paid to Alain Mérieux for his directorship within Institut Mérieux.

Philippe Archinard

As of April 1, 2015, a portion of Philippe Archinard's compensation is paid directly by Transgène, which explains the decrease in the portion paid by Institut Mérieux. The portion paid by Institut Mérieux, as the director of its Immunotherapy division, is rebilled in part to bioMérieux within the scope of the service agreement between the two companies.

His gross variable compensation is based on his individual performance assessed against objectives set at the beginning of the year and is paid in the following year.

SUMMARY OF COMPENSATION, STOCK OPTIONS AND FREE SHARES GRANTED

to Philippe Archinard – Director (Table 3)

In euros	Amounts paid for 2017	Amounts paid for 2016
Directors' fees[(a)]	51,000	41,000
Other compensation[(b)]	271,934	269,221
TOTAL	**322,934**	**310,221**

(a) As a director of bioMérieux. No directors' fees are paid to Philippe Archinard for his directorship within Institut Mérieux.
(b) Compensation paid by Institut Mérieux:

- *in 2017, in fixed compensation, €133,078, in variable compensation, €130,000 and in benefits-in-kind, €8,856;*
- *in 2016, in fixed compensation, €131,200, in variable compensation, €130,000 and in benefits-in-kind, €8,021.*

Other directors

In 2017, the Company's other directors did not receive any compensation or benefits-in-kind from the Company, companies controlled within the meaning of article L.233-16 of the French Commercial Code, or the company that controls the Company in which the director's term of office is served, within the meaning of said article, except for the above-mentioned directors' fees.

SUMMARY OF THE INFORMATION PRESENTED ABOVE (TABLE 11)

Executive corporate officers	Employment contract[a]		Supplementary pension plan[b]		Indemnities or benefits due or likely to be due as a result of a termination or change of office		Benefits relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Luc Belingard Director Chairman and Chief Executive Officer from January 1, 2011 to December 15, 2017 First appointment as director: 09/15/2006 Term expires: at the end of the 2018 AGM		✓		✓	✓			✓
Alexandre Mérieux Chairman and Chief ExecutiveOfficer since December 15, 2017 Deputy Chief Executive Officer from December 19, 2008 to December 15, 2017 First appointment as director: 04/16/2004 Term expires: at the end of the 2018 AGM		✓	✓			✓		✓

a) Jean-Luc Belingard has an employment contract with Institut Mérieux in respect of his duties within that company. This compensation is not rebilled to bioMérieux. He does not have an employment contract with bioMérieux for his compensation as executive corporate officer.
Alexandre Mérieux receives compensation paid by Institut Mérieux which is not rebilled to bioMérieux. He does not have an employment contract with bioMérieux for his compensation as executive corporate officer.

(b) Jean-Luc Belingard and Alexandre Mérieux are eligible for a supplementary pension plan based on their Institut Mérieux compensation. Its characteristics are the following: defined contribution pension in accordance with article 83 to which the Company contributes up to salary bracket C. Alexandre Mérieux also benefits from a supplementary pension plan as part of his compensation paid by bioMérieux.

Other tables referred to in AMF recommendation No. 2009-16 that are not included in this document

Table 4 (Subscription or purchase options awarded during the year to each executive corporate officer by the issuer and by any Group company), table 5 (Subscription or purchase options exercised during the year by each executive corporate officer) and table 7 (Performance shares that have become available during the year for each executive corporate officer) are not required as no stock options have been granted or exercised by the executive corporate officers and no performance shares became available during the year.

Table 8 (Past awards of subscription or purchase options) and table 9 (Subscription or purchase options granted to the top 10 grantees other than corporate officers and options exercised by them) are not required as no stock options or performance shares were awarded by the Company to corporate officers/executive corporate officers.

Table 10 (Past free share grants) is shown in section 7.4.3.3.

4.3.3 Commitments made in favour of corporate officers

In 2017, the Company made no other commitments whatsoever to its corporate officers regarding compensation, indemnities or benefits due or likely to be due in connection with their appointment, termination or change of office or subsequent thereto.

In 2010, the Board of Directors set termination benefits for Jean-Luc Belingard equal to 24 months of his total fixed and variable compensation. It was decided that this termination benefit would only be payable in the event of a forced departure resulting from a change of strategy or control.

4.3.4 Loans and securities granted to corporate officers

N/A

4.3.5 Amounts provisioned or recognised by the Company or its subsidiaries for the payment of pensions, retirement or other benefits

N/A

4.4 Internal control and risk management procedures

Internal control is a process implemented by the Board of Directors, senior management and employees designed to provide reasonable assurance that the following objectives are achieved:

- consistency of operations with General Management's directives;
- reliability of financial information;
- compliance with applicable laws and regulations;
- management and control of operational and financial risks.

However, internal control does not provide absolute assurance that these objectives will be achieved.

The Group's internal control system is based on:

- the "Internal Control – Integrated Framework" issued by the committee of Sponsoring Organizations of the Treadway Commission (COSO);
- the AMF Reference Framework: "Internal Control and Risk Management Systems";
- recommendations published by the AMF.

The internal control system applies to all of the companies included in the Group's scope of consolidation.

4.4.1 Procedures for the formulation and handling of financial and accounting information

Internal accounting and financial control applies to all Group processes relating to the preparation and reporting of financial and accounting information and ensures that such information is reliable and complies with statutory and regulatory requirements.

General Management and the Board of Directors, through the Audit Committee, help monitor and oversee the internal control system. For this purpose, General Management relies on audits carried out by the Internal Audit, Risk and Compliance Department, under the responsibility of the Secretary General, as described below.

Under the authority of the Corporate Vice-President and Chief Financial Officer, who is a member of the Executive Committee, the Finance Department oversees Group-level functions and the administrative and financial functions of each Group entity.

4.4.1.1 Parties involved

Accounting/Finance

bioMérieux has compiled a manual of accounting and consolidation principles for use by the Group's entities. This manual lists the principal items in the consolidated financial statements and specifies their content. It also defines the valuation methods to be used.

For bioMérieux SA and its main subsidiaries, the accounting procedures required by the application of these principles and local regulations when recognising ordinary and recurring transactions are incorporated in the accounting software, in order to ensure that data are processed securely and automatically.

Management control

The annual budget is prepared by the Executive Committee and validated by the Board of Directors. This budget enables the Group's resources to be allocated to its various projects and activities.

bioMérieux and its subsidiaries all have a management control unit, the duties of which include verifying compliance with the budget. In addition, each function and each region has a dedicated management control unit in charge of drawing up and monitoring the annual budget.

Consolidation

The consolidation process is centralised within the Group. The consolidation team checks that the financial statements of the subsidiaries are prepared in accordance with the Group's accounting principles, as set forth in procedure manuals provided to all Group entities. It has a consolidation software package which includes all the financial statements of the subsidiaries and consolidates them in accordance with the Group's chart of accounts.

The consolidation process includes an in-depth analysis of the financial statements. A quarterly analysis report is prepared and provided to the Group's General Management.

Cash Management and Finance

In light of the large number of countries in which bioMérieux operates, this function also plays a key role in the accounting and financial internal control system. As such, it has notably set up a system of *cash* pooling, for which bioMérieux SA is the leader, and implements a prudent management of temporary cash surpluses, which are invested in compliance with an investment procedure validated by the Audit Committee.

bioMérieux SA is responsible for managing exchange rate risks in accordance with the Group's policy set out in section 2.4.2. This involves, in a context of the billing of sales in customers' local currency, the setting up of currency hedges on the Group's net exposure for currencies that allow such hedging at a reasonable cost, and a monthly adjustment in hedges depending on transactions. This exchange rate policy aims to protect the exchange rate levels used in the budget.

Control of subsidiaries

Operational control of subsidiaries is achieved through:

- regional Finance Departments which verify the pertinence of the human, financial and business resources available locally with the assistance of support functions;
- the presence of members of certain operational and/or finance functions on the Boards or committees (Board of Directors or its equivalent) overseeing the activities of subsidiaries;
- a finance and administrative function in each subsidiary;
- a monthly review of their reporting. The subsidiaries' main performance indicators, pertaining primarily to sales, contributive operating income and financial structure, are compared to the same indicators of the previous year and to the budget.

Investor Relations Department

The Company's financial publications (annual and interim reports, press releases, etc.) are drafted on the basis of specific discussions and are submitted to the Group's General Management and Administrative and Finance Departments for review. Press releases relating to results and sales are reviewed by the Audit Committee.

4.4.1.2 Process

Control activities are put in place by the financial and operational departments based on Group procedures.

The Group has various written procedures (project management, investment management, processing of financial information, etc.), in French and in English which are accessible *via* its intranet and/or specific servers.

The Internal Audit, Risk and Compliance Department is in charge of mapping the Company's risks and identifying, assessing and regularly monitoring those risks (see Chapter 2).

bioMérieux's internal control environment is based on the elements described below:

Internal control manual

The Finance Department has compiled an internal control manual which sets out the main rules and controls with which all Group companies must comply. Training sessions for the Group's local finance teams were organised to accompany the distribution of this manual.

This manual includes information on the rules governing the separation of duties, rules relating to commercial management and the management of spending commitments, banking flows and payments, payroll verification arrangements, the principles governing internal control, financial reporting and the approval of the financial statements.

Internal control in the regions and subsidiaries

The Chief Executive Officers and Chief Financial Officers of each region and subsidiary are responsible for ensuring the effectiveness of internal control procedures within their organisation and undertake to implement a system that ensures operating efficiency, reliability of financial and accounting information and optimal use of resources, while safeguarding assets and combating fraud.

In order to combat the increase in attempted external fraud, bioMérieux has set up a process for centralising information about these attempts, and for managing corrective and preventive measures. In particular, the Company regularly informs employees about commonly used fraud techniques.

Introduction of shared service centres in Poland and Argentina

Shared service centres were set up in Poland and in Argentina in 2012. As at end-2017, these two centres help to manage the accounting and sales administration activities of 20 subsidiaries. They also help to harmonise internal processes and, through an improved separation of duties, to strengthen internal control in smaller Group companies.

Launch of an integrated management software application

The Company rolled out an integrated management software application in 33 of its subsidiaries. It aims to facilitate the definition of consistent procedures and the implementation of a more effective internal control system.

Introduction of a financial training course

The Finance Department trains all new finance managers or directors within the subsidiaries in procedures and tools (several sessions are held each year) and teaches financial skills to certain non-financial employees of the Company.

4.4.1.3 Implementation and monitoring of the internal control and risk management system

Supervision of internal control and risk management, under the responsibility of the General Management and the Board of Directors, is based on the audit work as described below.

Internal Audit and Risk Departments

In the Internal Audit, Risk and Compliance Department, the teams dedicated to internal audit ensure that the procedures defined by the Group are correctly applied in the subsidiaries and corporate departments. They conduct audits performed by thirty or so employees with different functions and skills.

The conclusions are shared with the Risk teams, thereby ensuring the continuous improvement of operational processes *via* a risk analysis system and advisory services.

A charter defines the role of internal audit, its duties, the scope of its authority and powers and the methodology used, which complies with professional standards.

From the basis of a central risk analysis, the Internal Audit and Risk Departments establish an annual audit plan, updated regularly, as well as a summary of the work carried out, which are regularly presented to the Audit Committee and the Executive Committee.

External audits

The Company is subject to various types of external audits as described below. The Statutory Auditors, Ernst & Young et Autres and Grant Thornton and its network, audit the consolidated financial statements and the parent company financial statements of bioMérieux SA, as well as the individual financial statements of the vast majority of Group companies. For the other subsidiaries, the Statutory Auditors rely on the work carried out by these companies' external auditors.

In addition to the reports required by law, the audits by the Statutory Auditors are summarised in a report that covers material audit findings and the manner in which they have been resolved, as well as recommendations regarding the Group's internal control procedures. These recommendations are reviewed with the management of the subsidiaries concerned and their implementation is monitored.

The analysis and evaluation work of the internal control within the Company are carried out in close consultation with the Statutory Auditors. They are informed of the results of the work carried out by the Internal Audit, Risk and Compliance Department.

4.4.2 Other internal control procedures

4.4.2.1 Parties involved

Quality Management Department

This department reports to General Management, which gives it the resources to properly conduct the following activities: (i) develop and implement an overall quality management strategy within the Group, (ii) provide the regions with the necessary support so that they have the resources and tools they require for quality management, (iii) ensure that the processes used to design, manufacture, distribute, install and maintain bioMérieux products comply with customers' needs and regulatory requirements, (iv) analyse the appropriateness and effectiveness of the Quality Management System used by all bioMérieux Group entities, and (v) implement a post-market surveillance monitoring system (see section 1.5.2).

This department mobilises the resources required to apply or enforce the rules necessary to achieve quality objectives, or to ensure that all of the Company's personnel apply such rules.

HSE Department (Health, Safety and the Environment)

The HSE Department prepares, supports and monitors the application of the health, safety and environmental policy (see sections 3.3.2 and 3.4). This policy has been drawn up and provides for several measures relating in particular to (i) the prevention of occupational accidents and illnesses which are monitored through specific indicators, (ii) improving energy and carbon efficiency and protecting natural resources and the environment across the entire value chain in order to reduce the financial risk associated with these issues, and (iii) restricting access to various sites, as well as to sensitive premises and information. This policy has been approved and its introduction is monitored by the Group HSE Committee; its implementation is the responsibility of the management of each entity and function concerned, which, within its scope of responsibility, ensures the protection of persons and assets and minimises the impact of bioMérieux's activities on the environment.

The HSE Department also monitors all regulatory requirements in this area (at the international, national and local levels) and develops and implements processes and procedures to guarantee their compliance. In particular, it monitors and ensures compliance with specific regulations concerning hazardous substances (REACH, Biocides, GHS, CLP and ROHS regulations). The HSE Department also participates in risk management at the production and the supply chain level. The procedures and processes are devised and implemented in order to identify major production risks and to manage them through business continuity plans. Climate change leads to natural disaster risks. The Company accounts for these risks in its risk analysis and management system by integrating them into the business continuity plans for each of its sites.

Lastly, the HSE Department ensures that the Company is implementing environmental and safety standard management systems at its production facilities. For this, an ISO 14001 and OHSAS 18001 certification program is currently being deployed for these sites.

The Information Systems Department

It is responsible for: (i) supporting bioMérieux's business strategy and processes by providing IT services that meet the needs of users, through innovative solutions while complying with applicable laws and regulations, (ii) harmonising IT tools to enable faster and more effective operating decisions, (iii) ensuring the availability, continuity and performance of the IT services provided, as well as reducing IT costs, (iv) providing technical and functional support to customers within the Group and optimising the potential of solutions and services provided, (v) implementing and monitoring the information security program based on a risk management approach to guarantee the verification and protection of information (confidentiality and integrity) in accordance with security levels, and (vi) conducting audits on internal processes and those of outside partners in order to ensure proper implementation of and compliance with procedures.

Organisation and governance procedures for information systems help define priorities, identify objectives and monitor the progress of projects and the operating performance of services through the use of indicators and satisfaction surveys conducted throughout the year.

Legal Affairs and Intellectual Property Department

It contributes to the effective management of corporate governance by overseeing bioMérieux's relations with external parties (suppliers, customers, partners, governments, etc.) and by protecting bioMérieux's interests with regard to its operations and the applicable laws. It also organises the protection and valuation of scientific and technical innovations created by bioMérieux, in liaison with the departments concerned.

Ethics and Compliance Department

This is part of the Internal Audit, Risk and Compliance Department under the responsibility of the Secretary General. It is in charge of drawing up, promoting and monitoring implementation of all compliance and ethical standards in accordance with applicable laws and the Company's Global Code of Conduct (see section 3.1.3).

The work of the Ethics and Compliance Department is carried out through a central team and the Company's subsidiaries in each region. Each site or subsidiary has a dedicated "Local Compliance" team, which comprises at least the site director or the subsidiary manager, a training coordinator and a data privacy officer. This team acts as the central team's correspondent at the local level and is responsible for disseminating and applying the Ethics and Compliance program.

General Management, the Executive Committee and the Audit Committee of the Company are regularly apprised of the status of the program.

4.4.2.2 Process

Control activities are put in place by all corporate and operational departments based on Group procedures.

The Group has various written procedures in French and English that are accessible *via* its intranet and/or specific servers.

The Internal Audit, Risk and Compliance Department is in charge of mapping the Company's risks and identifying, assessing and regularly monitoring those risks (see Chapter 2).

bioMérieux's internal control environment is based on the elements described below:

Ethics and Compliance program

The objective of the Ethics and Compliance program is to ensure that policies and practices convey, both internally and publicly, bioMérieux's commitment to an organisational culture grounded in ethics and integrity. It strives to promote ethical conduct in all business dealings, provide training for employees on ethical standards and the laws that apply to them, and provide an opportunity for employees to voice their concerns and ask questions. The Ethics and Compliance program adopts a risk-based approach focused on the following:

- bioMérieux core values supporting employees every day;
- the Global Code of Conduct, regularly updated, sets out the rules of conduct and integrity applicable to Group employees. Communicated to all employees, it helps raise awareness in particular about the respect of rules and regulations concerning quality control, health, safety and the environment, conflicts of interest, professional ethics and integrity, protection of personal data and patient data, protection and proper use of assets and social responsibilities. The code also encourages every employee to express his or her concerns regarding compliance issues. Online training has been provided to all employees worldwide;
- the Corruption Prevention program, which, in addition to the Group's Global Code of Conduct, informs employees about their responsibilities in this area. Training and communication programs are also provided to employees who work with government representatives, intermediaries and other players in the healthcare sector;
- a whistle-blowing line is available to employees. It is deployed in all countries where the Company operates, and covers all Group subsidiaries. As a general rule, any employee who witnesses a breach of the Global Code of Conduct must contact the Ethics and Compliance Department. The procedure regarding this whistle-blowing line was redefined in order to meet the requirements of the Sapin II law (status of "whistle-blower");
- rules of ethics applicable to the financial markets are reflected in the Stock Market Code of Conduct drafted by bioMérieux, which every employee likely to hold inside information has signed. The Global Code of Conduct also sets out these rules.

Global Quality Management System Manual

The Global Quality Management System Manual describes the quality management procedures that govern the Company's activities, from the design of products to their delivery and installation, including after-sales service.

In addition to this manual, each subsidiary, production site and R&D site has additional local documentation describing provisions that are specific to its activities.

These manuals are used as permanent reference documents for the implementation, management and improvement of the Quality Management System, as well as for relations between bioMérieux and its customers.

Regulatory standards

All Group products are designed, manufactured and delivered in accordance with applicable quality standards.

The Quality Management System for the design, manufacture and delivery of products was devised in conformity with ISO 13485 certification (for *in vitro* diagnostics) and ISO 9001 certification implemented voluntarily or as required by regulations.

All products for clinical applications are designed and manufactured at ISO 13485 certified sites.

Audits of production facilities may be carried out by competent authorities (see section 2.1.12 of the Registration Document).

4.4.2.3 Implementation and monitoring of the internal control and risk management system

The supervision of internal control and risk management, under the responsibility of the General Management and the Board of Directors, relies on the audit work as described below, excluding that of the Internal Audit and Risk Departments (see section 4.4.1.3).

Quality Management Department

In line with its Quality Management System, the Company performs internal quality audits on its sites, subsidiaries and overall support functions. These audits are conducted by the Company's internal quality auditors based on a program drawn up each year.

External audits

In addition, an independent third party, in this case Ernst & Young et Autres, audits the environmental, social and societal information published by the Company.

The regulatory authorities carry out audits and inspections at the Company's sites, as described in section 1.5.2.

The Company's pharmaceutical customers use bioMérieux products in their quality control processes. To comply with the regulations governing their activity, these customers are obliged to conduct a large number of audits on bioMérieux's quality assurance system. These audits enable them to verify the compliance of this system with the GMP (Good Manufacturing Practice) requirements which apply to the pharmaceutical industry.


Alain Mérieux

5 Comments on the financial year

5.1 Selected financial information

CONSOLIDATED INCOME STATEMENT

In millions of euros	2017	2016	% Change as reported
Sales	2,288	2,103	+8.8%
Gross profit	1,212	1,101	+10.1%
Contributive operating income before non-recurring items[(a)]	335	298	+12.4%
Operating income[(b)]	315	282	+11.5%
Net income of consolidated companies	238	179	+32.6%
Earnings per share[(c)] *(in euros)*	2.02	4.54	

(a) Contributive operating income before non-recurring items corresponds to operating income before non-recurring BioFire acquisition and integration costs and before accounting entries relating to the company's purchase price allocation.
(b) Operating income is the sum of contributive operating income before non-recurring items, BioFire acquisition fees and purchase price amortisation expense and "material, extraordinary and non-recurring items" included within "Other non-recurring income and expenses from operations, net",
(c) Based on the number of shares on the closing date: 2017 = 118,361,220 shares and 2016 = 39,453,740 shares

CONSOLIDATED BALANCE SHEET

In millions of euros	Net 12/31/2017	Net 12/31/2016
Assets		
Non-current assets	1,709	1,846
Current assets	1,279	1,183
Assets held for sale	2	0
TOTAL ASSETS	**2,990**	**3,029**
Shareholders' equity and liabilities		
Equity	1,737	1,621
Non-current liabilities	601	648
Current liabilities	652	760
Liabilities related to assets held for sale	0	0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,990**	**3,029**

CONSOLIDATED STATEMENT OF NET CASH FLOWS AND CHANGES IN NET DEBT

In millions of euros	2017	2016
EBITDA[(a)] (before non-recurring items)	**475**	**441**
Net cash from operating activities	**357**	**336**
Net cash used in investing activities	(183)	(233)
Other cash flows	(10)	(18)
Free cash flow[(b)]	**164**	**85**
Finance lease transactions	0	(44)
Net cash used in acquisitions	(16)	(38)
Dividends	(39)	(40)
Change in net cash (net debt)	**109**	**(37)**
Net cash and cash equivalents (net debt) at beginning of year	275	219
Change in net cash and cash equivalents (net debt) and currency impact	119	56
Net cash and cash equivalents (net debt) at year-end	**156**	**275**

(a) Contributive operating income before non-recurring items, depreciation and amortisation.
(b) Cash-flow before financial investments and dividends.

5.2 Operating and financial review

5.2.1 Sales

At December 31, 2017, bioMérieux sales rose to €2,288 million, up from €2,103 million at December 31, 2016, an increase of 10.2% at constant exchange rates and scope of consolidation, slightly surpassing its goal of between 9 and 10% growth. The negative foreign exchange impact during the second half of the year due to the strengthening euro against several currencies, including the US dollar, adversely impacted growth expressed in euros, which nonetheless reached 8.8%.

Analysis of sales
In € millions

SALES – TWELVE MONTHS ENDED DECEMBER 31, 2016	**2,103**	
Currency impact[(a)]	(29)	(1.4)%
Changes in Group structure[(b)]	(1)	0.0%
Organic growth (at constant exchange rates and scope of consolidation)	+215	+10.2%
SALES – DECEMBER 31, 2017	**2,288**	**+8.8%**

(a) Currency effects are established by converting actual numbers at the average rates of year y-1. In practice, those rates are either average rates communicated by the ECB, or hedged rates if hedging instruments have been set up.

(b) The effects of changes in scope of consolidation are determined:

- *for acquisitions during the period, deducting from sales during the period the sum of sales completed in that period by entities acquired as from their inclusion in the scope of consolidation;*
- *for acquisitions in the preceding period, deducting from sales during the period the sum of sales completed in the months during which the acquired entities were not consolidated in the preceding period;*
- *for disposals in the period, adding to the sales in the period the sum of sales completed by the entities disposed of in the preceding period, during the months in which these entities are no longer consolidated in the current period;*
- *for disposals in the preceding period, adding to the sales in the period the sales completed during the preceding period by the entities disposed of.*

Year-on-year sales trends may be summarised **by geographic area** as follows:

Sales by region *In millions of euros*	12 months 2017	12 months 2016	% Change as reported	% Change Like-for-like
Europe*	878.3	851.1	+3.2%	+3.9%
Americas	1,006.1	877.2	+14.7%	+16.5%
North America	849.8	739.2	+15.0%	+17.2%
Latin America	156.3	138.0	+13.3%	+13.2%
Asia-Pacific	397.2	364.7	+8.9%	+11.0%
TOTAL SALES FROM THE REGIONS	**2,281.6**	**2,093.1**	**+9.0%**	**+10.5%**
Applied Maths	3.4	3.8		
R&D-related revenues	3.1	6.4		
TOTAL GROUP	**2,288.2**	**2,103.2**	**+8.8%**	**+10.2%**

* *Including the Middle East and Africa.*

- Americas (44% of total Group sales): at the end of 2017, sales reached more than €1 billion, up 16.5% from year to year.
  - In North America (37% of the Group's total sales), activity rose by +17.2%, mainly driven by the performance of BIOFIRE FILMARRAY® and by momentum in its microbiology ranges. In the immunoassays field, competitive pressure intensified surrounding procalcitonin testing, with sales falling slightly during the last quarter compared with the same period in 2016 mainly due to falling prices, while volumes continued to rise. In addition, solid expansion of business conducted with industrial customers helped to drive double-digit growth. Finally, the BioFire Defense business was impacted by the delayed signing of several research contracts.
  - Business in Latin America rose by 13.2% compared with the previous financial year. All subsidiaries contributed to this growth, particularly in Brazil where sales growth accelerated as the year progressed.
- In Europe - Middle East - Africa (39% of total Group sales): At the end of 2017, sales had reached €878 million, up 3.9% on a year-to-year basis.
  - In Western Europe (31% of total Group sales), sales growth clearly benefited from the abundance and synergies found in the bioMérieux solutions portfolio: while the United Kingdom and Germany based their business development on industrial customers, growth in France, Italy and Switzerland was sustained through clinical activities, especially the launch of the microbiology laboratory automation offering and in molecular biology.

- Sales in Eastern Europe – Middle East – Africa rose by nearly 11% at the end of 2017 compared with the previous year, supported by solid performance in the Middle East, Russia and Turkey, along with more moderate growth in Africa.

- In the Asia-Pacific region (17% of total Group sales): at the end of 2017, sales had risen to €397 million, an 11.0% increase on a year-to-year basis.
  - China's performance was highly satisfactory throughout the financial year, fuelled by solid growth for both reagents and instruments. All clinical and industrial lines contributed to this momentum.
  - As expected, sales in India rebounded sharply during the 4th quarter following a slight slowdown in the 3rd quarter, with the implementation of a new tax measure that delayed certain instrument sales.

Year-on-year sales trends may be summarised **by application** as follows:

Sales by application *In millions of euros*	12 months 2017	12 months 2016	% Change as reported	% Change Like-for-like
				+11.7%
Microbiology	946.4	897.3	+5.5%	+6.7%
Immunoassays[(a)]	457.2	451.7	+1.2%	+2.5%
Molecular Biology[(b)]	440.4	322.8	+36.4%	+38.6%
Other lines	6.0	6.1	(1.7)%	+13.5%
Industrial Applications	**411.8**	**379.9**	**+8.4%**	**+9.8%**
BioFire Defense	19.7	35.2	(44.0)%	(42.9)%
Applied Maths	3.4	3.8		
R&D-related revenues	3.1	6.4		
Total Group	**2,288.2**	**2,103.2**	**+8.8%**	**+10.2%**

(a) Including VIDAS®: +3.1%.
(b) Including BIOFIRE FILMARRAY®: €368 million.

- In clinical applications: at the end of 2017, sales reached €1,850 million, up 11.7% compared to the 2016 financial year.
  - In microbiology, growth reached 6.7% on a year-to-year basis, due to the continued steady performance of the BACT/ALERT® blood culture product line, for both instruments and reagents, and the strength of the VITEK® automated identification and antibiotic susceptibility testing range. 2017 was especially marked by increased sales of equipment from the VITEK® range.
  - In immunoassays, sales of the VIDAS® product line rose 3.1% during the financial year. Vigorous growth in sales of reagents in China, Latin America and the Middle East offset a less-favourable situation in Europe and growing competition for procalcitonin testing in the United States.
  - Growth of the molecular biology business remained steady throughout the year, driven by the BIOFIRE FILMARRAY® line whose sales reached €368 million, up by more than 50%. The installed base also continued to expand, and now stands at around 6,100 units. Sales of reagents rose sharply, led by the Respiratory Panel which was driven by an earlier start to the flu season in the 4th quarter of 2017 than during the previous winter, and by the continued strong growth of other panels making up the BIOFIRE FILMARRAY®. The international launch of the product line has continued: sales outside the United States nearly doubled and now represent almost 13.5% of total sales for the BIOFIRE FILMARRAY® range, compared with 10.5% for the same period in the previous financial year.
- Sales of industrial applications, which represent around 18% of the Group's sales, reached €412.0 million, up nearly 10% compared with 2016. Sales growth was driven by the rapid expansion of product lines for pharmaceutical industry customers, especially culture media, blood culture and cytometry. In addition, sales of products intended for the food industry continued to grow rapidly, supported by the VIDAS®, GENE-UP® and CHEMUNEX® product lines.
- At the end of 2017, growth in the sales of reagents and services (+10.0%) and instruments (+11.8%) were in balance.

5.2.2 Financial position

5.2.2.1 Consolidated income statement

Gross profit

Gross profit for the year stood at €1,212 million or 53.0% of sales, a significant increase from 52.3% the year before. The rise in gross profit was driven by growth in volumes and an improvement in the product mix, with the BIOFIRE FILMARRAY® product line making remarkable progress. These factors more than offset the increase in depreciation after the commissioning of several new production units (Durham, Salt Lake City and Marcy l'Étoile).

Contributive operating income before non-recurring items

Table reconciling contributive operating income before non-recurring items to operating income
In millions of euros

	2017	2016
CONTRIBUTIVE OPERATING INCOME BEFORE NON-RECURRING ITEMS	**335**	**298**
BioFire acquisition costs		
Amortisation of BioFire technologies and intangible assets	(18)	(19)
Utilisation of BioFire inventory remeasured at fair value		
Termination fees on distributor agreements		
Provision for retention bonus		(7)
OPERATING INCOME BEFORE NON-RECURRING ITEMS	**317**	**273**
Other non-recurring income and expenses from operations	(2)	+10
OPERATING INCOME	**315**	**282**

Operating income

Contributive operating income before non-recurring items amounted to €335 million for 2017 compared to €298 million reported for the same period in 2016, representing robust 12.4% growth. Contributive operating income before non-recurring items as a percentage of sales came to 14.6% in 2017, up from 14.2% the previous year. The Group's margins therefore improved despite the €29 million provision recorded in relation to certain share plans payable in cash in the United States and the negative year-on-year currency effect of around €5 million.

Selling, general and administrative expenses amounted to €603 million, or 26.4% of sales, compared with €570 million, or 27.1% of sales, in 2016. General and administrative expenses grew less quickly than sales and also benefited from a more accurate reallocation of IT expenses to the various lines in the income statement. The decline in general and administrative expenses as a percentage of sales more than offset the additional selling expenses related to the roll-out of the BIOFIRE FILMARRAY® product line.

R&D expenses came to €304 million in 2017, or 13.3% of sales, representing a significant increase from €272 million, or 12.9% of sales, in 2016. The rise in R&D expenses was driven, as expected, by increased R&D activity relating notably to the BIOFIRE FILMARRAY® line and to certain microbiology product lines.

Research tax credits and grants came to €24 million for the year, unchanged from 2016 despite the increase in research efforts, due to a less favorable credit rate in the United States than in France.

As anticipated by the Company, other operating income, which mainly comprises net income from royalties, amounted to just €7 million in 2017 versus €15 million in the prior year, primarily because certain patents licensed to third parties expired during 2016.

BioFire acquisition expenses totaled €18 million in 2017, compared with €25 million in 2016 when the Group had recorded the balance of the retention plan implemented at the time of the acquisition. These expenses primarily comprised the depreciation/amortization charged against assets valued at the acquisition date (stable year-on-year).

Other non-recurring income and expenses from operations amounted to €1.6 million, versus €9.9 million the previous year, when the Group had recycled certain translation adjustments to the income statement.

As a result, operating income ended the year at €315 million, up 11.5% on the €282 million reported in 2016.

Net income of consolidated companies

Net financial expense remained stable at €22.2 million in 2017, versus €23.2 million in 2016.

The cost of net debt came to €16.2 million, versus €17.6 million in the prior year, and other financial expenses totaled €6.2 million, versus €5.6 million in 2016.

The Group's effective tax rate at December 31, 2017 stood at 18.6%, compared with 30.8% at end 2016. It benefited in 2017 from the €30 million in non-cash, non-recurring income recorded primarily in relation to the revaluation of deferred tax assets and liabilities resulting from tax reform in the United States. It also benefited, to a lesser extent, from income recorded due to the cancellation in France of a tax on dividends, which was partly offset by the exceptional tax introduced to replace it. Lastly, the Group recorded an additional provision on some outstanding tax litigations. Excluding these non-recurring items, the Group's effective tax rate would have been stable year-on-year at around 28%.

Net income of consolidated companies totaled €238 million in 2017, up a strong 32.6% on the €179 million reported in 2016.

5.2.2.2 Cash flows

Net cash from operating activities

Net cash from operating activities ended the year at €357 million, representing a year-on-year increase of nearly 7%.

EBITDA rose by 8% in 2017 to €475 million, from €441 million in the prior year, lifted by the growth in contributive operating income before non-recurring items and net additions to depreciation and amortization of operating items.

Despite robust growth in the Group's sales, the increase in working capital requirement during 2017 came to just €38 million, close to the €33 million increase recorded in 2016, under the combined impact of the following factors:

- against the backdrop of growth described above, inventories remained virtually stable in 2017 after increasing by €41 million in 2016, primarily reflecting a year-on-year improvement in inventory turnover of more than 10%;
- trade receivables were up by just €26 million year-on-year, versus a rise of €10 million in 2016, and the payment collection period improved significantly to end the year at 73 days, versus 80 days a year earlier;
- the change in trade payables was virtually stable year-on-year;
- other working capital requirement items increased by €4 million in 2017, versus a decrease in 2016, primarily due to outlays relating to the retention plan implemented on the acquisition of BioFire.

Income tax paid stood at €91 million, an increase – driven by the United States – from the €81 million recorded the previous year.

Net cash used in investing activities

As expected, capital expenditure outlays declined significantly over the period to €183 million, including €106 million in industrial capital expenditure versus €233 million and €154 million respectively in 2016. The decline reflected the completion of capital projects designed to increase capacity at several production sites.

As a result, free cash flow nearly doubled in 2017 to reach €164 million, from €85 million in 2016.

The acquisitions of non-current fixed financial assets, net of disposals, stood at €5 million, compared with €30 million the previous year, mainly made up the Company's minority stake in Banyan Biomarkers and Qvella.

Net cash used in financing activities

Net cash used in financing activities totalled €69 million versus €52 million the previous year and was made up of the transfer of the equity participation from Sysmex to bioMerieux in Sysmex bioMérieux Co. Ltd. In June 2017, the Company paid €39.4 million in dividends, unchanged from the 2016 dividend, and bought back shares for €1 million under the share buyback program, compared with €14 million the previous year.

Net debt

Consolidated net debt amounted to €156 million at December 31, 2017 (including €32.8 million in liabilities to employees), versus €275 million a year earlier. The Company has issued €300 million in bonds maturing in October 2020, and holds an undrawn syndicated line of credit for €500 million maturing on January 26, 2023, with an option to extend the facility for an additional year.

5.2.2.3 Other information

Installed base

At December 31, 2017, the installed base amounted to approximately 92,800 instruments, compared with 86,900 at December 31, 2016.

Human resources

At December 31, 2017, the Company had approximately 10,400 full-time-equivalent employees and temporary staff, compared with 9,800 at December 31, 2016.

5.2.2.4 Operating highlights

Governance

The bioMérieux Board of Directors' meeting on December 15, 2017 approved the appointment of Alexandre Mérieux as Chairman and Chief Executive Officer of the Company, effective from that date. Alexandre Mérieux took over from Jean-Luc Bélingard, who had chaired the Company since 2010 and who will remain a director of bioMérieux and Vice-President of Institut Mérieux, where he is responsible for strategy and institutional relations.

On May 30, 2017, the Annual General Meeting approved the appointment of two new independent directors: Fanny Letier and Marie-Paule Kieny. In compliance with the law of January 27, 2011 concerning gender equality on boards of directors and supervisory boards and equal opportunity in the workplace, the Board of Directors now comprises 10 members, including 4 women.

Commercial offer

During 2017, bioMérieux enhanced its commercial offer in several areas:

- in February 2017, bioMérieux received 510(k) clearance from the U.S. Food and Drug Administration (FDA) for the expanded use of VIDAS® BRAHMS PCT™, making it the first procalcitonin test to receive FDA clearance to help encourage appropriate use of antibiotics in respiratory infections and sepsis;
- in April 2017, bioMérieux announced that BACT/ALERT® VIRTUO™ had received 510(k) clearance from the FDA, making this system available in the United States after its launch in Europe. The BACT/ALERT® VIRTUO™ system is a fully automated blood culture system which enables faster detection of pathogens by clinical microbiology laboratories to help deliver optimal patient care;
- on April 20, 2017, bioMérieux announced that its BIOFIRE FILMARRAY® RP2*plus* test, a new generation of FILMARRAY® respiratory panels, was CE-marked. The BIOFIRE FILMARRAY® RP2*plus* simultaneously tests for 22 pathogens responsible for respiratory tract infections in a reduced processing time of 45 minutes and offers improved overall sensitivity. On June 1, 2017, bioMérieux announced that its BIOFIRE FILMARRAY® RP2 panel, which includes the same pathogens as the RP2*plus* test except for MERS-CoV, had received FDA clearance in the United States;
- on April 27, 2017, bioMérieux obtained FDA clearance to market and sell RAPIDEC® CARBA NP, a manual, high medical value test used to confirm the detection of carbapenemase-producing bacteria in agar cultures. The test gives reliable results in under two hours, making it a quick and easy way to improve patient management and control healthcare-associated infections. Carbapenemases are a group of enzymes that hydrolyze carbapenems, a sub-class of antibiotics with the broadest spectrum of antibacterial activity, used primarily for the treatment of multi-drug resistant bacterial infections, exclusively in hospital settings;
- as of June 2017, the automated VIDAS® D-DIMER test, cleared to exclude the diagnosis of deep vein thrombosis and pulmonary embolism in outpatients, is authorized for extended use. It can now be used to help guide the duration of long-term oral anticoagulant therapy in women with a first unprovoked venous thromboembolism (VTE);
- in July 2017, bioMérieux announced that its rapid pathogen identification system VITEK® MS had received 510(k) clearance from the FDA for the identification of new pathogens. The expanded database includes more than 15,000 distinct strains and, for the first time, enables the safe identification of the Mycobacterium tuberculosis (TB) group, the most frequent non-tuberculous mycobacteria (NTM), Nocardia and the most medically important molds;
- during the year, bioMérieux launched two new test strips to determine the susceptibility of multi-drug resistant organisms (MDROs) to antibiotics. ETEST® Ceftolozane/Tazobactam and ETEST® Ceftazidime/Avibactam strips are used to assess the susceptibility of Gram-negative aerobic bacteria such as Enterobacteriaceae and P. aeruginosa to new antibiotics indicated in the treatment of infections in adult patients for whom there are limited therapeutic options;
- during the fourth quarter, bioMérieux expanded its hepatitis panel, which already included diagnostic tests for hepatitis A, B and C, with the launch of two VIDAS® hepatitis E tests. Hepatitis E is a widely underdiagnosed liver disease that is prevalent all over the world. It is caused by infection with the hepatitis E virus which is mainly transmitted by the fecal-oral route, particularly through contaminated water and some undercooked meats. It is a serious pathology, since it can lead to fulminant or chronic hepatitis which can prove fatal if not properly treated.

Business Development

In January 2017, bioMérieux and Banyan Biomarkers, an innovative biomarkers company specializing in traumatic brain injuries, announced that they had entered into a partnership. Under the terms of the agreement, bioMérieux obtains the rights to develop and market Banyan's proprietary tests worldwide for use on the VIDAS® platform in the field of *in vitro* diagnostics.

bioMérieux and Lumed, a leading-edge software firm specialized in healthcare, signed a partnership for the distribution of the APSS (Antimicrobial Prescription Surveillance System) and DATA software suites designed by Lumed. Drawing on data imported from each patient's electronic health record, the APSS is a computerized clinical decision support system designed for hospital pharmacists and antimicrobial stewardship teams. It enables them to monitor clinical information, be alerted as soon as important information becomes available, and verify that the ongoing treatment remains appropriate. The agreement gives bioMérieux the rights to market the software in Canada, the United States and Europe, and thereby enrich its line-up of solutions for the prevention of antibiotic-resistant infections, which are a major global healthcare threat.

In November 2017, bioMérieux joined other investors in a series B financing round for Qvella, a Canadian molecular biology company with the primary goal of dramatically reducing time to results in the diagnosis of infectious diseases. It is developing new electrical lysis and sample treatment technology which would allow patients' blood samples to be analyzed directly. Following its investment, bioMérieux owns less than 10% of Qvella and will record these shares in its balance sheet.

Quality

During the third quarter, bioMérieux received the closeout letter from the FDA related to the 2012 warning letter of its Durham, North Carolina facility dedicated to the manufacturing of the BACT/ALERT® blood culture bottles.

5.3 Capital resources

5.3.1 Share capital

See the consolidated statement of changes in equity in section 6.1.1 and Note 13.1 in section 6.1.2

5.3.2 Sources and amounts of cash flows

Net debt amounted to €156 million at December 31, 2017, *versus* €275 million at December 31, 2016.

Further information relating to cash flow is presented in section 5.2.2.2.

The consolidated cash flow statement is presented in section 6.1.1.

5.3.3 Borrowing conditions and financing structure

The Company has issued €300 million in seven-year bonds, which were placed with institutional investors in October 2013. It also has an undrawn €500 million syndicated line of credit expiring on January 26, 2023, which includes an option to extend the term for a further year. Lastly, in 2015, it signed a 12-year, €45 million lease financing agreement to fund the extension of the Marcy l'Etoile site. In order to meet the general financing needs of bioMérieux SA and its subsidiaries, the Company can use a programme for the issuance of short-term marketable securities in the amount of €300 million.

The details and terms and conditions of these financing facilities are provided in Note 15 of section 6.1.2.

5.3.4 Restrictions on the use of the share capital

See Note 15.4 of section 6.1.2.

5.3.5 Expected financing sources

Current industrial capital expenditure is generally financed by the Company's equity (see the consolidated statement of cash flows in section 6.1.1).

5.4 Significant change in financial or trading position

To the best of the Company's knowledge, no significant change in its financial or trading position has occurred since the end of 2017, with the exception of the information described in section 5.6 of this Registration Document.

5.5 Investments

5.5.1 Principal investments

The year 2017 was shaped by the completion of several major projects:

- the move to a new building in Salt Lake City, Utah (United States), along with projects to automate production of FILMARRAY® reagents in order to increase capacity;
- construction of a new building for immunoassay R&D at the Marcy l'Etoile (France) site;
- launch of the new production line for BACT/ALERT® bottles at the Durham, North Carolina site (United States);
- construction of a new campus on the Shanghai (China) site.

As a result, investment amounted to €183 million, including €106 million for capital expenditure and €51 million for placed instruments. In all, they represented 8% of revenue. As of December 31, 2016, capital expenditure totalled €233 million (including changes in debt on acquisition of fixed assets), of which €154 million in industrial capital expenditure and €58 million in placed instruments.

5.5.2 Principal investments in progress

In 2018, the Company anticipates an overall investment effort that should fall between 9 and 10% of sales for the financial year.

The main projects include the ongoing roll-out of the *Global ERP* project, including its latest acquisitions, along with the launch of the *Global CRM* project.

- Europe, Middle East, Africa:
  - Marcy l'Etoile (France) site: continued restructuring of the site with dismantling of a building for future expansion of capacity for VIDAS® test production;
  - Craponne (France) site: restructuring of the site to improve and increase its hosting capacity.
- Americas:
  - St. Louis, Missouri site (United States): continuation of plan to automate and increase capacity of production lines for VITEK® cards 2;
  - Salt Lake City, Utah site (United States): continuation of plan to automate and increase capacity of production lines for FILMARRAY® reagents.

Current capital expenditure is generally financed by the Company's equity (see the consolidated statement of cash flows in section 6.1.1), with the exception of the Campus de l'Etoile construction which was financed through finance leasing.

5.5.3 Principal future investments

In addition to current projects, bioMérieux will continue to adapt and upgrade its production resources.

5.6 Overview and current trends and objectives

5.6.1 Subsequent events

bioMérieux announced the appointment of Guillaume Bouhours as Corporate Vice-President and Chief Financial Officer and a member of its Executive Committee. He takes over from Claire Giraut, who has decided to retire, and heads up the same departments, namely Finance, Purchasing and Information Systems. A graduate of École Polytechnique and École des Mines ParisTech, Guillaume Bouhours was previously Group President – Access & Mobility at Wabtec. Prior to that, he held the position of Chief Financial Officer for the Faiveley Transport group from 2010 to 2016. The appointment is effective as from March 2018.

5.6.2 Outlook for financial year 2018

In 2018, bioMérieux aims to maintain the strong sales momentum achieved over the past two years. The Company has set itself the objective of achieving organic growth in sales of between 8% and 9%, at constant exchange rates and scope of consolidation. Growth reported in euros, however, is expected to be below this range due to strongly negative currency effects estimated at around €120 million, stemming primarily from the decline against the euro of the U.S. dollar and certain emerging market currencies. Given the severity of the flu epidemic in the first two months of 2018, bioMérieux is anticipating further robust growth for its BIOFIRE FILMARRAY® product line, which is expected to boost sales in the first quarter more than in the following quarters.

The exchange rate fluctuations forecast for 2018 are also expected to have an impact on the Company's contributive operating income before non-recurring items, of around €40 million. In addition, bioMérieux intends to step up its R&D efforts in the area of syndromic diagnosis of infectious diseases while maintaining its leadership position in its other product lines. As a result, R&D expenses could represent approximately 14% of the Company's sales in 2018. In light of the above, bioMérieux has set its 2018 target for contributive operating income before non-recurring items at between €325 million and €345 million, at current exchange rates.

6 Financial statements

6.1 Consolidated financial statements

6.1.1 Consolidated financial statements for the years ended December 31, 2016 and 2017

Consolidated income statement

In millions of euros	Notes	Dec. 31, 2017	Dec. 31, 2016
SALES		**2,288.2**	**2,103.2**
Cost of sales		(1,076.4)	(1,002.5)
GROSS PROFIT		**1,211.8**	**1,100.7**
OTHER OPERATING INCOME	**18**	**31.2**	**38.5**
Selling and marketing expenses		(447.5)	(402.1)
General and administrative expenses		(156.4)	(167.4)
research & development expenses		(304.4)	(271.9)
TOTAL OPERATING EXPENSES		**(908.3)**	**(841.4)**
CONTRIBUTIVE OPERATING INCOME BEFORE NON-RECURRING ITEMS		**334.7**	**297.8**
BioFire acquisition fees and depreciation costs [(a)]	22	(18.2)	(25.2)
OPERATING INCOME BEFORE NON-RECURRING ITEMS		**316.5**	**272.6**
Other non-recurring income and expenses from operations	23	(1.6)	9.9
OPERATING INCOME		**314.9**	**282.5**
Cost of net debt	21.2	(16.2)	(17.6)
Other financial income and expenses, net	21.3	(6.2)	(5.6)
Income tax	24	(54.5)	(79.8)
Share in earnings (losses) of equity-accounted companies		(0.4)	(0.2)
NET INCOME OF CONSOLIDATED COMPANIES		**237.6**	**179.2**
Non-controlling interests		(0.6)	0.1
ATTRIBUTABLE TO OWNERS OF THE PARENT		**238.1**	**179.1**
Basic earnings per share [(b)]		€2.02	€4.54
Diluted earnings per share [(b)]		€2.02	€4.54

(a) In order to improve the understanding of operating income and in view of BioFire's size, the amortisation of the assets acquired and valued during the purchase price allocation, are presented on a separate line of operating income before non-recurring items.
(b) The number of shares was tripled on September 19, 2017. At an equivalent number of shares, basic earnings per share as well as diluted net earnings per share would have been €1.51 at December 31, 2016.

Total comprehensive income

In millions of euros	*Notes*	Dec. 31, 2017	Dec. 31, 2016
Net income for the period		**237.6**	**179.2**
Items to be reclassified to income		**(72.9)**	**(0.4)**
Change in fair value of financial assets and financial instruments	(a)	9.3	(0.5)
Tax effect		(0.6)	2.4
Movements in cumulative translation adjustments	(b)	(81.5)	(2.4)
Items not to be reclassified to income		**(7.7)**	**(4.2)**
Remeasurement of employee benefits	(c)	2.6	(5.8)
Tax effect	(d)	(10.4)	1.6
TOTAL OTHER COMPREHENSIVE INCOME		**(80.6)**	**(4.6)**
TOTAL COMPREHENSIVE INCOME		**157.0**	**174.5**
Non-controlling interests		(0.6)	0.0
ATTRIBUTABLE TO OWNERS OF THE PARENT		**157.5**	**174.5**

(a) Change in the effective portion of hedging instruments (+€2.4 million) and in the fair value of financial assets (+€6.9 million).
(b) The change in translation differences in 2017 is mainly related to the increase in the euro rate against other currencies and in particular the dollar.
(c) See Note 14.3.
(d) Including effect related to the US tax reform: -€9.5 million. See Note 24.3.

Consolidated balance sheet

Assets

In millions of euros	Notes	Dec. 31, 2017	Dec. 31, 2016
• Intangible assets	4	430.7	492.6
• Goodwill	5	442.7	470.6
• Property, plant and equipment	6	711.4	734.5
• Non-current financial assets	7	57.9	36.9
• Share in earnings (losses) of equity-accounted companies		0.1	0.5
• Other non-current assets		14.1	18.0
• Deferred tax assets	24.3	51.6	92.8
NON-CURRENT ASSETS		**1,708.5**	**1,845.8**
• Inventories and work-in progress	8	380.3	404.4
• Trade receivables	9	460.1	465.8
• Other operating receivables	10	75.1	79.8
• Current tax receivables	10	36.1	25.7
• Non-operating receivables	10	15.7	28.8
• Cash and cash equivalents	11	312.1	178.6
CURRENT ASSETS		**1,279.4**	**1,183.0**
ASSETS HELD FOR SALE	**12**	**2.1**	**0.0**
TOTAL ASSETS		**2,990.0**	**3,028.8**

Equity and liabilities

In millions of euros	Notes	Dec. 31, 2017	Dec. 31, 2016
• Share capital	13	12.0	12.0
• Additional paid-in capital and reserves	13	1,487.5	1,428.0
• Attributable net income for the period		238.1	179.1
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**1,737.6**	**1,619.1**
NON-CONTROLLING INTERESTS		**(0.9)**	**2.2**
TOTAL EQUITY		**1,736.7**	**1,621.4**
• Long-term borrowings and debt	15	391.1	365.4
• Deferred tax liabilities	24.3	103.8	167.3
• Impairment	14	106.7	115.0
NON-CURRENT LIABILITIES		**601.5**	**647.6**
• Short-term borrowings and debt	15	76.9	87.9
• Impairment	14	34.1	36.8
• Trade payables	16	161.3	175.6
• Other operating payables	16	300.7	324.2
• Current tax payables	16	24.2	37.2
• Non-operating payables	16	54.6	98.2
CURRENT LIABILITIES		**651.8**	**759.8**
LIABILITIES RELATED TO ASSETS HELD FOR SALE	**12**	**0.0**	**0.0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,990.0**	**3,028.8**

Consolidated statement of cash flows

In millions of euros	*Notes*	Dec. 31, 2017	Dec. 31, 2016
Net income for the period		**237.5**	**179.2**
• Investments in associates		0.4	0.2
• Cost of net financial debt		16.2	17.6
• Other financial items		6.2	5.6
• Income tax expense		54.5	79.8
• Net additions to depreciation and amortisation of operating items – long-term provisions		140.5	143.1
• Non-recurring items and BioFire acquisition fees and depreciation costs		19.9	15.3
EBITDA (before non-recurring items)	*15*	**475.2**	**440.9**
Other non-recurring income and expenses from operations, net *(excluding net additions to non-recurring provisions and capital gains or losses on disposals of non-current assets)*		(1.2)	0.0
Other financial income and expenses, net *(excluding provisions and disposals of non-current financial assets)*		(6.1)	(6.4)
Net additions to operating provisions for contingencies and losses		5.6	12.3
Fair value gains (losses) on financial instruments		2.3	(1.5)
Share-based payment		7.5	3.5
Elimination of other non-cash/non-operating income and expenses		**8.1**	**7.9**
Change in inventories		(4.3)	(41.1)
Change in trade receivables		(25.6)	(10.0)
Change in trade payables		(4.1)	(3.4)
Change in other operating working capital		(3.8)	21.8
Change in operating working capital [(a)]		**(37.8)**	**(32.7)**
Other non-operating working capital		1.5	(3.3)
Change in non-current non-financial assets and liabilities		2.0	4.3
Change in working capital requirement		**(34.3)**	**(31.7)**
Income tax paid		**(91.5)**	**(81.5)**
NET CASH FROM OPERATING ACTIVITIES		**357.5**	**335.6**
Purchases of property, plant and equipment and intangible assets		(183.5)	(233.0)
Proceeds from disposals of property, plant and equipment and intangible assets		7.9	5.3
Purchases/proceeds from acquisitions of non-current financial assets		(14.1)	8.1
Impact of changes in Group structure		9.3	(37.6)
NET CASH USED IN INVESTING ACTIVITIES		**(180.4)**	**(257.2)**
Cash capital increase		0.0	0.0
Purchases and sales of treasury shares		(0.9)	(14.1)
Dividends paid to owners		(39.4)	(39.5)
Cost of net debt	21	(16.2)	(17.6)
Change in committed debt		(0.6)	18.6
Change in interests without gain or loss of controlling interest		(11.5)	0.0
NET CASH USED IN FINANCING ACTIVITIES		**(68.7)**	**(52.5)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**108.4**	**25.9**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**146.7**	**136.7**
Impact of currency changes on net cash and cash equivalents		5.4	(15.9)
NET CASH AND CASH EQUIVALENTS AT END OF YEAR		**260.4**	**146.7**

(a) Including additions to and reversals of short-term provisions.

Net cash generated from operating activities

Net cash from operating activities ended the year at €357 million, representing a year-on-year increase of nearly 7%.

EBITDA rose by 8% in 2017 to €475 million, from €441 million in the prior year, lifted by the growth in contributive operating income before non-recurring items and net additions to depreciation and amortization of operating items.

Despite robust growth in the Group's sales, the increase in working capital requirement during 2017 came to just €38 million, close to the €33 million increase recorded in 2016, under the combined impact of the following factors:

- trade receivables were up by just €26 million year-on-year, versus a rise of €10 million in 2016, and the payment collection period improved significantly to end the year at 73 days, versus 80 days a year earlier;
- against the backdrop of growth described above, inventories remained virtually stable in 2017 after increasing by €41 million in 2016, primarily reflecting a year-on-year improvement in inventory turnover of more than 10%;
- the change in trade payables was virtually stable year-on-year;
- other working capital requirement items increased by €4 million in 2017, versus a decrease in 2016, primarily due to outlays relating to the retention plan implemented on the acquisition of BioFire.

Income tax paid stood at €91 million, an increase – driven by the United States – from the €81 million recorded the previous year.

Net cash used in investing activities

As expected, capital expenditure outlays declined significantly over the period to €183 million, including €106 million in industrial capital expenditure versus €233 million and €154 million respectively in 2016. The decline reflected the completion of capital projects designed to increase capacity at several production sites.

As a result, free cash flow nearly doubled in 2017 to reach €164 million, from €85 million in 2016.

The acquisitions of non-current financial assets, net of disposals, stood at €5 million, compared with €30 million the previous year, mainly made up of non-controlling interests acquired in the capital of Banyan Biomarker and Qvella.

Net cash used in financing activities

Net cash used in financing activities totalled €69 million versus €52 million the previous year and was made up of the transfer of the equity participation from Sysmex to bioMerieux in Sysmex bioMérieux Co. Ltd. In June 2017, the Company paid €39.4 million in dividends, unchanged from the 2016 dividend, and bought back shares for €1 million under the share buyback program, compared with €14 million the previous year.

Statement of changes in consolidated equity

In millions of euros	Attributable to owners of the parent										Non-controlling interests
	Share capital	Additional paid-in capital and consolidates reserves [a]	Cumulative translation adjustments	Changes in fair value of financial instruments [b]	Actuarial gains and losses [c]	Treasury shares	Share-based payment	Total additional paid-in capital and reserves	Net income	Total	Total
EQUITY AT DECEMBER 31, 2015	**12.0**	**1,352.5**	**51.4**	**5.4**	**(42.1)**	**(0.3)**	**5.0**	**1,372.0**	**110.5**	**1,494.5**	**8.1**
Total comprehensive income for the period			(2.4)	2.0	(4.2)			(4.6)	179.1	174.5	-
Appropriation of prior-period net income		110.5						110.5	(110.5)	0.0	
Dividends paid [d]		(39.5)						(39.5)		(39.5)	-
Treasury shares		0.1				(13.8)		(13.8)		(13.8)	
Share-based payment [e]							3.5	3.5		3.5	
Changes in ownership interests								-		-	(5.8)
EQUITY AT DECEMBER 31, 2016	**12.0**	**1,423.6**	**49.0**	**7.4**	**(46.3)**	**(14.2)**	**8.5**	**1,428.0**	**179.1**	**1,619.1**	**2.2 [j]**
Total comprehensive income for the period		0.0	(81.5)	8.7	(7.7)			(80.6)	238.1	157.5	(0.6)
Appropriation of prior-period net income		179.1						179.1	(179.1)	0.0	
Dividends paid [d]		(39.4)						(39.4)		(39.4)	(0.1)
Treasury shares		(1.4)				3.3		1.9		1.9	
Share-based payment [e]							7.5	7.5		7.5	
Changes in ownership interests [f]		(9.1)						(9.1)		(9.1)	(2.4)
Other changes [g]		5.5					(5.5)	0.0		0.0	
EQUITY AT DECEMBER 31, 2017	**12.0**	**1,558.4 [h]**	**(32.5) [i]**	**16.1**	**(54.0)**	**(10.9)**	**10.5**	**1,487.5**	**238.1**	**1,737.6 [h]**	**(0.9) [j]**

(a) Including €63.7 million in additional paid-in capital.
(b) Including changes in the fair value of Quanterix, Labtech and Geneuro shares and hedging instruments.
(c) Actuarial gains and losses on employee benefit obligations arising since the effective date of the revised IAS 19R.
(d) Dividends per share: 1 euro in 2016 and 2017 (before stock split). Shares not qualifying for dividends amounted to 234,074 at December 31, 2017, compared with 106,506 at December 31, 2016.
(e) The fair value of benefits related to share grants is being recognised over the vesting period..
(f) The change in ownership interests corresponds to the repurchase of bioMérieux Japan shares from Sysmex in 2017 (see Note 1.2.1).
(g) Corresponds to the reclassification as reserves of amounts linked to free shares definitively allocated.
(h) Of which bioMérieux SA distributable reserves, including net income for the year: €937.3 million.
(i) See Note 13.2 Cumulative translation adjustments.
(j) Including bioMérieux Japan and RAS Lifesciences at December 31, 2016 and RAS Lifesciences at December 31, 2017 following the purchase of bioMérieux Japan non-controlling shares in 2017.

6.1.2 Notes

bioMérieux is a leading international diagnostics group that specialises in the field of *in vitro* diagnostics for clinical and industrial applications. The Group designs, develops, manufactures and markets diagnostic systems, *i.e.* reagents, instruments and software. bioMérieux is present in more than 150 countries through 42 subsidiaries and a large network of distributors.

These consolidated financial statements were approved by the Board of Directors on February 27, 2018.

The financial statements will only be considered definitive after approval by the Annual General Meeting on May 17, 2018.

The consolidated financial statements are presented in millions of euros.

Note 1 Changes in the scope of consolidation during the financial year and significant events

1.1 Changes in the scope of consolidation

There were no changes in the scope of consolidation in 2017. Given the non-material impacts of the changes in scope that occurred in 2016 and the absence of changes in scope in 2017, no *pro forma* information has been provided.

1.2 Significant events of the financial year

1.2.1 Acquisition of additional interest in Sysmex bioMérieux

On July 27, 2017, bioMérieux and Sysmex announced their decision to transfer all of Sysmex' holdings in Sysmex bioMérieux Co., Ltd (Tokyo, Japan) to bioMérieux.

In accordance with the agreement signed, on October 31, 2017, bioMérieux acquired 34% of shares of the company which had until then been held by Sysmex, bringing its stake to 100%. The acquisition price of the non-controlling shares was set at €11.5 million. The difference between the price paid and the share of equity acquired has been recognised directly under reserves. This transaction did not have a significant effect on the Group's consolidated income statement.

Sysmex bioMérieux continues to be fully consolidated.

1.2.2 Acquisition of a stake in Banyan Biomarkers

On January 19, 2017, bioMérieux announced its partnership with Banyan Biomarkers, a company based in San Diego (United States), which develops blood tests for the diagnosis of traumatic brain injury. As part of this partnership, bioMérieux will take an equity stake of just under US$7 million in Banyan Biomarkers, in return for global marketing rights for tests owned by Banyan. As such, bioMérieux will market the tests for use *in vitro* diagnostics, mainly as part of its VIDAS® immunoassay range.

Given the lack of control or significant influence exerted by the Group, this stake is not consolidated and is recognised under "Non-current financial assets".

1.2.3 Participation in the raising of funds of Qvella

In November 2017, bioMérieux participated, together with other investors, in a series B financing round for the Canadian company Qvella. The main aim of this molecular biology company is to reduce the time to results in the diagnosis of infectious diseases.

Following this operation, bioMérieux now holds less than 10% of Qvella. The shares will be recorded in "Non-current financial assets" for €6 million.

1.2.4 Impact of the United States tax reform

With the new tax policy (Tax Cuts and Jobs Act of 2017) now in force in the United States, which has reduced the federal corporate income tax rate from 35% to 21%, for tax years starting January 1, 2018, bioMérieux recorded an adjustment of €19.5 million of deferred tax in its financial statements including a benefit of €30 million and a €10.5 million expense in other items of comprehensive income.

1.2.5 Stock split

On September 19, 2017, there was a three-for-one split upon a decision of the Board of Directors at their meeting of August 29, 2017 delegated by the Combined General Meeting of May 30, 2017. On September 22, 2017, each share was swapped against three new shares with the same dividend entitlement.

1.3 Summary of significant events in 2016

On December 9, 2016, bioMérieux sold its entire stake in Shanghai bioMérieux bio-engineering to its partner KEHUA. A portion of the receivable arising from the sale was paid in the first half of 2017. The balance was settled on July 20, 2017.

1.4 *Pro forma* information

No *pro forma* income statement information is given, since the acquisitions carried out in 2016 and 2017 did not have a material impact on the Group's financial statements.

The impact of changes in the scope of consolidation is shown on a separate line of the statement of cash flows and tables showing year-on-year changes in the notes.

Note 2 Summary of significant accounting principles

Standards, amendments and interpretations

The 2017 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including all standards, amendments and interpretations adopted by the European Union at December 31, 2017. These can be consulted on the European Commission's website at http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

The bioMérieux Group has applied the standards, amendments and interpretations that are mandatorily applicable to financial periods beginning on or after January 1, 2017, as described below. The application of these standards did not have a material impact on the Group's financial position or performance. They mainly concern:

- amendments to IAS 7 "Statement of cash flows – disclosure initiative";
- amendments to IAS 12 "Recognition of deferred tax assets for unrealised losses";
- amendments to IFRS 12 "Disclosure of interests in other entities – Clarification of the scope of the standard."

The Group elected not to early adopt the standards, interpretations and amendments adopted by the IASB and the European Union before the reporting date or not yet adopted by the European Union although available for early application but that come into force after the end of the reporting period. It concerns mainly the following standards and amendments:

- IFRS 15, including the amendments "Clarifications to IFRS 15, Revenue from Contracts with Customers";
- IFRS 9 "Financial Instruments";
- IFRS 16 "Leases";
- amendment to IFRS 2 "Classification and measurement of share-based payment transactions";
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration";
- annual improvements – 2014-2016 cycle.

These standards, amendments and interpretations come into force as from January 1, 2018, with the exception of IFRS 16, which will enter into force on January 1, 2019.

With regard to IFRS 15 "Revenue from contracts with customers", the Group has carried out analysis and compliance work.

The standard establishes the principles for recognising revenue on the basis of a five-step analysis:

- identification of the agreement;
- the identification of the different performance obligations, *i.e.* the list of separate goods and services that the seller has undertaken to provide to the buyer;
- the determination of the overall price of the agreement;
- the allocation of the overall price of each performance obligation;
- the recognition of the sales and related expenses when a performance obligation is satisfied.

The analysis carried out by the Group led to special attention being paid to the treatment of contracts regarding the provision of equipment when they are related to other services (provision of reagents, maintenance services, extended product warranties). For example, the Group studied the impacts of the standard on the criteria used for distinguishing contracts regarding the provision of equipment that have the characteristics of lease contracts. The application of the standard will mean stating in the notes to the consolidated financial statements a breakdown of sales based on the various components of a multiple-element arrangement (reagent sales, implicit rent, etc.), without having to change the recognition of sales. The breakdown estimate is being analysed. For information, the rules applied with respect to the recognition of sales according to contract type (disposals, provision of equipment, rentals) are stated in Note 3.1.1 of the notes to the consolidated financial statements.

The other specific points of IFRS 15 will not have a material impact.

The analysis on IFRS 15 led in particular to the re-examination of the expected useful life of equipment provided, which in practice turns out to be significantly longer than the term of the contract which has the characteristics of a rental. The change in the expected useful life will be recognised prospectively in 2018 after the ongoing studies have been completed.

Consequently, bringing the Group into compliance with IFRS 15 will not have a material impact on the aggregates of the consolidated financial statements.

The Group is also analysing the impacts of IFRS 9 "Financial instruments". This analysis has not identified any material impacts on the Group's financial statements, particularly with regard to the recognition of investments in non-consolidated companies, the impairment of doubtful receivables and hedging accounting.

Lastly, the Group has continued its analysis of the impact of IFRS 16 "Leases", approved by the IASB and adopted by the European Commission on November 9, 2017. This standard will be effective for the first time for periods beginning on or after January 1, 2019. This analysis does not make it possible to give quantified information about the expected impacts, given that important explanations are pending on defining points (term of lease, etc.). For the record, the amount of leases recognised in expenses and commitments to pay are provided in Note 28.3.1 of the notes to the consolidated financial statements. At this stage, the Group is not planning on the early adoption of the standard in 2018, and has not yet chosen the transition method.

The Group is not expecting the other standards, amendments and interpretations to have a material impact on the Group's consolidated financial statements.

There are no accounting policies in contradiction with the IFRS for which application is mandatory for financial years starting from January 1, 2017, which have not as yet been adopted by the European Union and which would have had a significant impact on the financial statements for the financial year.

The financial statements of consolidated Group companies that are prepared in accordance with local accounting principles are restated to comply with the principles used for the consolidated financial statements.

General presentation methods used for the financial statements

The balance sheet is presented based on the distinction between "current" and "non-current" assets and liabilities as defined in the revised version of IAS 1. Consequently, the short-term portion of provisions, borrowings and financial assets (due within one year) is classified as "current" and the long-term portion (due beyond one year) is classified as "non-current".

The consolidated income statement is presented by function, according to the template proposed by the French accounting standards authority (*Autorité des Normes Comptables* – ANC) in its recommendation No. 2013-03 of November 7, 2013, with the exception of the presentation on a specific line, in the current operating income, of the net impact of expenses and accumulated depreciation of the acquisition price paid for BioFire.

The Group applies the indirect presentation method for the statement of cash flows, based on the format recommended by the ANC in its recommendation No. 2013-03 of November 7, 2013.

Judgments and estimates

When preparing the consolidated financial statements, estimates and assumptions are made that affect the carrying amount of certain assets, liabilities, and income and expense items. They particularly concern the measurement and impairment of intangible assets (including goodwill); the measurement of employee benefit obligations; the measurement and impairment of non-current financial assets; provisions; deferred taxes; share-based payment; as well as the disclosures provided in certain notes to the financial statements. These estimates and assumptions are reviewed on a regular basis, taking into consideration past experience and other factors deemed relevant in light of prevailing economic conditions. Changes in those conditions could therefore lead to different estimates being used for the Group's future financial statements. bioMérieux has not observed a significant change in the level of uncertainty related to these estimates and assumptions, except for the volatile discount rate used to measure employee benefit obligations (see Note 14.3), and assumptions related to translation adjustments.

2.1 Presentation of the consolidated income statement

The Group's key financial performance indicator is contributive operating income before non-recurring items. It corresponds to recurring income less recurring expenses. Non-current expenses and income are not included. As stated above, acquisition-related costs and valuation differences recognised for the BioFire purchase price allocation are presented on a specific line, in current operating income (see Note 3.3 of the notes to the consolidated financial statements of December 31, 2017).

2.2 Basis of consolidation

Companies over which bioMérieux has exclusive control are fully consolidated.

The Group determines whether it controls an investee based on the criteria set out in IFRS 10 (direct or indirect power over the investee to direct the financial and operating policies of the relevant activities, exposure to variability of returns and ability to use its power to affect the amount of the returns). Control is generally deemed to exist when the Group directly or indirectly owns more than one half of the voting rights of the investee. In determining whether control exists, the Group considers any currently exercisable potential voting rights, including those held by another entity.

Companies over which bioMérieux exercises significant influence are accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decisions of an entity, without exercising control. It is deemed to exist when the Group holds between 20% and 50% of the voting rights either directly or indirectly.

Further to its assessment of joint arrangements based on the criteria set out in IFRS 11, the Group identified only joint ventures and no joint operations. Joint ventures are accounted for using the equity method.

Although governed by a proxy Board, BioFire Defense has been fully consolidated in view of the fact that bioMérieux exercises control over the economic benefits of that company.

Subsidiaries are fully consolidated from the date on which control is effectively transferred to the Group.

The list of consolidated companies is provided in Note 32. All significant intra-group balances and transactions are eliminated in consolidation (notably dividends and internal gains on inventories and non-current assets).

2.3 Financial year-end

All Group companies have a December 31 year-end, except for the Japanese subsidiary and certain Indian subsidiaries, for which interim accounts are drawn up and audited at the Group's reporting date.

2.4 Foreign currency translation

The reporting currency of bioMérieux is the euro and the consolidated financial statements are presented in millions of euros.

2.4.1 Translation of the financial statements of foreign companies

The financial statements of foreign subsidiaries whose functional currency is not the euro or the currency of a hyperinflationary economy are translated as follows:

- balance-sheet items (except for equity) are translated using the official year-end exchange rate;
- income statement items are translated using the average exchange rate for the year;
- equity items are translated using the historical rate;
- cash flow statement items are translated using the average exchange rate for the year.

Differences resulting from the translation of subsidiaries' financial statements are recognised in a separate heading in the statement of changes in equity ("cumulative translation adjustments") and movements during the year are presented on a separate line within other comprehensive income.

When a foreign subsidiary is sold and the sale leads to a loss of control, translation differences previously recognised in other comprehensive income relating to that company are recognised in net income for the year. If shares in a subsidiary are sold without any loss of control over the subsidiary, the translation differences are reclassified between non-controlling interests and translation differences attributable to owners of the parent.

The main exchange rates used for 2015 were as follows:

AVERAGE RATES

1 EURO =	USD	JPY	GBP	CNY	BRL
2017	**1.13**	**127**	**0.88**	**7.62**	**3.61**
2016	1.11	120	0.82	7.35	3.86
2015	1.11	134	0.73	6.98	3.69

YEAR-END RATES

1 EURO =	USD	JPY	GBP	CNY	BRL
2017	**1.20**	**135**	**0.89**	**7.80**	**3.97**
2016	1.05	123	0.86	7.32	3.44
2015	1.09	131	0.73	7.06	4.25

2.4.2 Translation of transactions in foreign currencies

As prescribed by IAS 21 "The Effect of Changes in Foreign Exchange Rates", each Group entity translates foreign currency transactions into its functional currency at the exchange rate prevailing on the transaction date. Exchange rate gains or losses resulting from differences in rates between the transaction date and the payment date are recognised under the corresponding lines in the income statement (sales and purchases for commercial transactions).

Foreign currency payables and receivables are translated at the year-end exchange rate and the resulting currency translation gain or loss is recognised in the income statement at the end of the reporting period.

Derivatives are recognised and measured in accordance with the general principles described in Note 26.1 "Recognition and measurement of financial instruments". Foreign exchange derivatives are recognised in the balance sheet at their fair value at the end of each reporting period.

Note 3 Operating income before non-recurring items and segment information

3.1 Recurring income

Revenue is accounted for in accordance with IAS 18 "Revenue". As explained above, the Company has not opted for early application of IFRS 15 "Revenue from Contracts with Customers".

3.1.1 Sales

Revenue from the sale of products (reagents and instruments) and related services (technical support, training, shipping, etc.) are recorded under "sales" in the income statement.

Revenue arising from the sale of products is recognised when all of the following criteria have been satisfied:

- the significant risks and rewards of ownership have been transferred to the buyer;
- the Group no longer has effective control over the goods sold;
- the revenue and the costs incurred or to be incurred in relation to the transaction can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group.

These criteria are satisfied when reagents are delivered and when sold instruments are installed.

In the case of services (training, technical support, etc.), revenue is recognised only after the services have been rendered. Revenue from instrument maintenance contracts is deferred and recognised on the basis of the elapsed portion of the service contract.

When the Group provides goods to third parties under leases with terms equivalent to a sale, the goods concerned are accounted for as if they had been sold, as prescribed by IAS 17 "Leases" (see Note 6.4). Otherwise, the implicit rent is recognised as sales with reagent sales. Details will be given in the notes to the 2018 consolidated financial statements between the two components pursuant to the application of IFRS 15.

Instrument leases are recognised as revenue over the contract term.

Sales are measured at the fair value of the consideration received or receivable, net of any discounts and rebates granted to customers. Sales taxes and value-added taxes are not included in sales.

3.1.2 Other operating income

This caption mainly consists of the following items:

- ancillary revenue – which essentially consists of net income from royalties – is included in "Other operating income" and is recognised when earned;
- Research subsidies received and research tax credits, accounted for in the same way as subsidies (see Note 18).

3.2 Recurring expenses

Cost of sales includes the following:

- the cost of raw materials consumed, including freight, direct and indirect personnel expenses for production personnel, the depreciation of assets used in production, all external expenses related to manufacturing (utilities, maintenance, tools, etc.), as well as indirect expenses (the Group's share of expenses such as purchasing, human resources and IT). Expenses relating to areas such as quality control, production quality assurance, engineering, business processes and logistics are included in production costs;
- royalties paid in relation to marketed products;
- distribution expenses, including shipping and warehousing, as well as the cost of shipping finished products to distribution centres or end customers;
- depreciation of instruments placed with or leased to customers;
- technical support expenses, including the cost of installing and maintaining instruments placed or sold, irrespective of whether such services are billed separately. Also included under this heading are personnel expenses, travel expenses and the cost of spare parts, as well as movements in provisions for warranties granted at the time instruments are sold.

Operating expenses

Selling and marketing expenses include expenses incurred by the Strategy, Marketing, Sales and Sales Administration Departments. They also include sales bonuses and commissions paid to employees in the Group's Sales Departments and to independent sales agents. Advertising and promotional costs are also classified as selling and marketing expenses.

General and administrative expenses comprise the cost of general management and support services (human resources, finance, IT, purchasing), excluding the portion of costs incurred by these departments that is allocated to the other departments that directly use their services. Insurance premiums are also included in general and administrative expenses.

Research & development expenses include all costs concerning in-house and outsourced research & development work on new products other than software (design costs) as well as expenses related to regulatory affairs, intellectual property, technological monitoring and research & development quality assurance. Subsidies received in connection with research programs are shown in other operating income (see Note 3.1.2).

Royalty payments (fixed or proportional) are included in the cost of sales of the corresponding products. If no product is marketed or marketable in the short term, these payments are classified as research & development expenses.

Other information relating to recurring expenses

Variable compensation (performance-related bonuses, commissions, discretionary and non-discretionary profit-sharing) as well as share-based payments are included in the personnel expenses of the departments concerned.

In the context of long-term employee benefits, current service costs and the interest cost net of the return on plan assets are recognised within operating income before non-recurring items.

CICE tax credits (*crédit d'impôt pour la compétitivité et l'emploi*) designed to promote competitiveness and employment in France are recognised as a deduction from personnel costs.

C.V.A.E. corporate value added tax (*cotisation sur la valeur ajoutée des entreprises*) and C.F.E. corporate real estate tax (*cotisation foncière des entreprises*) are classified under operating expenses given that the added value generated by the Group's French operations significantly exceeds their taxable income.

Foreign exchange gains and losses are included in the income statement line corresponding to the nature of the transaction concerned (primarily sales, cost of sales and financial expenses).

3.3 Contributive operating income before non-recurring items and operating income before non-recurring items

The Group uses contributive operating income before non-recurring items as one of its key financial performance indicators. It corresponds to recurring income less recurring expenses as defined in Notes 3.1 and 3.2. It excludes non-recurring income and expense from operations (as defined in Note 23.1) as well as acquisition fees and amortisation of the assets acquired and valued as part of the BioFire purchase price allocation.

BioFire acquisition fees and amortisation of goodwill are presented on a separate line within operating income before non-recurring items. Depreciation and amortisation charges relating to prior acquisitions have not been restated as they are not deemed to be material.

In 2017, operating income before non-recurring items is the sum of contributive operating income before non-recurring items and costs related to the amortisation of goodwill related to BioFire (see Note 22).

3.4 Segment information

Pursuant to IFRS 8 "Operating Segments", the Group has identified only one operating segment: the *in vitro* diagnostics segment and no geographic segments.

In accordance with IFRS 8, in Note 3.5 the Group discloses information on sales and assets broken down by geographical area, which has been prepared using the same accounting policies as those applied to prepare the consolidated financial statements.

3.5 Information by geographic area

Geographical areas have been determined by combining countries with similar economic characteristics and similar risk, profitability, strategy, and regulatory profiles. Group sales in the Middle East – Africa region are generated in a heterogeneous set of countries, mainly through distributors or agents, and in certain countries via local distribution subsidiaries. The distributors and agents are for the most part in direct contact with the French company bioMérieux SA, which explains their being grouped with the Europe region.

The information by geographic area shown in the tables below has been prepared in accordance with the accounting principles used to prepare the consolidated financial statements.

DECEMBER 31, 2017 *In euro millions*	Americas	EMEA	ASPAC	Corporate	Group
Consolidated sales	**1,007.1**	**879.7**	**398.3**	**3.1**	**2,288.2**
Cost of sales	(411.8)	(448.1)	(182.3)	(34.2)	(1,076.4)
Gross profit	**595.3**	**431.6**	**216.0**	**(31.1)**	**1,211.8**
% of sales	*59 %*	*49 %*	*54 %*		
Other operating income and expenses	(224.9)	(148.8)	(78.0)	(425.4)	(877.1)
CONTRIBUTIVE OPERATING INCOME BEFORE NON-RECURRING ITEMS	**370.4**	**282.8**	**138.0**	**(456.5)**	**334.7**
% of sales	*37 %*	*32 %*	*35 %*		

DECEMBER 31, 2016 *In euro millions*	Americas	EMEA	ASPAC	Corporate	Group
Consolidated sales	**877.2**	**854.8**	**364.8**	**6.4**	**2,103.2**
Cost of sales	(363.5)	(437.5)	(171.2)	(30.3)	(1,002.5)
Gross profit	**513.7**	**417.3**	**193.5**	**(23.9)**	**1,100.6**
% of sales	*59 %*	*49 %*	*53 %*		
Other operating income and expenses	(193.7)	(138.4)	(73.4)	(397.4)	(802.8)
CONTRIBUTIVE OPERATING INCOME BEFORE NON-RECURRING ITEMS	**320.0**	**278.9**	**120.2**	**(421.3)**	**297.8**
% of sales	*36 %*	*33 %*	*33 %*		

DECEMBER 31, 2017 *In euro millions*	Americas	EMEA	ASPAC	Corporate	Group
Non-current assets					
Intangible assets	13.3	36.0	5.1	376.4	430.7
Goodwill				442.7	442.7
Property, plant and equipment	283.2	217.7	29.1	181.4	711.4
Current assets					
Inventories and work-in progress	163.4	167.3	49.5		380.3
Trade receivables	169.8	239.7	50.6		460.1
ASSETS HELD FOR SALE			**2.1**		**2.1**

DECEMBER 31, 2016 *In euro millions*	Americas	EMEA	ASPAC	Corporate	Group
Non-current assets					
Intangible assets	16.9	35.4	5.6	434.7	492.6
Goodwill				470.6	470.6
Property, plant and equipment	310.7	217.0	33.0	173.8	734.5
Current assets					
Inventories and work-in progress	195.3	162.7	46.4		404.4
Trade receivables	170.9	234.7	60.2		465.8
ASSETS HELD FOR SALE		**0.0**	**0.0**		**0.0**

The regional data include the commercial activities, corresponding mainly to the sales made in each of the geographic areas, the related cost of sales and the operating expenses necessary for these commercial activities. The regional data also include the non-allocated costs of the production sites in these geographical areas.

Corporate data mainly include the research costs incurred by the Clinical and Industrial units, as well as the costs incurred by the Group's corporate functions and revenue from companion test research & development partnership agreements.

Intangible assets recorded in the Corporate column mainly correspond to technology acquired by the Group.

3.6 Information by technology and application

The table below provides a breakdown of sales by technology and application:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Clinical applications	**1,850.1**	**1,677.9**
Microbiology	946.4	897.3
Immunoassays	457.2	451.7
Molecular biology	440.4	322.8
Other lines	6.0	6.1
Industrial applications	**411.8**	**379.9**
TOTAL PER APPLICATION	**2,261.9**	**2,057.8**
BioFire Defense	19.7	35.2
Applied Maths	3.4	3.8
R&D related revenues	3.1	6.4
TOTAL	**2,288.2**	**2,103.2**

Note 4 Intangible assets

4.1 Accounting principles

4.1.1 Research & development expenses (excluding software development costs)

In accordance with IAS 38 "Intangible Assets", research expenses are not capitalised.

Under IAS 38, development expenses must be recognised as intangible assets whenever specific conditions are met, related to technical feasibility and marketing and profitability prospects. Given the high level of uncertainty attached to development projects carried out by the Group, these recognition criteria are not met until the regulatory procedures required for the sale of the products concerned have been finalised. As most costs are incurred before that stage, development expenses are recognised in the consolidated income statement in the period during which they are incurred.

Development costs are recognised as part of a business combination at the fair value of the projects identified in the balance sheet at acquisition, in accordance with the provisions of IFRS 3 (revised). These costs are amortised from the date of marketing of the lines affected by the projects in a linear fashion over their expected useful life.

Development expenses related to projects on going at the acquisition date continue to be capitalised until the date the corresponding product lines are marketed.

Development expenses incurred after the business combination date and related to new projects are recognised in accordance with IAS 38 as described previously. In practice, all subsequent costs are expensed.

4.1.2 Other intangible assets

Other intangible assets mainly include patents, licenses and computer software. They all have finite useful lives and are initially recognised as follows:

- if purchased: at their purchase price;
- in the case of business combinations: at fair value, generally based on the price paid (where the price of the intangible asset is identified), or based on the discounted value of estimated future cash flows;
- in the case of internal production: at their cost price for the Group.

Significant costs directly attributable to the creation or improvement of software developed in-house are capitalised if it is considered probable that they will generate future economic benefits. Other development costs are expensed as incurred. In the case of software, only in-house and outsourced development costs related to organic analyses, programming, tests, trials and user documentation are capitalised.

Intangible assets are amortised in accordance with the expected pattern of consumption of future economic benefits embodied in the asset concerned, generally on a straight line basis over periods of:

- 5 to 20 years for patents, licences, technologies;
- 10 years for major integrated management software (such as ERP systems);
- 3 to 6 years for other computer software.

Software is amortised when it comes into operational effect in each subsidiary, on a phased basis where applicable.

Intangible assets are carried at their initial cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised in the consolidated income statement based on the assets' function. Impairment losses are recognised under "Other non-recurring income and expenses from operations, net" if they meet the applicable definition (see Note 23.1). For ERP-type management software, any termination of a project or batch constitutes an indication that the asset is impaired.

4.2 Change

Gross value *In millions of euros*	Patents Technologies	Software	Other	Total
DECEMBER 31, 2015	**526.5**	**146.9**	**25.5**	**698.8**
Translation adjustments	13.2	1.2	0.5	14.8
Acquisitions/Increases	3.5	5.4	14.3	23.3
Changes in Group structure	35.4	0.0	(1.3)	34.0
Disposals/Decreases	(0.2)	(1.3)	(2.9)	(4.4)
Reclassifications	10.0	18.7	(11.8)	16.9
DECEMBER 31, 2016	**588.3**	**170.9**	**24.2**	**783.5**
Translation adjustments	(49.9)	(7.3)	(2.0)	(59.1)
Acquisitions/Increases	1.4	3.8	18.4	23.6
Changes in Group structure	0.0	0.0	0.0	0.0
Disposals/Decreases	0.0	0.1	(0.2)	0.0
Reclassifications	(1.0)	11.8	(7.4)	3.4
DECEMBER 31, 2017	**538.8**	**179.4**	**33.1**	**751.3**

Accumulated depreciation and impairments *In millions of euros*	Patents Technologies	Software	Other	Total
DECEMBER 31, 2015	**132.5**	**91.3**	**(1.4)**	**222.5**
Translation adjustments	3.9	0.9	0.0	4.8
Additions	40.4	20.9	3.4	64.7
Changes in scope of consolidation	(0.1)	0.0	(0.7)	(0.7)
Reversals/Disposals	(0.2)	(0.8)	(2.9)	(3.9)
Reclassifications	0.0	(0.7)	4.4	3.7
DECEMBER 31, 2016	**176.5**	**111.6**	**2.8**	**291.0**
Translation adjustments	(14.4)	(5.1)	0.1	(19.4)
Additions	29.6	18.5	1.0	49.1
Changes in scope of consolidation	0.0	0.0	0.0	0.0
Reversals/Disposals	0.0	(0.1)	0.0	(0.1)
Reclassifications	0.0	0.0	0.1	0.1
DECEMBER 31, 2017	**191.7**	**125.0**	**3.9**	**320.7**

Carrying amount *In millions of euros*	Patents Technologies	Software	Other	Total
DECEMBER 31, 2015	**394.0**	**55.6**	**26.9**	**476.5**
DECEMBER 31, 2016	**411.8**	**59.4**	**21.5**	**492.6**
DECEMBER 31, 2017	**347.1**	**54.4**	**29.2**	**430.7**

The gross value of intangible assets dropped by €32.2 million primarily due to translation differences.

The gross value of intangible assets in progress represents €26.5 million at December 31, 2017 compared to €13.8 million in 2016.

The review of the impairment indicators for assets with finite useful lives, as defined in Note 5.2, has not led the Group to recognise additional impairments in 2017.

Note 5 Goodwill

5.1 Accounting principles

In application of the revised version of IFRS 3, goodwill represents the excess of the cost of a business combination (excluding acquisition-related costs) over the fair value of the Group's share of the acquiree's identifiable assets, liabilities and contingent liabilities on the acquisition date. Goodwill is measured in the acquiree's functional currency. Provisional values may be assigned to fair values and goodwill during a "measurement period" which may not exceed one year from the acquisition date. Any changes made to provisional values after the end of the measurement period are recognised in income, including those concerning deferred tax assets.

The purchase price of a business combination includes the estimated impact of any contingent consideration. This consideration is measured by applying the criteria included in the acquisition agreement, such as sales or earnings targets, to forecasts that are deemed to be highly probable. It is then remeasured at the end of each reporting period, and any changes are recorded in income after the acquisition date (including during the measurement period). They are discounted if the impact is material. Any discounting adjustments to the carrying amount of the liability are recognised in "Cost of net debt".

Non-controlling interests are measured at the time of the acquisition either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the acquired company's net assets (partial goodwill method). The option is taken for each acquisition.

When the Group purchases an additional interest in an acquired entity after the acquisition date, the difference between the consideration paid and the Group's share in the acquiree's net assets is recognised directly in consolidated reserves. Similarly, if the Group sells an interest in an acquired entity without losing control, the resulting impact is also recognised directly in consolidated reserves.

Goodwill is recognised on a separate line of the balance sheet at cost less any accumulated impairment losses. Any negative goodwill is recognised directly in income during the year in which the controlling interest was acquired.

In compliance with IFRS 3 "Business Combinations", goodwill is not amortised. On the acquisition date they are attached to a cash-generating unit depending on the synergies expected for the Group (see Note 5.2). They are tested at least once a year for impairment and whenever there is an indication that they may be impaired. The methods used for performing the tests and recognising any identified impairment losses are described in Note 5.2 "Impairment of non-current assets".

5.2 Impairment of non-current assets

The Group systematically carries out annual impairment tests on goodwill and other intangible assets with an indefinite useful life (the Group did not have any such assets in the years presented in these consolidated financial statements).

Property, plant and equipment and intangible assets with a finite useful life are tested for impairment whenever there is an indication that they may be impaired.

A cash-generating unit (CGU) corresponds either to a legal entity or to a product line (a group of property, plant and equipment [mainly production plants] and intangible assets [essentially technology] which generate cash flows as a result of products based on the same technology).

Impairment testing is used to determine the recoverable amount of a CGU or group of CGUs, representing the higher of their value in use and fair value less costs to sell.

In practice, the value in use of a CGU or group of CGUs is determined primarily on the basis of discounted operating cash flow projections covering a period of five years and based on the most recent business plan, and a terminal value.

The growth assumptions used to calculate the value in use for the business plan projection time horizon are consistent with available market information and conservative assumptions have been used for determining the terminal value, including a perpetuity growth rate typically corresponding to 1.5%, except for the molecular business for which a 2% growth rate was used.

Cash flow projections do not include any expansion investments or restructurings that have not already commenced.

The discount rate applied to cash flows corresponds to the Weighted Average Cost of Capital (WACC), calculated using a risk-free rate (French government OAT bond rate), the equity market risk premium and the beta ratio (which adjusts the overall equity market risk in relation to the specific industry risk). In certain cases, a specific risk premium is included, chiefly to reflect technology risk and the individual market risk, like a country risk premium to take account of the exposure of each CGU to macroeconomic risks. The WACC determined by the Group is compared with the figure calculated by analysts who track the Company's stock. The discount rates calculated for the main CGUs (technological product lines) were between 7.4% and 9.8% in 2017, and between 8.2% and 12.9% in 2016. These rates are understood after tax. The application of a pre-tax WACC to pre-tax cash flows would give an identical result.

Tests were performed to assess the sensitivity of the recoverable amounts to changes in certain actuarial and operating assumptions (see Note 5.3).

The Group recognises an impairment loss where the value in use of these CGUs falls below the carrying amount. The impairment loss is allocated first to reduce the carrying amount of any goodwill, with the residual amount allocated to the other assets of the unit, except if this reduces the carrying amount of those assets below their fair value.

Impairment losses are recognised under "Other non-recurring income and expenses from operations, net" if they meet the applicable definition (see Note 23.1). Impairment losses against goodwill in respect of fully consolidated entities may not be reversed unless the asset is sold.

5.3 Change

In millions of euros	CGU	31/12/2017	31/12/2016
BioFire	Molecular biology	130.9	148.9
AES	Industrial applications	117.1	117.1
AB bioMérieux (Sweden)	Bacteriology	62.7	64.6
Organon Teknika	Bacteriology	51.3	53.5
Argène	Molecular biology	19.3	19.3
PML (US)	Industrial applications	11.8	11.8
Applied Maths	Data Analytics	11.4	11.4
Bacterial Barcodes (US)	Bacteriology	8.1	9.2
BTF (Australia)	Industrial applications	5.8	6.1
Hyglos	Industrial applications	5.7	5.7
bioMérieux Inc. (Vitek)	Bacteriology	4.9	7.5
Advencis	Industrial applications	2.9	3.0
MDI (US)	Bacteriology	1.9	1.9
bioMérieux Spain	Bacteriology	1.8	1.8
bioMérieux Poland	bioMérieux Poland	1.7	1.6
bioMérieux Greece	bioMérieux Greece	1.7	1.7
bioMérieux Biological Products	Bacteriology	1.4	1.5
bioMérieux South Africa	bioMérieux South Africa	1.3	1.4
RAS Lifesciences	Molecular biology	0.5	0.5
CEERAM	Industrial applications	0.5	0.5
Micro Diagnostics (Australia)[b]	Bacteriology	0.0	1.7
CARRYING AMOUNT		**442.7**	**470.6**

Movements in this caption can be analysed as follows:

In millions of euros	Carrying amount
DECEMBER 31, 2015	**459.4**
Translation adjustments	3.1
Changes in scope of consolidation	17.1
Reclassifications[a]	(9.0)
DECEMBER 31, 2016	**470.6**
Translation adjustments	(26.2)
Reclassifications[b]	(1.7)
DECEMBER 31, 2017	**442.7**

(a) Reclassification of the AES customer relationship in intangible assets with finite useful lives.
(b) A portion of the "Bacteriology" goodwill from the acquisition of Micro Diagnostics in Australia was reclassified as Assets held for sale for an amount of €1.7 million (see Note 12.2).

No impairment losses were recognised in 2017 or 2016 as a result of the impairment tests carried out as described in Note 5.1.

The inputs used in the impairment tests carried out on the Group's main CGUs are set out below:

	2017			2016		
CGU	Carrying amount [(a)]	Discount rate	Perpetuity growth rate	Carrying amount [(a)]	Discount rate	Perpetuity growth rate
Molecular biology	150.6	9.8%	2.0%	168.6	12.9%	2.0%
Industrial applications	143.9	7.4%	1.5%	144.2	8.2%	1.5%
Bacteriology	132.1	7.5%	1.5%	141.7	8.4%	1.5%

(a) Net amount of goodwill allocated to the CGU.

Sales and operating margin growth assumptions are set for each CGU in accordance with the best estimates at the test date. They take into account the level of maturity of our products and target markets, and also forecast development and innovation for our ranges.

An analysis was carried out to assess the sensitivity of the impairment tests to changes in discount rates (adverse change of 100 basis points), perpetuity growth rates (adverse change of 50 basis points) and the operating margin (fall of 500 basis points in the ratio of operating income before non-recurring items to terminal value). Further to this analysis, no additional impairment losses would be recognised against the molecular biology CGU. As regards bacteriology and industrial applications, an impairment loss would be recognised in the event the profitability ratio were to decrease by more than 256 and 371 basis points respectively.

Note 6 Property, plant and equipment – finance lease receivables

6.1 Accounting principles

As prescribed by IAS 16 "Property, Plant and Equipment", items of property, plant and equipment are initially recognised at their purchase or production cost or at their acquisition-date fair value if acquired as part of a business combination. They are not revalued. Any revaluations carried out by Group companies in their individual accounts are eliminated when preparing the consolidated financial statements.

Property, plant and equipment are recorded using the component approach. Under this approach, each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life to that of the asset as a whole is recognised and depreciated separately. The only Group assets to which this method is applied are buildings.

The Group's application of IAS 23 "Borrowing Costs" did not lead to the capitalisation of material borrowing costs as the Group does not have a material level of debt resulting from purchases of property, plant and equipment.

Routine maintenance and repair costs of property, plant and equipment is expensed as incurred. Other subsequent expenses are capitalised only if they satisfy the applicable recognition criteria, such as the replacement of an identified component.

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

The depreciable value of property, plant and equipment corresponds to their acquisition cost as they are not considered to have any material residual value. The straight-line method of depreciation is used for these assets.

The assets are depreciated over their estimated useful lives as follows:

- machinery and equipment: 3 to 10 years;
- instruments: 3 to 10 years;
- shell: 30 to 40 years;
- finishing work, fixtures and fittings: 10 to 20 years.

Depreciation periods in respect of buildings are calculated separately for each component.

The useful lives of items of property, plant and equipment are reviewed periodically. The impact of any adjustments is accounted for prospectively as a change in accounting estimates.

Impairment tests are carried out for property, plant and equipment whenever events or market developments indicate that an asset may have declined in value. If an asset's recoverable amount (see Note 5.2) is less than its carrying amount, either its useful life is adjusted or an impairment loss is recorded in "Other non-recurring income and expenses from operations, net", if the applicable definition is met (see Note 23.1).

Capital gains on intra-group sales of property, plant and equipment (mainly instruments) are eliminated in consolidation. Until 2016, the impact of elimination was presented in "Deferred income". As from financial year 2017, elimination is now deducted from fixed assets. The impact of reclassification amounted to €10.2 million at December 31, 2017.

Finance leases

As lessee: leases are classified as finance leases whenever they transfer to the lessee substantially all of the risks and rewards incidental to ownership. Leases qualify as finance leases based on the substance of each contract, and notably when:

- ownership of the leased asset is transferred to the lessee at the end of the lease term;
- the lessee has the option to purchase the asset at a preferential price;
- the lease term covers the major part of the leased asset's economic life;
- the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the leased assets are of such a specialised nature that only the lessee can use them without making major modifications.

Whenever the Group leases property under an agreement classified as a finance lease, the fair value of the asset concerned or, if lower, the present value of the minimum lease payments, is capitalised and depreciated over the asset's useful life. A corresponding liability is recognised in the balance sheet. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

Other leases are classified as operating leases and the lease payments are expensed on a straight-line basis over the term of the lease.

As lessor: when the Group leases assets to third parties on terms equivalent to a sale, the assets are recorded as though they had been sold, as prescribed by IAS 17 "Leases". The long-term portion of the lease payments due is recorded under "Other non-current assets" and the short-term portion are recognised under "Trade receivables". The corresponding financial income is recognised in the income statement during the period in which it is received, under "Other financial income and expenses".

6.2 Analysis of movements in property, plant and equipment

GROSS VALUE *In millions of euros*	Land	Constructions	Machinery and equipment	Capitalised instruments	Other fixed assets	Assets under construction	Total
DECEMBER 31, 2015	**36.1**	**392.2**	**346.8**	**328.4**	**138.0**	**132.0**	**1,373.5**
Translation adjustments	0.3	4.9	6.0	1.1	2.5	6.2	21.0
Changes in scope of consolidation[(a)]		(2.5)	(2.9)		0.2	0.0	(5.2)
Acquisitions/Increases	2.4	50.8	25.1	58.1	17.7	102.8	256.9
Disposals/Decreases	0.0	(2.8)	(13.6)	(28.3)	(5.1)	(0.2)	(50.0)
Reclassifications[(a)]	1.2	13.8	19.2	0.9	5.0	(44.4)	(4.4)
DECEMBER 31, 2016	**39.9**	**456.6**	**380.5**	**360.1**	**158.2**	**196.4**	**1,591.6**
Translation adjustments	(1.4)	(23.8)	(24.0)	(15.4)	(10.0)	(13.5)	(88.2)
Acquisitions/Increases	1.6	17.2	18.6	50.7	11.6	57.3	157.0
Disposals/Decreases	(0.1)	(8.1)	(3.8)	(30.9)	(6.7)	(0.3)	(49.9)
Reclassifications	0.7	107.2	54.8	(9.6)	4.8	(173.9)	(16.0)
DECEMBER 31, 2017	**40.6**	**549.2**	**426.1**	**354.8**	**157.9**	**65.9**	**1,594.5**

(a) The placed instruments budget line now includes the impact of internal margin eliminations that were previously recorded under deferred income. The reclassification represents an €11 million drop at December 31, 2017. It would have represented €10.4 million at December 31, 2016.

ACCUMULATED DEPRECIATION *In millions of euros*	Land	Constructions	Machinery and equipment	Capitalised instruments	Other fixed assets	Assets under construction	Total
DECEMBER 31, 2015	**1.6**	**212.7**	**226.9**	**254.6**	**104.1**	**0.0**	**799.8**
Translation adjustments	0.0	2.7	3.7	0.6	1.6	0.0	8.6
Changes in scope of consolidation		(1.1)	(2.9)		0.1	0.0	(3.9)
Additions	0.2	21.5	32.7	32.3	10.5	0.0	97.1
Disposals/Decreases	0.0	(2.6)	(12.9)	(24.1)	(4.9)	0.0	(44.5)
Reclassifications		0.2	0.6	0.0	(0.8)	0.0	0.0
DECEMBER 31, 2016	**1.8**	**233.3**	**248.1**	**263.4**	**110.6**	**0.0**	**857.1**
Translation adjustments	(0.1)	(10.0)	(13.5)	(10.1)	(6.6)	0.0	(40.3)
Additions	0.2	29.5	34.4	32.1	13.5	0.0	109.7
Disposals/Decreases		(4.8)	(3.2)	(26.9)	(6.7)	0.0	(41.5)
DECEMBER 31, 2017	**1.8**	**247.9**	**264.3**	**258.6**	**110.4**	**0.0**	**883.1**

CARRYING AMOUNT *In millions of euros*	Land	Constructions	Machinery and equipment	Capitalised instruments	Other fixed assets	Assets under construction	Total
DECEMBER 31, 2015	**34.5**	**179.5**	**119.9**	**73.8**	**33.9**	**132.0**	**573.6**
DECEMBER 31, 2016	**38.1**	**223.3**	**132.4**	**96.6**	**47.7**	**196.4**	**734.5**
DECEMBER 31, 2017	**38.7**	**301.2**	**161.8**	**96.2**	**47.5**	**65.9**	**711.4**

Assets under construction primarily concern the extension of the Craponne site in France, as well as the construction of a new building in Marcy for R&D activities that is scheduled for commissioning in 2018.

The drop in assets under construction is primarily related to the commissioning of the new building in Salt Lake City (USA) for activities related to FILMARRAY®, the commissioning of a new production line at Durham and the new Campus in Shanghai.

6.3 Property, plant and equipment acquired under finance leases

Where an asset is leased under a finance lease that transfers to the Group substantially all of the risks and rewards incidental to ownership of the leased asset, the asset is accounted for as property, plant and equipment as described in Note 6.1 "Property, plant and equipment".

The corresponding finance lease liability for these capitalised assets – which is included in the balance sheet under borrowings was €41.7 million at December 31, 2017 and €44.5 million at December 31, 2016 (see Note 15.6).

ASSETS HELD UNDER FINANCE LEASES RECOGNISED AS PROPERTY, PLANT AND EQUIPMENT

In millions of euros	Land	Buildings	Machinery and equipment	Other	Total
DECEMBER 31, 2015					
Gross value	0.4	10.1	0.8	2.4	13.7
Accumulated depreciation	0.0	(4.1)	(0.7)	(2.3)	(7.0)
Carrying amount	**0.4**	**6.0**	**0.1**	**0.1**	**6.7**
DECEMBER 31, 2016					
Gross value	2.7	52.0	0.8	2.3	57.8
Accumulated depreciation	0.0	(5.1)	(0.6)	(2.2)	(8.0)
Carrying amount	**2.7**	**46.8**	**0.1**	**0.1**	**49.8**
DECEMBER 31, 2017					
Gross value	2.7	53.5	0.7	2.3	59.3
Accumulated depreciation	0.0	(7.9)	(0.6)	(2.2)	(10.7)
CARRYING AMOUNT	**2.7**	**45.6**	**0.1**	**0.1**	**48.6**

The change in this budget item is mainly due to a new building in Italy and to the amortisation of the new Campus de l'Etoile site acquired in 2016.

6.4 Finance lease receivables

Certain instruments are sold under finance lease arrangements (see Note 6.1). The usual lease term is five years.

Finance lease receivables totalled €24.5 million at December 31, 2017.

In millions of euros	Due within one year	Due in one to five years	Due beyond five years	Total
Gross value of finance lease receivables	9.9	16.1	0.2	26.2
Accrued interest	(0.7)	(0.8)	0.0	(1.5)
Present value of minimum future lease payments	9.2	15.4	0.2	24.7
Impairment losses	(0.2)			(0.2)
NET PRESENT VALUE OF MINIMUM FUTURE LEASE PAYMENTS	**8.9**	**15.4**	**0.2**	**24.5**

The current portion of finance lease receivables is shown in trade receivables (see Note 9), while the non-current portion is carried in other non-current assets for €15.6 million.

Note 7 Non-current financial assets

7.1 Accounting principles

Non-current financial assets include investments in non-consolidated companies, loans and receivables maturing in more than one year – including pension plan assets whenever these have not been definitively allocated to cover corresponding obligations – and deposits and guarantees. They are recognised and measured in compliance with the rules described in Note 26. Capital gains and losses on the sale of securities are recognised in accordance with the FIFO (first-in-first-out) method.

7.2 Change

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Loans and receivables	7.0	6.2
Available-for-sale financial assets	50.7	30.7
Financial assets at fair value through income under the fair value option	0.1	0.0
TOTAL	**57.9**	**36.9**

Loans and receivables include a guarantee covering the Group's pension obligations in Germany in an amount of €2.7 million.

In millions of euros	Gross value	Impairment	Carrying amount
DECEMBER 31, 2015	**72.0**	**(12.0)**	**60.0**
Translation adjustments	5.5	(5.3)	0.2
Acquisitions/Increases	0.9	(1.5)	(0.6)
Disposals/Decreases	(32.0)	3.5	(28.5)
Reclassifications and changes in fair value	5.8		5.8
DECEMBER 31, 2016	**52.1**	**(15.2)**	**36.9**
Translation adjustments	(14.0)	13.4	(0.6)
Acquisitions/Increases	15.1	(0.2)	14.9
Disposals/Decreases	(1.9)	0.9	(1.0)
Reclassifications and changes in fair value	7.6		7.6
DECEMBER 31, 2017	**58.9**	**(1.0)**	**57.9**

Acquisitions for the year primarily concern equity participations in Banyan Biomarkers and Qvella.

Reclassifications for the period mainly relate to the change in fair value of Quanterix, Labtech and Geneuro securities, recognised in other comprehensive income.

Note 8 Inventories and work-in progress

8.1 Accounting principles

As required under IAS 2 "Inventories", inventories are measured at the lower of cost and net realisable value.

Inventories of raw materials, goods held for resale and consumables are measured at their purchase price plus related expenses using the FIFO method. Work-in-progress and finished products are measured at their actual production cost, including direct and indirect costs.

Inventories are written down where necessary, taking into account selling prices, obsolescence, residual shelf life, product condition, sale prospects and, in the case of spare parts, changes in the corresponding instruments' installed base.

8.2 Change

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Raw materials	143.1	146.7
Work-in-progress	45.6	47.6
Finished products and goods held for resale	222.5	242.0
GROSS VALUE	**411.2**	**436.3**
Raw materials	(11.8)	(12.5)
Work-in-progress	(1.5)	(1.9)
Finished products and goods held for resale	(17.6)	(17.5)
IMPAIRMENT	**(30.9)**	**(31.9)**
Raw materials	131.3	134.2
Work-in-progress	44.1	45.7
Finished products and goods held for resale	204.9	224.5
CARRYING AMOUNT	**380.3**	**404.4**

Inventories relating to instruments account for 30.0% of the gross value of this caption.

No pledges of inventories had been granted at December 31, 2017.

Note 9 Trade receivables

	Dec. 31, 2017	Dec. 31, 2016
Gross trade receivables	473.7	482.2
Impairment	(13.6)	(16.5)
CARRYING AMOUNT	**460.1**	**465.8**

In total, 32.0% of the Group's trade receivables are due from government agencies and may be paid later than the date shown on the invoice.

Impairment is recognised on a case-by-case basis by reference to various criteria including disputes and arrears, etc.

The original maturities of the majority of these receivables are less than six months.

Trade receivables include the current portion of finance lease receivables (see section 6.4). Net past-due receivables owed by private-sector companies represented 13.3% of total outstanding trade receivables at end-2017, versus 14.9% at end-2016.

The weight of net additions to doubtful debts and bad debts represents €1.1 million or 0.05% of revenue.

Note 10 Other receivables

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Advances and downpayments	6.7	5.1
Prepaid expenses	16.0	14.1
Other operating receivables	52.5	60.6
CARRYING AMOUNT OF OTHER OPERATING RECEIVABLES	**75.1**	**79.8**
CURRENT TAX RECEIVABLE	**36.1**	**25.7**
Non-operating receivables	15.7	28.8
CARRYING AMOUNT OF NON-OPERATING RECEIVABLES	**15.7**	**28.8**

Other operating receivables chiefly comprise research tax credit receivables (€23.1 million at December 31, 2017 versus €27.7 million at end-2016), and other tax-related receivables. Receivables relating to the CICE tax credit in France were offset against income tax for 2017 and therefore amounted to zero at December 31, 2017.

The non-current portion of other operating receivables totals €8.2 million and includes research tax credits (€6.8 million).

Non-operating receivables relate primarily to the fair value of derivative instruments carried in assets (€15.3 million in 2017 versus €18 million in 2016), see Note 26.2. In 2016, they also contained the receivable corresponding to the disposal price for Shanghai bioMérieux bio-engineering which was disposed of on December 9, 2016.

Note 11 Cash and cash equivalents

11.1 Accounting principles

Cash and cash equivalents includes cash and short-term highly liquid investments denominated in euros and subject to an insignificant risk of changes in value and counterparty default.

Investments meeting these criteria are measured at the end of the reporting period at their fair value, with fair value gains or losses recognised in income (see Note 26).

None of the Group's investments are pledged or subject to major restrictions.

11.2 Change

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Cash at bank and in hand	214.4	137.1
Cash pooled with Institut Mérieux	23.2	20.0
Short-term investments	74.5	21.6
CASH AND CASH EQUIVALENTS	**312.1**	**178.6**

Some cash investments are in SICAV money-market funds (€67.7 million at December 31, 2017 versus €19.8 million at end-2016).

Investments are placed with leading credit institutions. No adjustments were recognised in respect of the risk of non-collection associated with these financial assets following the analysis carried out pursuant to IFRS 13 (see Note 27.5).

Cash investments in SICAV money-market funds are as follows:

	Dec. 31, 2017	Dec. 31, 2016
Investment	SICAV AMUNDI	Swiss Life Short Term euro money-market fund
Amount	€12.1 million	€8.0 million
Classification	Short-term money-market fund	Short-term money-market fund
ISIN code	FR0007435920	FR0011060870
Investment	BNP Paribas Deposit money-market fund	BNP Paribas Deposit money-market fund
Amount	€55.6 million	€11.8 million
Classification	Short-term money-market fund	Short-term money-market fund
ISIN code	FR0011046085	FR0011046085

The Group regularly reviews the investments made by each SICAV euro money-market fund as well as their past performance in order to ensure that they qualify as cash and cash equivalents in accordance with the recognition criteria in IAS 7.

Note 12 Assets and liabilities held for sale

12.1 Accounting principles

In accordance with IFRS 5, net assets and liabilities whose recovery is expected through a sale transaction rather than by continuous usage are reclassified as assets held for sale or as liabilities held for sale.

Impairment tests were carried out by comparing the value of the net assets to their fair value less costs to sell (see Note 5.2).

12.2 Change

In millions of euros	Dec. 31, 2017	31/12/2016
ASSETS HELD FOR SALE	**2.1**	**0.0**
including goodwill	1.7	
LIABILITIES RELATED TO ASSETS HELD FOR SALE	**0.0**	**0.0**

At December 31, 2017, the Group is studying the possibility of disposing of one of its production and marketing businesses in Australia.

Note 13 Shareholders' equity and earnings per share

13.1 Share capital

The Company's share capital amounted to €12,029,370 at December 31, 2017 and was divided into 118,361,220 shares, of which 78,757,392 shares carried double voting rights. Following a decision taken by the General Meeting of March 19, 2001, the Company's bylaws no longer refer to a par value for its shares. No rights or securities with a dilutive impact on capital were outstanding at December 31, 2017.

As stated in Note 1.2.5, on September 19, 2017 there was a three-to-one split of the bioMérieux share and the number of shares tripled, going from 39,453,740 shares to 118,361,220 shares. This operation was neutral for shareholders. There were no changes in the number of outstanding shares during the period.

The Company is not subject to any specific regulatory or contractual obligations in terms of its share capital.

The Group does not have any specific policy concerning equity financing. Decisions on whether to use debt or equity financing are made on a case-by-case basis for each proposed transaction. The equity used by the Group for its own operations corresponds to its consolidated equity.

13.2 Cumulative translation adjustments

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Dollars [(a)]	(2.3)	63.3
Latin America	(11.0)	(5.5)
Europe – Middle East – Africa	(23.5)	(18.3)
Other countries	4.2	9.4
TOTAL	**(32.6)**	**48.9**

(a) U.S. and Hong Kong dollars.

Cumulative translation adjustments attributable to non-controlling interests total -€0.1 million at December 31, 2017. In 2017, the change in cumulative translation adjustments was primarily related to the depreciation of the US dollar and the Brazilian real.

13.3 Treasury shares

The Company has entered into an agreement with an investment services provider for market-making purposes. It therefore sometimes has to buy, hold and resell a small number of its own shares in connection with this agreement. It also purchases treasury shares for the purpose of allocation under the share grant plans described in Note 17.

Treasury shares held under the liquidity agreement or for the purpose of allocation under share grant plans are recorded as a deduction from equity, and the impacts of all corresponding transactions recorded in the individual financial statements are also recognised directly in equity (disposal gains and losses, impairment etc.).

At December 31, 2017, the parent company held 4,917 of its own shares as part of this contract. During the financial year, it purchased 421,704 and sold 418,493 of its own shares.

During the financial year, the Company acquired 13,763 shares to cover free share grants and definitively allocated 99,000 free shares to employees (see Note 17).

At December 31, 2017, the Company held a total of 229,157 treasury shares intended for free share grants authorised by the Annual General Meeting.

13.4 Reserves attributable to non-controlling interests

Since the impact of non-controlling interests is not material, the Group only presents their contribution to net income and equity.

13.5 Other comprehensive income (expense)

The main components of other comprehensive income are changes in the fair value of available-for-sale financial assets, actuarial gains and losses on defined-benefit pension obligations, changes in the fair value of cash flow hedges, changes in translation adjustments arising on subsidiaries whose reporting currency is not the euro, and changes in the value of property, plant and equipment and intangible assets (if measured at fair value).

The Group presents other comprehensive income showing the components of other comprehensive income that may be subsequently reclassified to income separately from components not subsequently reclassifiable.

13.6 Earnings per share

Basic earnings per share is calculated by dividing net income attributable to owners of the parent by the weighted average number of shares outstanding during the period (excluding shares intended for allocation under free share grants and treasury shares held for market-making purposes).

As bioMérieux SA has not issued any dilutive instruments, diluted earnings per share is identical to basic earnings per share.

Note 14 Provisions, contingent liabilities and contingent assets

14.1 Accounting principles

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognised when the Group has a legal or constructive obligation towards a third party, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and no inflow of resources of an equivalent amount is expected in return, and when the amount of the obligation can be reliably estimated.

Provisions for restructuring costs are recognised only when the restructuring has been announced and the Group has drawn up or has started to implement a detailed formal plan. Restructuring provisions notably cover the cost of severance payments.

Long-term provisions are discounted to present value when the impact of discounting is material and the date the underlying event is expected to materialise is known.

Material contingent liabilities are disclosed in Note 14.5, unless the probability of an outflow of resources embodying economic benefits is remote.

Material contingent assets are disclosed in Note 14.5 where an inflow of economic benefits is probable.

14.2 Movements in provisions

In millions of euros	Pension and other employee benefit obligations	Product warranties	Restructuring	Disputes	Other contingencies and losses	Total
DECEMBER 31, 2015	**107.3**	**4.0**	**1.5**	**7.3**	**8.3**	**128.4**
Additions	10.3	7.4	0.6	3.7	18.6	40.6
Reversals (utilisations)	(11.8)	(2.1)	(0.8)	(0.9)	(3.7)	(19.3)
Reversals (surplus)	(0.3)	(4.6)	(0.4)	(0.2)	0.0	(5.5)
Net additions (reversals)	(1.8)	0.7	(0.6)	2.6	14.9	15.8
Actuarial (gains) losses	5.1	0.0	0.0	0.0	0.0	5.1
Changes in scope of consolidation	0.0	0.0	0.0	0.0	0.1	0.1
Other changes	0.0	0.0	(0.3)	(0.4)	1.0	0.3
Translation adjustments	1.6	0.1	0.0	0.1	0.3	2.1
DECEMBER 31, 2016	**112.2**	**4.8**	**0.6**	**9.6**	**24.6**	**151.8**
Additions	13.7	10.2	0.2	2.6	6.4	33.1
Reversals (utilisations)	(13.2)	(5.9)	(0.2)	(3.0)	(5.1)	(27.4)
Reversals (surplus)	(0.3)	(2.2)	(0.4)	(0.7)	(0.6)	(4.2)
Net additions (reversals)	0.2	2.1	(0.4)	(1.1)	0.7	1.5
Actuarial (gains) losses	(2.6)	0.0	0.0	0.0	0.0	(2.6)
Changes in scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0	(0.1)	(0.1)
Translation adjustments	(8.3)	(0.5)	0.0	(0.5)	(0.5)	(9.8)
DECEMBER 31, 2017	**101.5**	**6.,4**	**0.2**	**8.0[a]**	**24.7**	**140.8**

(a) See Note 14.4.1.

Provisions for product warranties are recognised based on an estimate of the costs relating to the contractual warranty for instruments sold over the remaining period under warranty.

Short-term provisions represent €34.1 million at December 31, 2017, versus €36.8 million at December 31, 2016.

Net additions in 2017 primarily affect operating income before non-recurring items for €1.5 million. Those affecting operating income before non-recurring items include in particular a €4.7 million provision covering the possible effect in Italy of the implementation of the Manovra Sanità Act, for which an implementing decree is pending (see Note 14.4.3).

14.3 Pension and other long-term benefit obligations

14.3.1 Accounting principles

14.3.1.1 Short-term employee benefits

Short-term employee benefits include wages, salaries and payroll taxes as well as paid vacation and performance-related bonuses. They are expensed during the period in which employees perform the corresponding services. Outstanding payments at the end of the reporting period are included in "Other operating payables".

14.3.1.2 Post-employment benefits

These benefits notably correspond to pensions, contractual retirement payments and post-employment health insurance. They are covered either by defined contribution plans or defined benefit plans.

Defined contribution plans: where required under local laws and practices, the Group pays salary-based contributions to pension and social security organisations. The Group's obligation is limited to the payment of contributions. The contributions are expensed during the financial year in which the employees perform the corresponding services. Outstanding payments at the end of the reporting period are included in "Other operating payables".

Defined benefit plans: These correspond to all plans other than defined contribution plans. They concern:

- regular or supplementary pension plans paid in the form of annuities (primarily in the US, France and Germany) and contractual retirement payments (primarily in France and Japan);
- health insurance for retired employees.

The Group's defined benefit pension obligation is estimated by actuaries, in accordance with the amended IAS 19, as presented hereafter:

Post-employment benefit obligations are calculated in accordance with the projected unit credit method. They take into consideration actuarial assumptions such as discount rates, the rate of future salary increases, employee turnover and mortality rates. The main assumptions used are set out below in Note 14.3.2.

For the purpose of determining the discount rate, the Group analysed various market rates and, as prescribed by the amended IAS 19R, chose an estimated average of the Iboxx Corporate AA and Bloomberg indices (euro, US dollar and pound sterling) at December 31, 2017, taking into account the average durations of the Group's plans where these differ from the observable maturities of the bonds used for those indices.

Post-employment benefit obligations are presented in the balance sheet for their total amount less the fair value of plan assets.

The impact on the service cost for the year and on the interest cost net of the return on plan assets is recognised in operating income before non-recurring items.

The impacts of changes in actuarial gains and losses related to benefit obligations and plan assets (actuarial assumptions and experience adjustments) are immediately recognised under other comprehensive income at their net-of-tax amount. They are not reclassified to income.

The impacts resulting from amendments to and settlements of pension plans are immediately recognised in income.

The expected return on plan assets recognised in income is calculated using the discount rate used to estimate the total benefit obligation.

Tests are performed to measure the sensitivity of the Group's post-employment benefit obligation to changes in certain actuarial assumptions (see Note 14.3.8).

IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" is not relevant to the Group.

14.3.1.3 Other long-term benefits

Other long-term benefits include long-service awards and jubilee bonuses. The corresponding liabilities are recognised on an actuarial basis whenever they have a material impact. Actuarial gains and losses and past service cost are recognised immediately in income.

14.3.2 Assumptions used

Pension and other benefit obligations are covered by provisions and essentially concern the US and France. These obligations are calculated using actuarial methods based on a certain number of assumptions.

The main assumptions used are as follows:

	France		US	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Expected salary increase rate	2.00%	2.50%	3.00%	3.00%
Discount rate	1.75%	1.65%	3.80%	4.35%
Average duration of plans	14.0	15.0	16.4	16.4

The expected return on plan assets corresponds to the discount rate applied to the Group's pension obligations, in accordance with the amended IAS 19.

14.3.3 Breakdown of provisions for employee benefits

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Post-employment benefits	86.6	98.4
Long-service awards	14.8	13.8
TOTAL PROVISIONS FOR LONG-TERM EMPLOYEE BENEFITS	**101.5**	**112.2**

14.3.4 Change in provisions for post-employment benefits

In millions of euros	Present value of obligation	Fair value of plan assets [(a)]	Provisions for pensions	Post employment health insurance	Total provisions for post-employment benefits
DECEMBER 31, 2016	**243.5**	**(148.1)**	**95.4**	**3.0**	**98.4**
Current service cost	7.1		7.1	0.0	7.1
Interest cost	8.2	(5.0)	3.2	0.1	3.4
Retirements	(9.3)	8.1	(1.2)	(0.1)	(1.4)
Change in plan	0.0		0.0		0.0
Contributions	0.0	(9.0)	(9.0)		(9.0)
Impact on operating income	**6.0**	**(5.9)**	**0.1**	**0.0**	**0.1**
Actuarial gains and losses (Other comprehensive income/[expense])	**8.8**	**(11.4)**	**(2.6)**	**0.0**	**(2.6)**
Other movements (incl. impact of exchange rates)	(24.3)	15.5	(8.8)	(0.4)	(9.1)
DECEMBER 31, 2017	**234.0**	**(150.0)**	**84.0**	**2.6**	**86.6**

(a) Plan assets or scheduled payments.

In millions of euros	Present value of obligation	Fair value of plan assets [(a)]	Provisions for pensions	Post employment health insurance	Total provisions for post-employment benefits
DECEMBER 31, 2015	**225.2**	**(133.6)**	**91.6**	**2.9**	**94.6**
Current service cost	6.3		6.3	0.0	6.3
Interest cost	8.5	(4.6)	4.0	0.0	4.0
Retirements	(6.8)	5.0	(1.8)		(1.8)
Change in plan	(1.3)		(1.3)		(1.3)
Contributions	0.0	(10.2)	(10.2)		(10.2)
Impact on operating income	**6.7**	**(9.7)**	**(3.0)**	**0.0**	**(3.0)**
Actuarial gains and losses (Other comprehensive income/[expense])	**6.4**	**(1.2)**	**5.2**	**0.0**	**5.1**
Other movements (incl. impact of exchange rates)	5.1	(3.6)	1.4	0.1	1.6
DECEMBER 31, 2016	**243.5**	**(148.1)**	**95.4**	**3.0**	**98.4**

(a) Plan assets and scheduled payments.

14.3.5 Net post-employment benefit expense for the year

In millions of euros	31/12/2017	31/12/2016
Current service cost	7.1	6.3
Return on plan assets	(5.0)	(4.6)
Interest cost	8.2	8.5
Plan amendments and closures	0.0	(1.3)
TOTAL	**10.3**	**9.0**

14.3.6 Breakdown of net obligation by country

	Dec. 31, 2017			
In millions of euros I	US	France	Other countries	TOTAL
Present value of obligation	173.5	32.2	28.3	234.0
Fair value of plan assets[(a)]	(119.8)	(19.2)	(10.9)	(150.0)
Provisions for pensions	**53.6**	**13.0**	**17.4**	**84.0**
Post-employment health insurance	2.6	0.0		2.6
Other long-term benefits				-
TOTAL POST-EMPLOYMENT BENEFITS	**56.2**	**13.1**	**17.4**	**86.6**
Long-service awards		14.8		14.8
TOTAL PROVISIONS FOR PENSIONS AND OTHER LONG-TERM BENEFITS	**56.2**	**27.9**	**17.4**	**101.5**

(a) Plan assets and scheduled payments.

14.3.7 Information on plan assets

14.3.7.1 Allocation of plan assets

	Dec. 31, 2017		Dec. 31, 2016	
In millions of euros	France	US	France	US
Equities	1.3	42.4	1.0	40.6
Bonds	16.3	68.9	14.3	70.1
Other	1.5	1.1	1.3	1.1
TOTAL	**19.2**	**112.5[(a)]**	**16.7**	**111.8[(a)]**

(a) Excluding scheduled payments.

14.3.7.2 Actual return on plan assets

	Return 2017	Return 2016
France	2.8%	2.4%
US	12.9%	4.7%

14.3.8 Other Information

The timing of future benefit payments at December 31, 2017 is as follows:

In%	Future benefit payments (as a% of the net obligation)
< 1 year	6%
1-5 years	31%
> 5 years	63%

A portion of these payments will be funded by the plan assets. Contributions will be decided on a yearly basis.

A 0.5-point increase in the discount rate would have had a positive impact of around 7.5% (€19 million) on the Group's benefit obligations.

14.4 Other provisions

14.4.1 Provisions for claims and litigation

The Group is involved in a certain number of claims arising in the ordinary course of business, the most significant of which are described below. Based on available information, the Group considers that these claims will not have a materially adverse impact on its ability to continue as a going concern. When a risk is identified, a provision is recognised as soon as it can be reliably estimated. The provision for claims and litigation covers all disputes in which the Group is involved and amounted to €8.0 million at December 31, 2017 and €9.6 million at December 31, 2016.

In particular, the Group is involved in a dispute with a distributor over the termination of its distribution contract. There were no developments in this dispute in 2017. A provision has been set aside for the probable amounts that the Group will have to pay based on the plaintiff's claims.

14.4.2 Provisions for tax disputes

Tax audit in Sweden

The Swedish company AB bioMérieux was the subject of a tax audit for the 2010 and 2011 financial years at the end of which the tax authorities issued a tax deficiency notice. In its ruling of March 21, 2016, the Administrative Court of Appeal did not grant the request of AB bioMérieux and maintained that the compensation paid to AB bioMérieux for the use of its technology and its brand was insufficient. Based on its position, the Swedish tax authorities issued tax deficiency notices in respect of the financial years 2012 to 2016 on the same grounds. In 2017, the Group therefore continued to record the corresponding tax expense on this basis.

However, in agreement with its advisors, and on the basis of the information available to it and the ruling of the Administrative Court of Appeal, AB bioMérieux believes that it has already paid the shortfall in respect of the financial years 2010 to 2012. Consequently, the Company considers the claims with respect to the following financial years to be unfounded and is contesting the tax adjustments claimed by the Swedish tax authorities. In first instance, the administrative court dismissed AB bioMérieux's appeal, filed in October 2017 against the decision for the period between 2013 and 2015. The Group is pursuing all available remedies to defend its position. The duration and outcome of these disputes cannot be anticipated at this stage of the proceedings.

Tax audits in Italy

Further to two tax audits in Italy in respect of reporting periods 2004 to 2007 and 2009 to 2010, bioMérieux Italy has received tax deficiency notices relating to transfer prices and the portion of shared costs allocated to this subsidiary.

The total amount is €43 million, breaking down as €23 million in income tax, €15 million in penalties and €5 million in accrued interest.

In the context of this dispute, the Group has requested a mutual agreement procedure to be initiated between the relevant French and Italian authorities based on the European Arbitration Convention of July 23, 1990, as amended by the protocol of May 25, 1999. The aim of these proceedings is to prevent the double taxation of companies by different Member States owing to an upward adjustment of profits of one of the companies in a Member State (as regards transfer pricing). The neutralisation does not apply to penalties or late-payment interest.

During the 2016 financial year, the competent French and Italian authorities reached an amicable agreement for the period 2004 to 2007. This agreement, which was accepted by the Group, eliminates the tax adjustment for 2004 and limits the basis for subsequent adjustments. The corresponding late-payment interest and penalties will be subject to a claim under local Italian law.

The adjustments carried out concerning the 2009 and 2010 financial years are being examined by the competent authorities.

In parallel, adjustments made to the sales flows between Italy and the Group's American subsidiary continued to be subject to a local Italian law dispute. After an unfavourable ruling in first instance, the Group intends to pursue all available remedies to defend its position. The duration of this procedure cannot be estimated at this stage.

At December 31, 2017, a provision corresponding to its best estimate of the consequences of ongoing proceedings is booked to the Group's financial statements.

Claims in France: contribution on distributed income (3% contribution)

Following the censure by the French constitutional council of the 3% contribution on distributed income, bioMérieux SA has filed claims to obtain the reimbursement of this contribution for the financial years between 2013 and 2017. Since the outcome of this dispute is certain, bioMérieux SA has recognised accrued income of €5.9 million excluding interests on arrears. The duration of this procedure cannot be estimated at this stage.

14.4.3 Other provisions for contingencies and losses

Manovra Sanità

This bill, which was passed in Italy in August 2015, requires healthcare providers to cover 40% of the difference between the health budget of each province and the actual expenditure incurred. No implementing decree has yet been adopted. Nevertheless, in accordance with market practice, the provision for risk already recorded in 2016 was updated at December 31, 2017.

Other provisions for risks

These concern the costs related to the discontinuation of certain product ranges.

14.5 Contingent assets and liabilities

Diagnostic tests for Lyme disease

bioMérieux, like other laboratories, was summoned before the Tribunal de Grande Instance de Paris by more than 60 patients to obtain compensations linked to anxiety allegedly "generated by a lack of reliability of serodiagnostic tests" for Lyme disease.

At this stage of the proceedings, it is impossible to reliably estimate the risk facing the Group.

Note 15 Net debt – Net cash and cash equivalents

15.1 Consolidated statement of cash flows

The consolidated statement of cash flows is broadly presented in accordance with ANC recommendation 2013-03 issued on November 7, 2013.

It lists separately:

- cash flows from operating activities;
- cash flows from investing activities;
- cash flows from financing activities.

Cash flows from investing activities include the amount of net cash of companies acquired or sold on the date of their first-time consolidation or their derecognition, as well as amounts due to suppliers of non-current assets and amounts receivable on disposals of non-current assets.

Net cash and cash equivalents correspond to the Group's net debit and credit cash positions.

The consolidated statement of cash flows shows the Group's EBITDA. EBITDA is not defined under IFRS and may be calculated differently by different companies. EBITDA as presented by bioMérieux is equal to the sum of operating income before non-recurring items and net additions to operating depreciation and amortisation.

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Additive method		
• Net income	237.5	179.2
• Non-recurring items and BioFire acquisition fees and depreciation costs	19.9	15.3
• Cost of net debt	16.2	17.6
• Other financial income and expenses, net	6.2	5.6
• Income tax expense	54.5	79.8
• Share in earnings (losses) of equity-accounted companies	0.4	0.2
• Net additions to depreciation and amortisation of operating items – long term provisions	140.5	143.1
EBITDA	**475.2**	**440.9**
Simplified additive method		
• Contributive operating income before non-recurring items	334.7	297.8
• Depreciation and amortisation	140.5	143.1
EBITDA	**475.2**	**440.9**

The consolidated statement of cash flows shows changes in scope of €2.2 million, mainly consisting of the buyback of non-controlling shares of Sysmex for €11.5 million and the payment of the disposal of Shanghai bioMérieux bio-engineering (JV Kehua) in 2016 (€9.3 million).

15.2 Changes in net debt

At December 31, 2017, after the €39.4 million dividend pay-out to bioMérieux SA shareholders, the Group's net debt stood at €155.9 million and mainly comprised the October 2013 bond issue.

At that date, the Group issued €300 million worth of seven-year bonds to institutional investors, redeemable at par at maturity. The bonds pay interest at an annual rate of 2.875%.

The bond issue is shown on the balance sheet at amortised cost calculated using the effective interest rate method for an amount of €298.6 million, reflecting the issue price net of issue fees and premiums. Interest costs were calculated by applying the effective interest rate including issue fees and premiums.

bioMérieux SA also has an undrawn syndicated loan at December 31, 2017 of €500 million, which was the subject of an addendum in January 2018 extending its maturity to January 2023 (five years with a possibility of two extensions, one of which remains to be exercised).

Furthermore, in order to meet the general financing needs of bioMérieux SA and its subsidiaries, the Company can use a program for the issuance of short-term marketable securities. The main characteristics of the program are as follows:

Maximum ceiling of the program	€500,000,000
Duration	< 1 year
Minimum amount per issue	€150,000 or the equivalent of this amount in currencies determined at the time of issue
Issue currency	Euros or any other currency authorised by the French regulations applicable at the time of the issue
Domiciliary agent	CACEIS Corporate Trust
Arranger	Credit Agricole Corporate and Investment Bank
Dealers	Aurel BGC BNP Paribas BRED Banque Populaire Credit Agricole Corporate and Investment Bank Crédit Mutuel – CIC Natixis Société Générale ING Belgium Succursale France

The information memorandum pertaining to the short-term marketable securities issuance program can be consulted on the Bank of France website (www.banque-france.fr/en).

15.3 Maturities of borrowings

The maturities schedule indicates the net liabilities or net cash and cash equivalents. This non-standardised schedule corresponds to the sum of cash and cash equivalents with a maturity of less than three months, less committed debt and bank overdrafts and other uncommitted borrowings.

The maturity schedule below refers to balance sheet amounts.

In millions of euros	Dec. 31, 2016	% change in statement of cash flows	Finance lease transaction	Translation adjustments	Dec. 31, 2017
Cash and cash equivalents	178.6	139.3	0.0	(5.7)	312.1[(a)]
Bank overdrafts and other uncommitted debt	(31.9)	(30.9)		11.1	(51.7)
NET CASH AND CASH EQUIVALENTS (A)	**146.7**	**108.4**	**0.0**	**5.4**	**260.4**
COMMITTED DEBT (B)	**421.3**	**(45.1)**	**44.5**	**(4.4)**	**416.3**
o/w due beyond 5 years	27.9				23.2
o/w due in 1 to 5 years	337.4				367.9
o/w due within 1 year	56.0				25.2
NET DEBT (NET CASH AND CASH EQUIVALENTS) (B) – (A)	**274.6**	**(153.5)**	**44.5**	**(9.8)**	**155.9**

(a) See Note 11.2.

At December 31, 2017, the share of borrowings due beyond five years mainly comprises the share due beyond five years of the debt relating to finance leases for €22.6 million in France.

The borrowings due in one to five years include the bonds issued to fund the acquisition of the US company BioFire for €298.6 million, the share allocation plans for employees delivered under cash and cash equivalents for €32.8 million and the debt relating to finance leasing contracts for €15.3 million, mainly in France.

The borrowings due within one year mainly include short-term marketable securities for €15 million, the share due within one year of the debt relating to finance leasing contracts for €4 million, mainly in France, as well as the accrued interest on the bond issue for €2.5 million.

At the end of the financial year, the Group had not breached any of its repayment schedules.

No loan agreement was signed prior to December 31, 2017 concerning loans to be set up in 2018.

15.4 Debt covenants

In the event of a change of control of the Company as defined in the issue notice, bondholders may ask for their bonds to be redeemed.

The syndicated credit facility is subject to a single covenant: "net debt to operating income before non-recurring items before depreciation/amortisation and acquisition expenses" may not exceed 3.5. The Group complied with this ratio at December 31, 2017.

The other term borrowings at December 31, 2017 primarily correspond to commercial paper, share allocation plans delivered under cash and cash equivalents and finance lease liabilities related to assets in France and Italy. None of these borrowings is subject to financial ratios.

15.5 Interest rates

Before hedging, 71,7% of the Group's borrowings are at fixed rates (€298.6 million) and the remainder is at floating rates (€117.7 million).

Fixed-rate borrowings comprise the €298.6 million bond issue maturing in 2020 and paying a coupon of 2.875%. An interest rate swap was taken out converting the interest on half of the bond issue into a floating rate from the beginning, capped at 1.20% and with a floor of 0.30%. In April 2017, a new swap contract was taken out to cancel the floating rate as from April 18, 2018, with the possibility of a probable increase in interest rates.

Floating-rate borrowings are essentially based on the currency's interest rate plus a margin.

15.6 Borrowings corresponding to finance lease liabilities

15.6.1 Principal amount of the borrowings

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Due within 1 year	4.0	4.3
Due in 1 to 5 years	15.3	15.0
Due beyond 5 years	22.4	25.2
TOTAL	**41.7**	**44.5**

15.6.2 Future lease payments (principal and interest)

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
MINIMUM FUTURE PAYMENTS	**43.4**	**46.3**
o/w due within ONE year	4.3	4.6
due in 1 to 5 years	16.2	15.9
due beyond 5 years	22.9	25.8
Less interest	(1.6)	(1.8)
PRESENT VALUE OF FUTURE LEASE PAYMENTS	**41.7**	**44.5**

15.7 Breakdown of net debt (net cash) by currency

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Euro	(92.9)	(98.8)
US dollar	315.3	397.8
Brazilian real	(1.3)	12.0
Mexican peso	(1.2)	3.6
Japanese yen	3.5	1.7
Czech koruna	1.1	1.6
Canadian dollar	(1.6)	1.1
Russian rouble	(0.6)	(0.4)
Polish zloty	(3.3)	(1.4)
Pound sterling	(3.3)	(2.2)
Swiss franc	(2.2)	(2.3)
Australian dollar	(3.5)	(5.0)
Swedish krona	(1.6)	(5.6)
Chinese yuan	(34.9)	(22.7)
Hong Kong dollars	(8.8)	(3.4)
South African rand	(2.4)	2.0
Other currencies	(6.6)	(3.1)
TOTAL	**155.9**	**274.6**

15.8 Loan guarantees

None of the Group's assets have been pledged as collateral to a bank.

bioMérieux SA may be required to issue a guarantee to banks granting facilities to subsidiaries with recourse to external funding.

Hedging agreements are disclosed in Note 26.

Note 16 Trade and other payables

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Trade payables	**161.3**	**175.6**
Advances and downpayments	6.5	5.0
Accrued payroll and other taxes	219.3	230.1
Deferred income [(a)]	53.3	66.1
Other	21.7	22.9
Other operating payables	**300.7**	**324.2**
Current tax payables	**24.2**	**37.2**
Due to suppliers of non-current assets	23.7	25.7
Other	30.9	72.5
NON-OPERATING PAYABLES	**54.6**	**98.2**

(a) In 2016, deferred income comprised the elimination of the inter-company margin on the installed base for €10.4 million, now recognised in 2017, as property, plant and equipment for €11.0 million.

Operating and non-operating payables generally fall due within one year, except for certain deferred income.

Other non-operating payables relate mainly to the fair value of derivative instruments carried in liabilities (€27.1 million at end-2017 versus €69 million at end 2016, see Note 26.2).

Note 17 Share-based payments

17.1 Share-based payment and share grant plans

The transactions paid in shares concern the bioMérieux SA share grant plans approved by the Annual General Meetings of May 30, 2012; May 29, 2013; May 28, 2014; May 28, 2015; May 26, 2016 and May 30, 2017.

As mentioned in the significant events of the year (see Note 1.2.5), there was a three-for-one split of the bioMérieux share. Each share was replaced with three new shares with the same dividend entitlement. The information relating to the number of shares is presented according to the new parity, regardless of period.

A summary of these plans is presented below.

In accordance with IFRS 2 "Share-based Payment", the fair value of the benefits granted is expensed over the vesting period, with a corresponding increase in equity. The expense is based on the value of the underlying shares or options at the grant date, *i.e.* the date on which the list of beneficiaries was approved by the Board of Directors. The probability that the rights will vest is reviewed at the end of each reporting period and until the vesting date, to take into account whether the continuous employment and performance conditions have been met. Any changes are taken to income. At the end of the vesting period, the amount of the cumulative expense is adjusted on the amount effectively vested and held in a specific reserve account. This account is liquidated if the rights are exercised or lapse.

When the share-based payment plan is settled in cash and cash equivalents, the fair value of the plan is updated at each balance sheet date during the vesting period. The counterparty of the expense recognised during the vesting period is recorded as a debt.

In accordance with IFRS 2 "Share-based Payment", the corresponding tax saving recognised in the parent company financial statements is allocated in the consolidated financial statements to the year during which the share-based payment expense is recognised.

17.2 Share grant plans

	Year in which plan opened					
Number of shares	2012	2013	2014	2015	2016	2017
Initial number of options granted	78,000	125,100	15,000	53,100	402,300	40,116
Forfeited shares	29,400	38,100	0	4,500	24,300	0
Number of shares remitted in 2017	30,000	69,000	0	0	0	0
Total number of vested shares	18,600	18,000	0	0	0	0
Number of shares to be remitted as of Dec. 31, 2017	0	0	15,000	48,600	378,000	40,116

The number of shares for plans prior to 2017 were tripled after the three-for-one split decided by the Ordinary and Extraordinary Shareholders Meeting of June 2017.

Between 2012 and 2017, the Board of Directors granted free shares (out of existing shares) to certain employees and corporate officers.

Under the terms of the different plans, the shares are subject to a vesting period of three to four years. Furthermore, for certain plans, the performance shares will only fully vest if certain objectives based on sales and operating income or other specific objectives are met. The performance shares are no longer subject to a lock-up period if the vesting period is at least two years. The lock-up period may be waived for shares granted to non-French tax residents provided that the shares concerned are subject to a four-year vesting period.

In 2017, the Group recognised a net expense of €7.5 million in personnel costs in respect of share-based payment (versus a net expense of €3.5 million in 2016).

At December 31, 2017, bioMérieux SA held 229,157 of its own shares for allocation under the above-described share grant plans. The Company would have to purchase a maximum of 252,559 additional shares at a cost of €18.9 million based on the share price at December 31, 2017. Taking into account the forecast achievement of performance conditions at December 31, 2017 has no impact on this assessment.

17.3 Share-based payments delivered under cash and cash equivalents

In 2015, 2016 and 2017, the Group implemented additional paid-in capital plans indexed to bioMérieux's share price. This additional paid-in capital is comparable to allocation plans for free shares delivered under cash and cash equivalents. The liability recognised in the Group's financial statements for these plans represented €28.9 million in 2017, versus €5.2 million in 2016.

17.4 Stock option plans

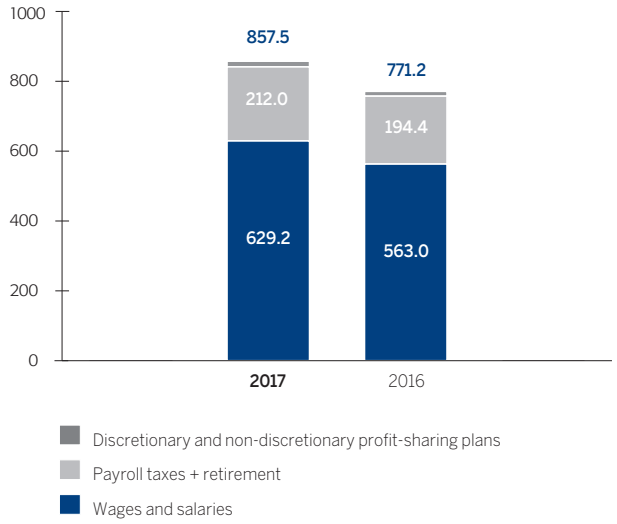
There is no stock option plan within the Group.

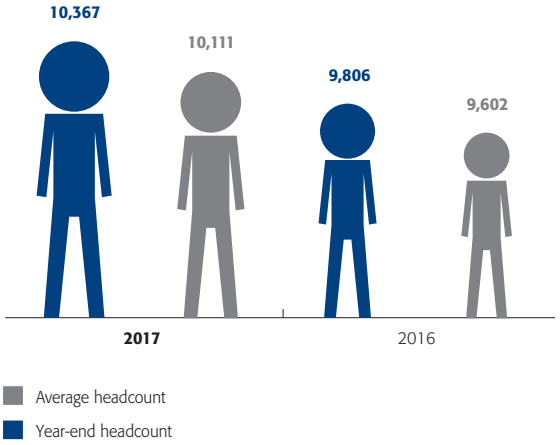
Note 18 Other operating income and expenses

In millions of euros	2017	2016
Net royalties received	4.5	13.7
Research tax credits	21.9	21.3
Research grants	2.0	2.3
Compensation received	1.3	
Other	1.6	1.2
TOTAL	**31.3**	**38.5**

In accordance with IAS 20, bioMérieux presents research tax credits as a subsidy within other operating income.

Note 19 Personnel costs





Wages and salaries take into account the share in the fair value of share-based payment (see Note 17).

Payroll taxes include amounts paid into defined contribution plans for €11.4 million.

CICE tax credits introduced in France to promote competitiveness and employment are recognised as a deduction from payroll taxes (see Note 3.2).

Employee profit-sharing plans (discretionary and non-discretionary) only concern bioMérieux SA. No non-discretionary profit sharing was recognised at bioMérieux SA in 2017.

The increase in headcount mainly reflects employees hired to support the development of the FILMARRAY® platform, and to a lesser extent, the Group's transformation efforts.

Note 20 Depreciation, amortisation and provisions, net

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Depreciation and amortisation of non-current assets	158.8	161.8
Impairment	5.5	11.7
Impairment of current assets	(0.8)	(2.9)
Impairment of non-current financial assets	(0.7)	(5.0)
TOTAL	**162.8**	**165.6**

Depreciation and amortisation expense includes €140.5 million shown within contributive operating income before non-recurring items and €18.2 million relating to the amortisation of the fair value of assets recognised in relation to the acquisition of BioFire.

Note 21 Net financial expense

21.1 Accounting principles

Financial income and expenses are shown on two separate lines:

- **"Cost of net debt"**, which includes interest expense, fees and foreign exchange gains and losses arising on borrowings, as well as income generated by cash and cash equivalents;
- **"Other financial income and expenses, net"**, which includes interest income on instruments sold under finance lease arrangements, the impact of disposals and writedowns of investments in non-consolidated companies, late-payment interest charged to customers, discounting gains and losses, and the ineffective portion of currency hedges on commercial transactions.

21.2 Cost of net debt

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Finance costs	(16.1)	(17.1)
Interest rate hedging derivatives	(0.1)	0.9
Foreign exchange gains (losses)	0.0	(1.3)
TOTAL	**(16.2)**	**(17.6)**

The cost of net debt chiefly includes interest in respect of the bond issue.

21.3 Other financial income and expenses, net

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Interest income on leased assets	1.2	1.6
Impairment and disposals of shares in non-consolidated companies	(0.2)	(0.9)
Currency hedging derivatives	(8.1)	(5.2)
Other	0.8	(1.2)
TOTAL	**(6.2)**	**(5.6)**

21.4 Foreign exchange gains (losses)

Foreign exchange gains and losses result from differences between the transaction exchange rate and the settlement rate (or the year-end rate if the payment has not yet been made). These differences only partially reflect the impact of currency fluctuations.

The transaction exchange rate is the rate prevailing on the date the transaction takes place. The settlement exchange rate is either the rate in effect on the date of payment or the hedging rate (excluding time value) if a currency hedge was set up for the transaction.

Foreign exchange gains and losses on commercial transactions are recognised under the relevant headings in the consolidated income statement. The foreign exchange gains and losses impacted the consolidated income statement in the following manner:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Sales	(0.8)	0.8
Purchases	3.1	4.9
Financial items	0.0	(1.3)
TOTAL	**2.3**	**4.4**

Note 22 BioFire acquisition fees and amortisation expense

In order to improve the understanding of operating income and due to the transaction's scale, fees relating to the acquisition of BioFire Diagnostics and BioFire Defense – consolidated for the first time at June 30, 2014 – are shown on a separate line of operating income before non-recurring items.

This line comprises the amortisations of the assets acquired and valued during the purchase price allocation (technologies) for €18.2 million at the end of December 2017.

At the end of 2016, this line comprised the amortisations of assets acquired and valued during the purchase price allocation (technologies) for €18.7 million as well as the expense related to the retention bonus in respect of certain BioFire employees for €6.5 million.

Note 23 Other non-recurring income and expenses from operations

23.1 Accounting principles

Other non-recurring income and expenses from operations, net are items that are material, unusual and non-recurring. They are presented on a separate line of the income statement in order to give a clearer picture of the Group's routine business performance. They chiefly include material amounts of net proceeds from disposals of non-current assets (other than instruments), restructuring costs and impairment losses (see Note 5).

Restructuring costs (which include the cost of severance payments) correspond to the expenses recognised when the Group officially announces the closure of a facility or a scaling down of operations in the ordinary course of business, as well as subsequent adjustments made to reflect the actual costs incurred.

23.2 Change

Other non-recurring income and expenses from operations amount to €1.6 million, compared with €9.9 million in 2016, where the Group had recorded the reclassification to income of some translation differences.

Note 24 Current and deferred income tax

24.1 Accounting principles

The income tax expense for the period comprises current and deferred tax.

Tax credits (excluding research tax credits and CICE tax credits for competitiveness and employment (see Note 3.2), are presented as a deduction from income tax expense.

Where applicable, tax on the payment of dividends is presented as a deduction from income tax expense when it is due.

Deferred taxes are recognised using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. These differences arise in particular from:

- timing differences between the recognition of certain income and expense items for financial reporting and tax purposes (*e.g.*, non-deductible provisions, employee profit-sharing, etc.);
- consolidation adjustments (*e.g.*, accelerated depreciation, provisions, elimination of internal gains included in inventories and non-current assets, etc.);
- forecast withholding tax on dividend payments planned for the following year;
- calculation of the fair value of assets and liabilities relating to companies acquired.

The deferred taxes are calculated using the liability method based on the probable dates of payment. They are recognised at the enacted tax rate (or nearly enacted rate) for their nominal value without discounting.

Deferred tax assets arising on temporary differences are only recognised if they can be utilised against future deductible temporary differences, or where there is a reasonable probability of their utilisation or recovery against future taxable income. In practice, and notably in the case of tax loss carryforwards, this rule is applied based on budget forecasts approved by management using a maximum time horizon of two years. The calculation of deferred taxes takes account of new tax provisions applicable for tax loss carryforwards (utilisation ceilings, etc.).

24.2 Analysis of income tax expense

	2017		2016	
In millions of euros	**Tax**	**Rate**	Tax	Rate
Theoretical tax at standard French tax rate	**100.7**	**34.4 %**	**89.3**	**34.4 %**
• Impact of income tax at reduced tax rates and foreign tax rates	(12.7)	(4.3) %	(8.7)	(3.3) %
• Impact of the US tax reform	(30.2)	(10.3) %		
• Impact of permanent differences	6.0	2.1 %	7.7	3.0 %
• Impact of tax on the payment of dividends	0.6	0.2 %	2.9	1.1 %
• Deferred tax assets not recognised on tax losses carried forward	0.8	0.3 %	0.7	0.3 %
• Impact of research and CICE tax credits presented in operating income	(9.1)	(3.1) %	(8.6)	(3.3) %
• Tax credits (other than research tax credits)	(1.6)	(0.6) %	(2.3)	(0.9) %
• Use of prior-period deferred tax assets	0.0	0.0 %	(1.2)	(0.5) %
ACTUAL INCOME TAX EXPENSE	**54.5**	**18.6 %**	**79.8**	**30.8 %**

The basic corporate income tax rate in France is 33.33%. Act No. 99-1140 of December 29, 1999 on social security funding introduced a surtax that raised the statutory rate by 1.1%. Following the ruling by the French Constitutional Council that the additional 3% on dividends distributed was unconstitutional, bioMérieux SA is eligible in 2017 to the exceptional tax which has raised the legal tax rate by 5%.

The Group's effective tax rate at December 31, 2017 stood at 18.6% versus 30.8% at end-2016. In 2017, the effective tax rate benefited from the recording of €30.2 million of income, non-recurring and with an impact on cash, mainly related to the revaluation of deferred tax assets and liabilities resulting from the US tax reform. The Group effective tax rate was also boosted, to a lesser extent by income related in France to the invalidation of a tax on dividends, partly offset by the exceptional tax mentioned above ("tax on dividend payout" line). Lastly, the Group recorded an additional tax resulting from a dispute. Aside from these non-recurring effects, the Group's recurring effective tax rate was approximately 28%, which is stable compared to the previous year.

The French deferred tax was adjusted to 25.83% for transfers from January 1, 2022, to take into account the provisions in the 2018 Finance law.

24.3 Change in deferred tax

In millions of euros	Deferred tax assets	Deferred tax liabilities
DECEMBER 31, 2015	**80.1**	**162.8**
Translation adjustments	2.4	3.9
Changes in scope of consolidation	0.2	11.6
Movements recognised in income	6.1	(11.1)
Other comprehensive income (expense)	3.5	
Other movements	0.4	0.0
DECEMBER 31, 2016	**92.8**	**167.3**
Translation adjustments	(7.4)	(12.4)
Changes in scope of consolidation	0.0	0.0
Movements recognised in income	(22.6)	(50.9)
Other comprehensive income (expense)	(10.9)	
Other movements	(0.2)	(0.2)
DECEMBER 31, 2017	**51.6**	**103.8**

Deferred tax assets are mainly generated in the US and result from:

- the recognition of tax loss carryforwards and tax benefits within the scope of the BioFire purchase price allocation. At December 31, 2017, tax loss carryforwards were recognised in an amount of €0.9 million, compared to €1.6 million at December 31, 2016;
- temporary differences due in particular to the non-deductibility of certain provisions and the elimination of internal margins on inventories;
- deferred taxes on other comprehensive income items correspond to fair value adjustments to financial instruments (-€0.5 million in 2017), deferred taxes on actuarial differences relating to pension obligations (-€10.4 million in 2017 of which €9.5 million on pension obligations in the US).

At December 31, 2017, deductible timing differences derived from tax losses that have not been recognised as deferred tax assets amounted to €9 million (including €7.8 million in respect of unrecognised tax loss carryforwards), representing a potential tax saving of €2.9 million (including €2.4 million in respect of unrecognised tax loss carryforwards).

At December 31, 2016, deductible timing differences derived from tax losses that have not been recognised as deferred tax assets amounted to €6.7 million (including €4.6 million in respect of unrecognised tax loss carryforwards), representing a potential tax saving of €2.1 million (including €1.4 million in respect of unrecognised tax loss carryforwards).

Deferred tax liabilities are primarily from BioFire (€58.6 million), bioMérieux SA (€26.2 million), and Hyglos (€7.2 million), mainly corresponding to the accounting of fixed assets at fair value. The change in deferred tax assets in the United States had a positive impact of €49.3 million on the financial year.

The application as from January 1,2018 of the provisions of the new tax reform in the United States is reflected in a net drop of €20 million of deferred tax, made up of €30 million in profit and -€10 million in other items of comprehensive income for 2017.

Note 25 Statutory Auditors' fees

	Dec. 31, 2017							Dec. 31, 2016						
In thousands of euros	Ernst & Young		Grant Thornton		Other		TOTAL	Ernst & Young		PwC		Other		TOTAL
Statutory audit	**1,143**	**91%**	**493**	**100%**	**10**	**100%**	**1,647**	**1,332**	**95%**	**142**	**18%**	**46**	**100%**	**1,519**
• bioMérieux SA	169	14%	153	31%		0%	322	162	12%	132	16%		0%	293
• fully consolidated subsidiaries	974	78%	341	69%	10	100%	1,325	1,170	84%	10	1%	46	100%	1,225
Services other than the statutory audits	**108**	**9%**	**2**	**0%**			**108**	**68**	**5%**	**6**	**0%**		**0%**	**68**
AUDIT	**1,252**	**100%**	**495**	**100%**	**10**	**100%**	**1,758**	**1,399**	**100%**	**148**	**18%**	**46**	**100%**	**1,593**
Legal, tax, labour-related services	0	0%	0	0%			0		0%	655	82%			655
Other	0	0%		0%			0		0%		0%			0
OTHER SERVICES	**0**	**0%**	**0**	**0%**	**0**	**0%**	**0**	**0**	**0%**	**655**	**82%**	**0**	**0%**	**655**
TOTAL	**1,252**	**100%**	**495**	**100%**	**10**	**100%**	**1,758**	**1,399**	**100%**	**803**	**100%**	**46**	**100%**	**2,248**

Note 26 Financial instruments: financial assets and liabilities

26.1 Recognition and measurement of financial instruments

Financial instruments include financial assets, financial liabilities and derivatives (swaps, forward contracts, etc.).

Financial instruments appear under several headings in the balance sheet: non-current financial assets, other non-current assets, trade receivables, other receivables and other payables (*e.g.* changes in the fair value of derivatives), short-term and long-term borrowings, trade payables, cash and cash equivalents.

In compliance with the revised version of IAS 39 "Financial instruments: Recognition and Measurement", financial instruments fall into five categories that do not correspond to specific balance sheet headings. This classification is used as a basis for determining the methods used for their initial recognition and subsequent measurement at the end of each reporting period. The categories and methods are described below.

26.1.1 "Held-to-maturity financial assets"

Held-to-maturity financial assets consist solely of fixed income securities that the Group has the intention of holding to maturity. The Group does not currently own any financial instruments corresponding to this definition.

26.1.2 "Financial assets and liabilities at fair value through income"

This category comprises financial instruments held for the purpose of short-term trading as well as financial instruments designated by the Group as at fair value through income under the fair value option, as permitted by IAS 39.

The assets concerned correspond to:

- equity interests in companies listed on an active market (recognised under "non-current financial assets" in the balance sheet) other than those classified as "available-for-sale financial assets" (see Note 26.1.4);
- "cash and cash equivalents" (presented in the balance sheet under the specific "cash and cash equivalents" heading).

The Group does not currently hold any financial liabilities that fall within this category.

The initial recognition and subsequent measurement at the end of each reporting period of these items are performed at the fair value (excluding transaction costs), which corresponds to the closing price for listed securities and the net asset value for marketable securities. Changes in fair value are recognised in the income statement.

26.1.3 "Loans, receivables and payables"

Financial assets and liabilities classified in this category are measured either at cost or amortised cost.

"Assets and liabilities measured at cost" primarily correspond to deposits paid, trade receivables and trade payables. They are initially recognised at fair value, which, in the case of the Group, corresponds to their face value. These assets and liabilities are measured at the end of the reporting period at their initial carrying value, after recognition of any impairment losses. The year-end carrying amount represents a reasonable approximation of their fair value.

"Assets and liabilities measured at amortised cost" primarily comprise short-term and long-term borrowings, loans, and finance lease receivables reported on the balance sheet under "Other non-current assets" or "Trade receivables". These assets and liabilities are initially recognised at fair value, including transaction fees, which, in the case of the Group, approximates their contractual face value. Their carrying amount at year-end corresponds to their amortised cost (calculated using the effective interest method, as described in Note 15.2) less any principal repayments and impairment losses. The year-end carrying amount of assets and liabilities at amortised cost (excluding the bond issue) represents a reasonable approximation of their fair value.

26.1.4 "Assets available for sale"

Financial assets and liabilities that do not belong to any of the above categories are recognised as "available-for-sale financial assets". Items in this category mainly include shares in non-consolidated entities that are either unlisted, listed on an inactive market or listed on an active market but that the Group intends to hold on a long-term basis. These investments are presented in the balance sheet under non-current financial assets.

Available-for-sale financial assets are recognised at fair value at the acquisition date, which generally approximates their purchase price. They are subsequently measured as follows:

- when the fair value of an asset can be reliably determined at year-end, fair value changes are recognised directly within other comprehensive income. However, if a decline in the fair value of an available-for-sale financial asset provides evidence of a prolonged impairment in value, the impairment loss in excess of any fair value gains previously recorded in equity is recognised in income;
- if fair value cannot be reliably determined, available-for-sale financial assets are measured at cost and are tested for impairment. An impairment loss is recorded when this cost exceeds the asset's estimated value at the year-end, determined based on appropriate financial criteria. Impairment losses are recognised in the income statement and can only be reversed when the assets are sold.

26.1.5 "Foreign currency and interest rate derivatives"

Foreign currency and interest rate derivatives include instruments such as swaps, forward contracts and options and are initially recognised at fair value. They are subsequently remeasured to fair value at year-end and are recorded in the balance sheet under "Non-operating receivables" and "Non-operating payables". Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of currency derivatives is determined using standard market valuation techniques based on observable market data (interest rates, exchange rates, observable implied volatility). Accounting for changes in their fair value depends on the type of derivative concerned and whether there is a hedging relationship, and if so what type of hedge is involved:

- fair value gains and losses on derivatives not qualifying as hedging instruments are recognised in the consolidated income statement;
- fair value gains and losses on derivatives qualifying and used as cash flow hedges (*i.e.* hedges of foreign currency receivables and payables) are recognised in full in the consolidated income statement on a symmetrical basis with the loss or gain on the hedged item;
- fair value gains and losses on derivatives qualifying and used as cash flow hedges (*i.e.* hedges of future commercial transactions in foreign currencies) are recognised directly in other comprehensive income for the effective portion, and in the income statement for the non-effective portion (mainly the time value of money in the case of forward currency transactions). Amounts recognised under other comprehensive income are reclassified to income in the same period(s) during which the hedged forecast cash flows affect income.

The foregoing rules are applied provided that the hedging relationship is clearly designated and documented at the time the hedge is set up, and that the effectiveness of the hedge can be demonstrated.

No financial assets were reclassified between the above categories in either 2017 or 2016.

Presentation of financial assets and liabilities at fair value through income

In accordance with IFRS 13, and in line with the prior treatment under the amended IFRS 7, financial instruments are presented in one of the three levels (see Note 26.2) of the fair value hierarchy:

- level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 : market inputs for the asset or liability that are observable either directly (*e.g.*, adjusted level 1 quoted prices), or indirectly (*e.g.*, inputs derived from quoted prices);
- level 3 : non-market inputs for the asset or liability that are not observable (*e.g.* price on an inactive market or valuation based on multiples for unlisted securities).

26.2 Change

The table below provides a breakdown by category of financial assets and liabilities (excluding accrued and receivable payroll and other taxes), as prescribed by IAS 39 "Financial Instruments: Recognition and Measurement" (see Note 26.1), and a comparison between their carrying amount and fair value:

	December 31, 2017						
In millions of euros	Financial assets at fair value through income (excl. derivatives)	Assets available for sale	Receivables and borrowings at amortised cost	Derivative instruments	Carrying amount	Fair value	Level
Financial assets							
Other shares in non-consolidated companies		50.9			50.9	50.9	1-3
Other non-current financial assets			7.0		7.0	7.0	-
Other non-current assets			14.1		14.1	14.1	
Derivative instruments (positive fair value)				15.3	15.3	15.3	2
Trade receivables			460.1		460.1	460.1	-
Other receivables			6.7		6.7	6.7	-
Cash and cash equivalents	312.1				312.1	312.1	1
TOTAL FINANCIAL ASSETS	**312.1**	**50.9**	**487.9**	**15.3**	**866.2**	**866.2**	
Financial liabilities							
Bonds [(a)]			298.6		298.6	318.8	1
Other financing facilities			92.5		92.5	92.5	2
Derivative instruments (negative fair value)				27.1	27.1	27.1	2
Borrowings – current portion			76.9		76.9	76.9	2
Trade payables			161.3		161.3	161.3	-
Other current liabilities			51.9		51.9	51.9	-
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**681.2**	**27.1**	**708.3**	**728.5**	

(a) The carrying amount of the bond issue is shown net of issue fees and premiums.

Levels 1 to 3 correspond to the fair value hierarchy as defined by IFRS 13 (see Note 26.1).

In practice, financial assets and liabilities at fair value essentially concern certain securities, cash investments and derivative instruments. In other cases, fair value is shown in the table above for information purposes only.

No level in the fair value hierarchy is shown when the carrying amount approximates fair value.

bioMérieux enters into derivative instruments as part of master agreements that provide for offsetting in the event of counterparty default. The impact of these master netting agreements on the fair value of derivative instruments at December 31, 2017 was a net negative exposure of €11.8 million versus a net exposure of €51 million at end-2016.

No inter-category reclassifications were carried out in 2017. None of the Group's financial assets has been pledged as collateral.

Impairment losses recorded against financial assets primarily relate to write-downs of trade receivables (see Note 9) and non-current financial assets (see Note 7).

In millions of euros	December 31, 2016 Financial assets at fair value through income (excl. derivatives)	Assets available for sale	Receivables and borrowings at amortised cost	Derivative instruments	Carrying amount	Fair value	Level
Financial assets							
Other shares in non-consolidated companies		30.7			30.7	30.7	1-3
Other non-current financial assets			6.2		6.2	6.2	-
Other non-current assets			18.0		18.0	18.0	
Derivative instruments (positive fair value)				18.0	18.0	18.0	2
Trade receivables			465.8		465.8	465.8	-
Other receivables			5.1		5.1	5.1	-
Cash and cash equivalents	178.6				178.6	178.6	1
TOTAL FINANCIAL ASSETS	**178.6**	**30.7**	**495.1**	**18.0**	**722.4**	**722.4**	
Financial liabilities							
Bonds[(a)]			298.2		298.2	320.1	1
Other financing facilities			67.2		67.2	67.2	2
Derivative instruments (negative fair value)				69.0	69.0	69.0	2
Borrowings – current portion			87.9		87.9	87.9	2
Trade payables			175.6		175.6	175.6	-
Other current liabilities			53.6		53.6	53.6	-
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**682.5**	**69.0**	**751.5**	**773.4**	

(a) The carrying amount of the bond issue is shown net of issue fees and premiums.

Movements in financial instruments whose fair value was determined using Level 3 inputs under IFRS 13 (see Note 26.1) at December 31, 2017 were as follows:

In millions of euros	Available-for-sale financial assets
DECEMBER 31, 2015	**33.9**
Gains and losses recognised in income	(1.4)
Gains and losses recognised in equity	8.8
Acquisitions	0.3
Disposals	(10.8)
Changes in Group structure, translation adjustments and other	
DECEMBER 31, 2016	**30.7**
Change of level 3 to 1	(9.5)
Gains and losses recognised in income	0.7
Gains and losses recognised in equity	9.8
Acquisitions	13.8
Disposals	(0.9)
Changes in Group structure, translation adjustments and other	(0.3)
DECEMBER 31, 2017	**44.3**

In 2017, changes in the fair value of available-for-sale financial assets were recognised in income, as the Group considered that the fall in the value of the shares represented a prolonged decline in their fair value. Exceptionally, the increase in the fair value of shares relating to a non-controlling interest listed on a regulated market was recognised in other comprehensive income in an amount of €9.8 million.

The "change of level" line corresponds to the reclassification in level 1 of the fair value of securities that were previously valued on the basis of the share price with a marketability discount. These securities are now valued in direct reference to the share price.

Note 27 Risk management

27.1 Exchange rate risks

27.1.1 Group policy

Since more than half of the Group's operations are conducted outside the eurozone, its sales, earnings and assets and liabilities may be impacted by changes in exchange rates between the euro and other currencies. Sales are particularly affected by euro/US dollar exchange rate fluctuations (with about 41% of sales in 2017 denominated in US dollars) and, more occasionally, by fluctuations in the rate of the euro against other currencies.

In view of the size of the Group's operations in the US, certain operating expenses are settled in US dollars, thereby mitigating the impact of fluctuations in the US dollar on operating income, although this impact remains significant.

Other currencies represent 31% of consolidated sales. However, as costs incurred in other currencies are limited, the Group is exposed to the risk of fluctuations in these currencies. This exposure is spread over approximately 20 currencies, none of which accounts for more than 7% of the Group's sales. This exposure thus becomes significant only if several of the currencies concerned fluctuate against the euro in the same direction, without any set-off.

The Group's current policy is to seek to hedge the impact of exchange rate fluctuations on budgeted net income. It uses hedging instruments, when they are available at a reasonable cost, in order to mitigate risks relating to currency fluctuations. Its current practice is to put in place global hedges covering similar risks. Hedging contracts are purchased to cover transactions included in the budget and not for speculative purposes.

Distribution subsidiaries are currently mainly billed in their local currencies by manufacturing subsidiaries (except where prohibited by law), so that currency risks can be managed at corporate level for manufacturing entities.

Whenever possible, the Group hedges currency risks arising on debt denominated in currencies other than those of the country in which operations are located, so as to offset any foreign currency translation risks. However, when these hedges are extended during the loan transaction, the Group recognises foreign exchange gains or losses when the hedges are unwound and simultaneously recontracted. These gains and losses cancel each other out over the term of the loan, but may be material in a given accounting period.

In addition to having an impact on the Group's net income, exchange rate fluctuations can affect its equity: due to its worldwide presence, many of its assets and liabilities are recorded in US dollars or in other foreign currencies. To date, the Group does not hedge these exchange rate risks on its net assets.

Hedges consist mainly of forward currency sales and purchases and options (maturing within 18 months at December 31, 2016). Detailed information on hedging transactions is provided in Note 27.1.3.

27.1.2 Exposure to exchange rate risk

In millions of euros	Dec. 31, 2017		Dec. 31, 2016	
Euro	**645**	**28%**	**624**	**30%**
Other currencies				
Dollars [(a)]	930	41%	821	39%
Chinese yuan	151	7%	134	6%
Pound sterling	52	2%	55	3%
Japanese yen	46	2%	49	2%
Brazilian real	50	2%	43	2%
Canadian dollar	38	2%	37	2%
South Korean won	39	2%	35	2%
Australian dollar	34	1%	31	1%
Other currencies	305	13%	276	13%
SUB-TOTAL		**72%**		**70%**
TOTAL	**2,288**	**100%**	**2,103**	**100%**
Sensitivity	**(16)**		**(15)**	

(a) US and Hong Kong dollars.

The sensitivity analysed above shows the impact on sales of a 1% increase in the euro exchange rate against all currencies.

Consolidated equity

A 10% increase in the euro exchange rate against all currencies would have had the following effect:

	2017	2016
Net income	(15.5)	(10.8)
Shareholders' equity [(a)]	(70.3)	(63.4)

(a) Translated at the year-end (closing) exchange rate.

Exposure of assets and liabilities

The table below shows the US dollar and the five main currencies to which the Group is exposed at December 31, 2017:

In millions of currency units	USD	CNY	INR	BRL	KRW	CZK
Assets denominated in foreign currencies	46.6	168	612	26.2	10,237	195
Liabilities denominated in foreign currencies	(15.5)	(7)	0	(0.3)	0	0
Net exchange exposure before hedging	**31.1**	**161**	**612**	**25.9**	**10,237**	**195**
Impact of hedging	26.9	21	160	5.0	6,840	0
NET EXCHANGE EXPOSURE AFTER HEDGING	**4.3**	**141**	**452**	**20.9**	**3,397**	**195**
(in millions of euros)						
Net exchange exposure after hedging	**3.6**	**18.0**	**5.9**	**5.3**	**2.7**	**7.6**
SENSITIVITY	**(0.3)**	**(1.6)**	**(0.5)**	**(0.5)**	**(0.2)**	**(0.7)**

The sensitivity analysed above shows the impact of a 10% increase in the exchange rate on the net foreign exchange exposure at December 31, 2017, taking into account hedging transactions.

Exposure of borrowings

The Group's borrowings with third parties are primarily denominated in euros and contracted by bioMérieux SA. However, since these borrowings were contracted in order to finance an acquisition in the US, they were converted into US dollars using a Cross Currency swap (see Note 27.4.1).

The Group's policy is to prefer inter-company financing in the subsidiary's currency, generally hedged by currency swaps. When it is difficult for the Group to grant loans to its foreign subsidiaries, the subsidiaries borrow from leading banks in their local currency.

27.1.3 Hedging instruments

As part of the currency hedging policy, the following currency hedging instruments were in effect at December 31, 2017:

Currency hedge at December 31, 2017 *In millions of euros*	Expiration date 2017		Market value 2017 [(a)]
	<1 year	1 to 5 years	
Hedges of existing commercial transactions			
• currency forward contracts	59.6	0.0	(0.7)
• options		0.0	0.0
TOTAL	**59.6**	**0.0**	**(0.7)**
Hedges of future commercial transactions			
• currency forward contracts	266.4	2.5	(0.3)
• options	37.8	0.0	1.1
TOTAL	**304.2**	**2.5**	**0.7**

(a) Difference between the hedging rate and the market rate at December 31, 2017.

Currency hedges in effect at December 31, 2016 were as follows:

Currency hedge at December 31, 2016 *In millions of euros*	Expiration date 2016		Market value 2016 [a]
	<1 year	1 to 5 years	
Hedges of existing commercial transactions			
• currency forward contracts	64.9	0.0	0.2
• options		0.0	0.0
TOTAL	**64.9**	**0.0**	**0.2**
Hedges of future commercial transactions			
• currency forward contracts	260.6	12.8	0.7
• options	55.5	0.0	(0.4)
TOTAL	**316.1**	**12.8**	**0.3**

(a) Difference between the hedging rate and the market rate at December 31, 2016.

The €0.6 million market value of hedges of future commercial transactions recorded in the balance sheet at December 31, 2017 included -€0.8 million in fair value gains recognised in other comprehensive income and -€1.8 million in fair value gains recognised in income.

At December 31, 2016, it amounted to €0.3 million and included -€3.6 million in fair value gains recognised in other comprehensive income and -€1.3 million in fair value gains recognised in income.

There were no net investment hedges of foreign operations at December 31, 2017.

All of the currency forward contracts and options outstanding at December 31, 2017 had maturities of less than 18 months.

The effective portion of gains and losses on cash flow hedges reclassified to operating income before non-recurring items from other comprehensive income amounted to €0.4 million in 2017 and €3.1 million in 2016.

27.2 Credit risk

Since there is currently no major financial or economic crisis, the Group is not exposed to a significant credit risk. At December 31, 2017 and 2016, investments were solely in short-term instruments for which a net asset value is calculated daily.

No IFRS 13 adjustments were therefore applied to financial assets in respect of the risk of non-collection.

27.3 Liquidity risk

Financial liabilities due in less than one year and in more than one year are classified in the balance sheet as current and non-current liabilities, respectively.

The Group is not exposed to liquidity risk on its current financial assets and liabilities since its total current financial assets far exceed its total current financial liabilities.

Accordingly, the only maturity schedule disclosed pertains to net debt (see Note 15.3).

The table below shows projected cash flows from the bond issue and the hedges related to contractual redemption of the principal at par and to contractual interest payments at December 31, 2017:

In millions of euros	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Bonds [a]	(8.6)	(317.3)	0.0
Cross currency swap	(9.7)	(16.1)	0.0
Options [b]	(0.9)	0.0	0.0
Interest rate swap [b]	2.8	4.5	0.0

(a) Contractual flows of principal and interest.
(b) Based on the IRS yield curve at December 31, 2017.

27.4 Interest rate risk

27.4.1 Exposure to interest rate risk

As part of its interest rate risk management policy aimed primarily at managing the risk of an increase in interest rates, the Group splits its debt between fixed and floating interest rates.

The bond issue, after taking account of interest rate derivatives, breaks down as €150 million at fixed rates and €150 million at floating rates capped at 1.20% and with a floor of 0.30%. In April 2017, a new swap contract was taken out to cancel the floating rate as from July 18, 2018, with the possibility of a probable increase in interest rates. The fair value of this instrument recorded at December 31, 2017 is not significant.

In order to hedge the exchange rate and interest rate risk on the repayments of the US dollar denominated loan granted by bioMérieux SA to bioMérieux Inc. to finance the acquisition of BioFire, the Group set up a cross currency swap in January 2014 for US$470 million. The instrument thus converts the debt in dollars into a debt in euro, one of the legs of which representing 57% of the notional amount receives the variable interest rate.

An indexed variable-rate real estate lease financing agreement in the amount of €44.4 million was set up in 2016 to finance Campus de etoile. This financing is not backed by any hedging mechanism.

27.4.2 Hedging instruments and sensitivity

At December 31, 2017, the interest rate risk hedging portfolio comprised interest rate swaps for €150 million, options for €150 million and a cross currency swap for US$470 million (see Note 27.4.1).

The market value of these instruments represents a net liability of €12.8 million. It breaks down as follows:

In millions of euros	Market value 2017
Cross currency swap	(19.2)
Options	(0.9)
Interest rate swap	7.3

Sensitivity of net income to changes in the cost of net debt (excluding the impact of the cross currency swap) attributable to fluctuations in short-term interest rates

The impact on the cost of debt (calculated on a full-year basis) resulting from changes in net debt at year-end attributable to fluctuations in short-term interest rates is shown in the table below including the impact of interest rate hedging:

In millions of euros	Net income
50-bp increase	(0.095)
50-bp decrease	0.000

Sensitivity of equity and net income to changes in the fair value of interest rate derivatives

Changes in the fair value of interest rate derivatives attributable to changes in the interest rate curve adopted at year-end would have the following impact on the Group's equity and net income:

- the impacts recognised in equity relate to the effective portion of the instruments classified as cash flow hedges;
- the impacts recognised in income relate to the ineffective portion of instruments classified as cash flow hedges, and to the impact of changes in the fair value of instruments that do not qualify for hedge accounting.

A change of 50 basis points applied to the entire yield curve at year-end and to transactions in effect at December 31, 2017 would have led to an increase (decrease) in equity and net income for the following amounts (based on constant exchange rates and volatility):

In millions of euros	Shareholders' equity (excl. net income)	Net income
50-bp increase	0.0	(0.05)
50-bp decrease	0.0	0.04

Sensitivity of equity and net income to changes in the fair value of the cross currency swap

A change of 50 basis points applied to the entire yield curve (euro and US dollar) would have led to an increase (decrease) in equity and net income for the following amounts:

In millions of euros	Shareholders' equity (excl. net income)	Net income
50-bp increase	0.0	0.6
50-bp decrease	0.0	(0.7)

A change of 5% in the euro/U.S. dollar closing rate at year-end (1.1993) as well as to transactions in effect at December 31, 2017 would have led to an increase (decrease) in equity and net income for the following amounts:

In millions of euros	Shareholders' equity (excl. net income)	Net income
5% increase	0.0	8.4
5% decrease	0.0	(9.3)

These impacts on income would have been perfectly offset by the impact that the underlying change would have had if it had been subject to the same changes.

The impact on the cost of debt (calculated on a full-year basis) resulting from a 50 basis point change and a 5% change in the euro/dollar closing rate applied to net debt at year-end attributable to fluctuations in short-term interest rates is shown in the table below including the impact of interest rate hedging on this date:

In millions of euros	Net income
50-bp and 5% increase	3.2
50-bp and 5% decrease	(3.5)

27.5 Counterparty risk

The Group's financial transactions (credit facilities, financial market transactions, financial investments, etc.) are with leading banks and are spread among all of its banking partners in order to limit counterparty risk.

In accordance with IFRS 13, an analysis was carried out to assess credit risk in light of the fair value of financial instruments. Counterparty risk was not considered material given the short-term maturity (less than one year) of the Group's currency hedges, the fair value of interest rate derivatives at December 31, 2017 and the rating of bioMérieux's banking counterparties.

Note 28 Off-balance sheet commitments

Outstanding commitments given or received at December 31, 2017 are described below:

28.1 Off-balance sheet commitments relating to Group companies

- The Group is subject to a number of earn-out clauses relating to acquisitions and disposals. At end-2017, it was not deemed probable that these clauses would be triggered, or the amount involved could not be reliably estimated.

28.2 Off-balance sheet commitments relating to the Company's financing

- Commitments related to borrowings are described in Note 15.3.
- Commitments related to derivative instruments are described in Note 26.

28.2.1 Commitments given

- Bank guarantees given by the Group in connection with bids submitted totalled €100.4 million at December 31, 2017.

28.2.2 Commitments received

- bioMérieux SA has a syndicated credit facility for an amount of €500 million, set up in 2012 and amended in June 2017, repayable in full at maturity in 2022 (see Note 15.2), with the option of two one-year extensions.

28.3 Off-balance sheet commitments relating to the Group's operating activities

28.3.1 Commitments given

- bioMérieux Inc. and bioMérieux SA are parties to various agreements that provide for payments based on progress in corresponding research projects or a minimum volume of sales (€6.7 million).
- Real estate rent commitments given by Group companies amounted to €72.2 million at December 31, 2017, of which €63.1 million was payable beyond one year. Annual lease costs represented €14.3 million in 2017 and €14.5 million in 2016.
- Within the framework of the share grant plans approved by the Board of Directors, bioMérieux SA, which holds 229,157 shares as coverage, would need to purchase 243,559 additional shares if all of the promised shares were to be granted. This commitment represents an amount of €18.2 million based on the share price at December 31, 2017.
- bioMérieux SA entered into a ten-year partnership with BIOASTER, a Technological Research Institute in Lyon specialised in infectious diseases. In the period 2012-2015, its contribution to research activities resulted in new partnership agreements being put in place with BIOASTER for almost €4 million. bioMérieux's own employees are also involved in these partnership agreements. A new collaboration cycle was opened for the period between January 1, 2016 and end of July 2020 during which bioMérieux SA has made a commitment to BIOASTER in the same proportions.
- Other commitments given (endorsements and guarantees other than real estate rent obligations) amounted to €2.1 million.
- bioMérieux SA has committed to participate in a capital increase of ATI in the amount of €1.2 million.

28.3.2 Commitments received

- Other commitments received amounted to €10.8 million.

Note 29 Transactions with related parties

29.1 Directors' and officers' compensation

The Company's directors and members of the Executive Committee were paid an aggregate €16.4 million in compensation in 2017.

Executive compensation *In millions of euros*	2017	2016
Fixed compensation	5.4	5.0
Variable compensation	5.3	6.5
Benefits-in-kind	0.2	0.1
Free shares	4.8	1.9
Directors' fees	0.1	0.3
Termination benefits	0.6	0.0
TOTAL	**16.4**	**13.8**

29.2 Other transactions with non-consolidated affiliates

- Institut Mérieux, which held 58.9% of bioMérieux SA's shares at December 31, 2017, provided consultancy and support services to bioMérieux SA, bioMérieux Inc. and BioFire valued at €6.9 million for the year. Conversely, bioMérieux SA billed Institut Mérieux €0.6 million for expenses incurred on its behalf.
- During 2017, the Group supplied €7.5 million worth of reagents and instruments to entities of the Mérieux NutriSciences Corp. group, in which Institut Mérieux holds a majority interest.
- Théra Conseil, which is 99.2% owned by Institut Mérieux, billed bioMérieux SA €2.2 million for services in respect of 2017.
- Also during the year, bioMérieux SA contributed €2 million to the Fondation Christophe & Rodolphe Mérieux. Conversely, bioMérieux SA billed Fondation Mérieux €0.2 million for expenses incurred on its behalf.
- ABL, wholly owned by IMEurope SAS, which is itself wholly owned by Institut Mérieux, billed bioMérieux SA for €0.8 million of raw materials in 2017.
- In 2017, bioMérieux SA billed €2 million worth of services to Mérieux University, in which it holds 40% of the share capital. The remaining 60% are held by Institut Mérieux (40%) and Mérieux NutriSciences (20%). Conversely, bioMérieux SA paid €3.8 million to Mérieux University for training fees.
- A cash pooling system has been put in place for which bioMérieux and Institut Mérieux set up cash borrowing and lending facilities during the year. This mutual cash fund generated a small surplus in 2016 and paid €35,900 to bioMérieux SA in 2017.

Note 30 Subsequent events

The Group has not identified any subsequent event.

Note 31 Consolidation

bioMérieux is a fully consolidated entity of Compagnie Mérieux Alliance (17 Rue Bourgelat, 69002 Lyon, France).

Note 32 List of consolidated companies at December 31, 2017

Changes in scope that took place in 2017 are described in Note 1.2.1

		2017 [a]	2016	2015
bioMérieux SA	69280 Marcy l'Etoile – France R.C.S. Lyon B 673,620,399			Parent company
AB bioMérieux	Dalvägen 10 169,169 Solna, Stockholm – Sweden	100%	100%	100%
ABG STELLA	1105 N Market St Suite 1300 Wilmington, Delaware 19801 – US	100%	100%	100%
Adiagene SA	38 Rue de Paris 22000 Saint Brieuc – France			100%
Advencis SAS	1 Rue Gambrinus, Parc de la Brasserie 67190 Mutzig – France		100%	100%
AES Canada Inc	500 boul. Cartier Ouest, suite 262 H7V 5B7 Laval, QC – Canada	100%	100%	100%
AES Chemunex GmbH	Zeiloch 20 – 76646 Bruschal – Germany	100%	100%	100%
Applied Maths Inc	11940 Jollyville Road, Suite 115N Austin, Texas 78759 – US	100%	100%	
Applied Maths NV	Keistraat 120,9830 Sint-Martens-Latem Belgium	100%	100%	
Bacterial Barcodes Inc	425 River Road – Athens – GA 30602 – US	100%	100%	100%
BioFire Defense Inc	79 W 4500 S, Suite 14 Salt Lake City, UT 84107 – US	100%	100%	100%
BioFire Diagnostics Inc	390 Wakara Way Salt Lake City, Utah 84108 – US	100%	100%	100%
bioMérieux South Africa	1st Floor, 44 on Grand Central, 1 Bond Street, cnr Grand Central Boulevard, Midrand 1682 – South Africa	100%	100%	100%
bioMérieux West Africa	Avenue Joseph Blohorn (08) BP 2634 Abidjan 08 – Ivory Coast	100%	100%	100%
bioMérieux Algeria	Bois des cars 2 – Lot 11 1er étage – 16302 Dely Ibrahim Algiers – Algeria	100%	100%	100%
bioMérieux Germany	Weberstrasse 8 – D 72622 Nürtingen – Germany	100%	100%	100%
bioMérieux Argentina	Edificio Intecons – Arias 3751 3er piso – C1430CRG Buenos Aires – Argentina	100%	100%	100%
bioMérieux Australia	Unit 25B, Parkview Business Centre – 1 Maitland Place Baulkham Hills NSW 2153 – Australia	100%	100%	100%
bioMérieux Austria	Eduard-Kittenberger-Gasse 95-B, A-1230 Wien – Austria	100%	100%	100%
bioMérieux Belgium	Media Square – 18-19 Place des Carabiniers 1030 Brussels – Belgium	100%	100%	100%
bioMérieux Benelux BV	Hogeweg 5 (2nd floor) – 5301 LB zaltbommel – Postbus 2104 5300 CC Zaltbommel – Netherlands	100%	100%	100%
bioMérieux Brazil	Estrada Do Mapuá, 491 Jacarepaguá – CEP 22713,320 Rio de Janeiro – RJ – Brazil	100%	100%	100%
bioMérieux BV	Boseind 15 – PO Box 84 – 5281 RM Boxtel – Netherlands			100%
bioMérieux Canada	7815 boulevard Henri Bourassa – West – H4S 1P7 Saint Laurent (Québec) – Canada	100%	100%	100%
bioMérieux Chile	Seminario 131 – Providencia – Santiago – Chile	100%	100%	100%
bioMérieux China	19/Floor Billion Plaza 8 Cheung Yue Street – Kowloon – Hong Kong	100%	100%	100%
bioMérieux Colombia	Carrera 7 No. 127–48 – Oficina 806 – Bogota DC – Colombia	100%	100%	100%
bioMérieux Korea	1st and 2nd floor Yoo Sung Building #830-67, Yeoksam-dong, Kangnam ku – Seoul – South Korea	100%	100%	100%
bioMérieux CZ	Hvezdova 1716/2b – Prague 4 – 140 78 – Czech Republic	100%	100%	100%

		2017 [a]	2016	2015
bioMérieux Denmark	Lautruphøj 1-3, DK-2750, Ballerup – Denmark	100%	100%	100%
bioMérieux Spain	Manuel Tovar 45-47 – 28034 Madrid – Spain	100%	100%	100%
bioMérieux Finland	Tekniikantie 14 FI-02150 Espoo – Finland	100%	100%	100%
bioMérieux Greece	Papanikoli 70 – 15232 Halandri – Athens – Greece	100%	100%	100%
bioMérieux Hong Kong Investment	19/Floor Billion Plaza 8 Cheung Yue Street – Kowloon – Hong Kong	100%	100%	100%
bioMérieux Hungary	Vaci ut 175 – 1138 Budapest – Hungary	100%	100%	100%
bioMérieux Inc	100 Rodolphe Street – Durham NC 27712 – US	100%	100%	100%
bioMérieux India	A–32, MohanCo-operative Ind. Estate – New Delhi 110,044 – India	100%	100%	100%
bioMérieux International SAS (formerly Stella SAS)	69280 Marcy-l'Etoile – France	100%	100%	100%
bioMérieux Italy	Bagno a Ripoli, Via di Campigliano, 58 – 50012 Ponte a Ema – Florence – Italy	100%	100%	100%
bioMérieux Japan Ltd (formerly Sysmex bioMérieux)	Akasaka Tameike Tower 2F, 2-17-7, Akasaka, Minato-ku, Tokyo	100%	66%	66%
bioMérieux Malaysia	Dataran Prima – 47301 Petaling Jaya, Selangor darul Ehsan – Malaysia	100%	100%	100%
bioMérieux Mexico	Chihuahua 88, col. Progreso – Mexico 01080, DF – Mexico	100%	100%	100%
bioMérieux Middle East	DHCC Al Baker Building 26 – Office 107 – P.O. Box 505,201 Dubai – United Arab Emirates	100%	100%	100%
bioMérieux Norway	Nydalsveien 28 P.B. 4814 Nydalen – N-0484 Oslo – Norway	100%	100%	100%
bioMérieux New Zealand	22/10 Airbourne Road – North Harbour – Auckland – New Zealand	100%	100%	100%
bioMérieux Poland	ul. Gen. J. Zajączka 9 -01-518 Warsaw – Poland	100%	100%	100%
bioMérieux Portugal	Av. 25 de Abril de 1974, No. 23-3° – 2795-197 Linda A Velha Portugal	100%	100%	100%
bioMérieux United Kingdom	Grafton Way, Basingstoke Hampshire RG22 6HY – United Kingdom	100%	100%	100%
bioMérieux Russia	1st Nagatinskiy proezd, 10, str.1, business center "Newton Plaza" – Moscow 115,533 – Russia	100%	100%	100%
bioMérieux Singapore	11 – Biopolis Way – Helios – Unit # 10-04 – 138667 – Singapore	100%	100%	100%
bioMérieux Sweden	Hantverksvagen 15 – 43633 Askim – Sweden	100%	100%	100%
bioMérieux SRB doo	Belgrade Office Park, Djordja Stanojevica 12/III, New Belgrade, 11070 Belgrade – Serbia	100%	100%	100%
bioMérieux Switzerland	51 Avenue Blanc – Case Postale 2150 – 1202 Geneva – Switzerland	100%	100%	100%
bioMérieux Thailand	3195/9 Vibulthani Tower, 4th floor – Rama IV Road – Klongton – Klongtoey – Bangkok 10110 – Thailand	100%	100%	100%
bioMérieux Turkey	Isiklar Cad. N0 29, Atasehir – 34750 Istanbul – Turkey	100%	100%	100%
bioMérieux Vietnam	Floor 10, Vinaconex Tower, 34 Lang Ha, Lang Ha ward, Dong Da District, Hanoi – Vietnam	100%	100%	100%
bioTheranostics	9640 Towne Centre Dr., Ste 200 – San Diego CA 92121 – US			100%
BTF Pty Limited	PO Box 599 – North Ryde BC – NSW 1670 – Australia	100%	100%	100%
Centre Européen d'Expertise et de Recherche sur les Agents Microbiens – CEERAM	1 allée de la Filée – 44240 La Chapelle sur Erdre – France			100%
Hyglos Invest GmbH	Am Neuland 3 – 82347 Bernried am Starnberger See Germany	100%	100%	
Hyglos GmbH	Am Neuland 3 – 82347 Bernried am Starnberger See Germany	100%	100%	
Mérieux Université	113 Route de Paris – 69160 Tassin-La-Demi-Lune – France	40%	40%	40%

		2017 (a)	2016	2015
Quercus Scientific NV	Keistraat 120,9830 Sint-Martens-Latem Belgium	100%	100%	
RAS Lifesciences	Plot N° 13, 4-7(18)/13/2, Raghavendra Nagar, Nacharam, Hyderabad – 500,076 India	70%	70%	70%
Shanghaï bioMérieux Bio-engineering	No. 1181, Qinzhou North Road, Caohejing Hi-Tech Zone, Xuhui Area – Shanghaï – 200233 – China			60%
SSC Europe	ul. Gen. J. Zajączka 9 -01-518 Warsaw – Poland	100%	100%	100%
bioMérieux (Shanghai) Biotech Co. Ltd. (formerly Meikang)	N° 4633 Pusan Road, Kangqiao Industrial Park – Pudong New District – Shanghai – 201315 – China	100%	100%	100%
bioMérieux Shangai Company Ltd.	N° 4633 Pusan Road, Kangqiao Industrial Park – Pudong New District – Shanghai – 201315 – China	100%	100%	100%

(a) Percentage control is identical to percentage interest, except in the case of Hyglos Invest GmbH, for which the percentage interest is 75%.

6.1.3 Report of the Statutory Auditors on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

At the bioMerieux Annual General Meeting,

Opinion

In performing the duty assigned to us by your Annual General Meetings, we conducted an audit of the consolidated financial statements of bioMérieux for the year ended December 31, 2017 as appended to this report.

In our opinion, the consolidated financial statements are, in accordance with International Financial Reporting Standards as adopted by the European Union, reliable and give a true and fair view of the results of the operations for the year under review as well as of the financial position and assets, at the end of the year, of the parties and entities included in the consolidation scope.

The opinion expressed above is consistent with the contents of our report to the Audit Committee.

Basis for opinion

Standards, amendments and interpretations

We conducted our audit according to generally accepted professional standards in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities by virtue of these standards are stated in the section "Statutory Auditors' responsibilities relating to the audit of the consolidated financial statements" of this report.

Independence

We have conducted our audit in compliance with the rules of independence that apply to us, from the period between the January 1st, 2017 to the date of issue of our report, and in particular we have not provided services prohibited by article 5, Paragraph 1, of EU regulation No. 537/2014 or by the Auditors Code of Ethics.

Justification for our assessments – Key points of the audit

Pursuant to the provisions of articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the key points of the audit relating to risks of material misstatements which, according to our professional judgement, were the most significant for the audit of the consolidated financial statements for the financial year, plus the answers we have provided to control these risks.

Our assessments on these matters are part of the audit process for consolidated financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on the elements of these consolidated financial statements taken separately.

Evaluation of consolidated goodwill

Risk identified	Our response
As at December 31, 2017, goodwill stood at €442.7 million and represented 14.8% of the Group's balance sheet. As described in Note 5 of the notes to the consolidated financial statements, on the date of acquisition, goodwill is attached to a cash-generating unit depending on the synergies expected for the Group. At the end of each reporting period the Group systematically tests its cash-generating units (CGU) for impairment and also determines whether there are any indications of loss of value of assets over the long term. Impairment testing is used to determine the recoverable amount of a CGU or group of CGUs, representing the higher of their value in use and fair value less costs to sell. In practice, the value in use of a CGU or group of CGUs is determined primarily on the basis of discounted operating cash flow projections covering a period of five years and based on the most recent business plan, and a terminal value. We consider this issue to be a key point of our audit given the fact that the recoverable amount of this goodwill is based to a very large extent on the judgement of senior management, in particular with respect to operating margins, the growth rate rates used for cash flow projections and the discount rates applied to them.	We included assessment specialists in the audit team in order to examine the impairment tests performed by senior management. Our work consisted mainly in: • assessing the principles and methods for determining evidence of impairment and the recoverable amount of goodwill and other intangible assets with an indefinite useful life; • corroborating, most notably through interviews with senior management, the main data and assumptions on which the estimates are based (such as the discount rate and the perpetuity growth rate); • reviewing the business outlook of legal entities or ranges that show evidence of loss of value through interviews with senior management and in comparing the accounting estimates of cash flow projections of previous periods with the corresponding actual figures; • comparing, through random sampling, the accounts of the data used in carrying out impairment tests and testing the accuracy of the arithmetic calculations of the valuations used by the Group.

Assessment of obligations related to defined benefit pension plans

Risk identified	Our response
The Group creates provisions to cover defined benefit scheme and other long-term benefit obligations primarily in the United States, France, Germany and the United Kingdom. As at December 31, 2017, the Group recorded a net liability of €86.6 million for these obligations, of which €84 million of pension benefit obligations. The amount of pension benefit obligations corresponds to the difference between the present value of the defined benefit obligations (€234 million) and the fair value of assets held by funds amounting to €150 million. These obligations are calculated according to the "projected unit credit" method and take into consideration actuarial assumptions, in particular the discount rate, the rate of future salary increases, employee turnover and the mortality rate, as described in Note 14.3 of the notes to the consolidated financial statements; We consider the valuation of obligations linked to pension scheme benefits to be a key point of our audit inasmuch as the determination of these assumptions depends on the judgements made by senior management, and any change in these assumptions is likely to prompt a significant variation in the amount of net liability.	We noted and reviewed the process for assessing post-employment benefits implemented by senior management. With the help of our actuarial specialists, we examined the key assumptions used by senior management and the information used by the actuaries appointed by senior management to assess pension benefit obligations, more especially in France, the United States, Germany and the United Kingdom. We carried out the following: • a review of all the assumptions for the French scope, and a review of the discount rate for the rest of the scope (United States, Germany and the United Kingdom); • consistency checks for the countries examined on the weight of the current service cost, the interest expense given the discount rate assumption, the rate of return of financial assets, the impact on profit and equity; • a review of the calculation method.

Verification of information about the Group presented in the management report

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Board of Directors' management report.

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

Information from other legal and regulatory obligations

Appointment of statutory auditors

We were appointed statutory auditors of bioMérieux by your General Meeting of May 30, 2017 for GRANT THORNTON and May 30, 2012 for ERNST & YOUNG et Autres.

As at December 31, 2017, GRANT THORNTON was in the first continuous year of its audit engagement while ERNST & YOUNG et Autres was in the sixth year.

Responsibilities of senior management and the persons constituting corporate governance for the consolidated financial statements

Senior management is responsible for the preparation of consolidated financial statements that present a true view in accordance with the IFRS standard adopted by the European Union, together with the implementation of the internal control it deems relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, senior management is responsible for assessing the Company's ability to continue as a going concern, to present in these financial statements, if necessary, information concerning the continuity of the Company's operations and to apply the accounting policy of going concern, unless there are plans to unwind the Company or discontinue the business.

The Audit Committee is responsible for monitoring the financial reporting preparation process and the effectiveness of internal control and risk management systems and, if necessary, the Internal Audit Department with respect to procedures relating to preparation and treatment of accounting and financial information.

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

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Audit objective and procedure

It is our duty to draw up a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit conducted in accordance with professional standards will systematically detect any material misstatement. Misstatements may arise from fraud or result from errors and are considered as material when it can be reasonably expected that, taken singly or together, they can influence the economic decisions that users of the financial statements take based thereon.

As stated in article L.823-10-1 of the French Commercial Code, our engagement to certify the financial statements does not consist in guaranteeing the viability or quality of management of your Company.

Within the framework of an audit conducted in compliance with professional standards applicable in France, the statutory auditor exercises his professional judgement throughout the audit.

Furthermore:

- the statutory auditor identifies and assesses the risks whereby the consolidated financial statements may contain material misstatements, whether from fraud or errors, defines and implements audit procedures regarding these risks, and collects the elements it considers sufficient and appropriate on which to base its opinion. The risk of not detecting a material misstatement arising from fraud is higher than the risk of a material misstatement resulting from an error, because fraud may imply collusion, falsification, voluntary omissions, false declarations or the circumvention of internal control;

- the statutory auditor reviews the relevant internal control for the audit in order to define the appropriate audit procedures for the circumstances and in the aim of expressing an opinion on the effectiveness of internal control;
- he assesses the appropriateness of the accounting methods used and the reasonable nature of the accounting estimates made by senior management, as well as information concerning these methods provided in the consolidated financial statements;
- he assesses the appropriateness of the application by the management of the going concern concept and, according to the elements collected, whether or not there is a material uncertainty linked to events or circumstances likely to compromise the Company's ability to continue as a going concern. This assessment is based on the information collected until the date of his report. It is however pointed out that subsequent circumstances or events could jeopardize continuity as a going concern. If he concludes that there is a material uncertainty, the statutory auditor draws the attention of the readers of the report to the information provided in the consolidated financial statements about such uncertainty, or if this information is not provided or is not relevant, he issues a certification with reservations or a refusal to certify;
- he assesses the overall presentation of the consolidated financial statements and assesses whether they reflect underlying operations and events so as a give a true view;
- concerning the financial information of the persons or entities included in the consolidation scope, he collects the information considered sufficient and appropriate to express an opinion on the consolidated financial statements. He is responsible for the management, supervision and performance of the audit of the consolidated financial statements as well as the opinion expressed thereafter.

Report to the Audit Committee

We submit a report to the Audit Committee that presents, in particular, the scope of the audit and the work schedule implemented as well as the conclusions of our audit. Our audit also informs the Audit Committee of any material weaknesses of internal control that we have identified with respect to the procedures relating to the preparation and treatment of accounting and financial information.

The points mentioned in the report to the Audit Committee include the risks of material misstatements that we consider to have been the most significant for the audit of the year's consolidated financial statements, which therefore constitute the key points of the audit and which it is our duty to describe in this report.

We also submit to the Audit Committee the declaration provided in article 6 of EU regulation No. 537-2014 confirming our independence, as defined in rules applicable in France as set out in articles L.822-10 to L.822-14 of the French Commercial Code and in the statutory auditors professional Code of Ethics. If relevant, we will meet the Audit Committee to discuss the risks that threaten our independence and the safeguard measures applied.

Lyon, February 28, 2018
The Statutory Auditors

Françoise Mechin
GRANT THORNTON
French member of Grant Thornton International

Nicolas Perlier
ERNST & YOUNG et Autres

6.2 Parent company financial statements

6.2.1 Parent company financial statements of bioMérieux SA for the years ended December 31, 2016 and 2017

Balance sheet

Assets

In millions of euros	Notes	Net Dec. 31, 2017	Net Dec. 31, 2016
Fixed assets			
• Intangible assets	4.1	190.3	190.7
• Property, plant and equipment	4.2	231.6	219.7
• Investments and related receivables	4.3	491.9	516.1
• Other non-current financial assets	4.3	2.6	1.6
TOTAL		**916.4**	**928.1**
Current assets			
• Inventories and work-in progress	5	148.0	139.8
• Trade receivables	6	320.6	297.7
• Other operating receivables	6	37.4	35.6
• Non-operating receivables		50.6	46.8
• Cash and cash pooling	7	432.7	307.1
TOTAL		**989.2**	**827.0**
Deferred charges spread over several years		0.7	0.9
Bond redemption premiums		0.9	1.2
Unrealised foreign exchange losses	8	3.9	8.0
TOTAL ASSETS		**1,911.1**	**1,765.2**

Shareholders' equity and liabilities

In millions of euros	Notes	Dec. 31, 2017	Dec. 31, 2016
Equity			
• Share capital		12.0	12.0
• Additional paid-in capital		63.5	63.5
• Retained earnings		774.9	744.2
• Statutory provisions and grants		59.0	54.0
• Net income for the year		109.2	69.1
TOTAL	**9**	**1,018.6**	**942.8**
Impairment	**10**	**62.2**	**56.3**
Liabilities			
• Borrowings and debt	11	514.4	423.6
• Trade payables	12	159.9	161.7
• Other operating payables	12	134.6	124.8
• Non-operating payables		20.7	25.5
TOTAL		**829.6**	**735.6**
Unrealised foreign exchange gains	8	0.7	30.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,911.1**	**1,765.2**

Consolidated income statement

In millions of euros	2017	2016
Sales of goods and finished products	982.3	909.1
Other income	155.3	129.8
SALES	**1,137.6**	**1,038.9**
Production included in inventories (work-in-progress and finished products)	6.1	(4.3)
Capitalised production	9.4	7.9
TOTAL PRODUCTION	**1,153.1**	**1,042.5**
Purchases	(413.9)	(366.9)
Change in raw material and instrument inventories	2.4	12.7
External charges	(260.6)	(249.4)
ADDED VALUE	**481.0**	**438.9**
Taxes other than income tax	(20.3)	(20.1)
Payroll and benefits	(288.0)	(272.5)
GROSS OPERATING INCOME	**172.7**	**146.4**
Depreciation, amortisation and provisions	(57.9)	(57.5)
Other operating income (expense)	(45.1)	(42.4)
OPERATING INCOME	**69.7**	**46.3**
Net financial expense	25.8	(3.3)
Net investment income	16.3	26.2
NET INCOME BEFORE NON-RECURRING ITEMS AND TAX	**111.8**	**69.2**
Non-recurring income	(4.9)	(8.6)
Non-discretionary profit sharing		
Income tax	2.3	8.5
NET INCOME FOR THE YEAR	**109.2**	**69.1**
EARNINGS PER SHARE	**0.92**	**1.75**

Basic earnings per share are calculated by dividing net income for the period by the weighted average number of shares outstanding during the period. In 2017, there was a three-for-one split of the par value of the share. As the Company has not issued any dilutive instruments, diluted earnings per share is identical to basic earnings per share.

6.2.2 Notes

Note 1 Summary of significant accounting principles

The financial statements have been prepared in accordance with regulation No. 2015-06 and No. 2016-07 of the French accounting standards authority (*Autorité des normes comptables* – ANC).

The Company has applied regulation No. 2015-05 on forward financial instruments and hedging operations that entered into force on January 1, 2017. The impacts of the first-time application of this regulation are set out in Note 3.

The Company recognised a change in accounting estimates in the financial statements as at December 31, 2017 relating to the accounting of foreign exchange gains and losses of cash pooling accounts, as set out in Note 3.

The Company prepares consolidated financial statements which include the annual financial statements of its subsidiaries based on the full consolidation method whenever bioMérieux has effective control over those subsidiaries, or based on the equity method when the Company exercises significant influence over the entities concerned.

The Company's financial statements are fully consolidated in the financial statements of Compagnie Mérieux Alliance (17 rue Bourgelat, 69002, Lyon, France).

Note 2 Significant events of the financial year

2.1 Stock split

On September 19, 2017, there was a three-for-one split upon a decision of the Board of Directors at their meeting of August 29, 2017 delegated by the Combined General Meeting of May 30, 2017. On September 22, 2017, each share was swapped against three new shares with the same dividend entitlement.

2.2 Advencis merger

The merger of Advencis in bioMérieux SA's accounts was effective as from September 30, 2017 with a retroactive accounting effect to January 1, 2017. Contributions were recorded at their carrying amount.

The merger loss amounting to €6.3 million was recorded for the financial year, of which €2.6 million was allocated to technology and €3.7 million recorded as financial income.

2.3 Capital increase of bioMérieux Brazil

In 2017, the subsidiary bioMérieux Brazil carried out a recapitalisation for an amount of R$74.4 million, through the capitalisation of trade receivables and related late-payment interests for R$38.7 million and a financial borrowing for R$35.7 million.

2.4 Partnership with Banyan Biomarkers

On January 19, 2017, bioMérieux SA and Banyan Biomarkers, an innovative biomarkers company based in San Diego (US), which develops blood tests capable of diagnosing traumatic brain injuries (TBI), announced that they had signed a partnership agreement. bioMérieux SA acquired a US$6.8 million stake in the capital of Banyan Biomarkers and obtained the rights to develop and market worldwide the markers owned by Banyan for use on the VIDAS® platform in the field of *in vitro* diagnostics. As at December 31, 2017, bioMérieux SA thus owned 19.7% of the capital of Banyan Biomarkers.

2.5 Dissolution of the joint venture with Sysmex

On July 27, 2017, Sysmex Corporation and bioMérieux SA announced that they had agreed to transfer all of Sysmex' holdings in Sysmex bioMérieux Co. Ltd (34% stake) to bioMérieux SA, thereby dissolving the joint venture created by the two companies in 2008. The purpose of this entity was to couple bioMérieux' innovative solutions with Sysmex' sales expertise on the Japanese market. Therefore, on October 26, 2017, bioMérieux SA bought the 1,632 shares owned by Sysmex for an amount of €11.5 million, making it the sole shareholder of bioMérieux Japan Co., Ltd.

2.6 Partnership with Qvella

In November 2017, bioMérieux SA participated, together with other investors, in the raising of funds for the Canadian company Qvella. The main objective of this molecular biology company is to reduce the time required for the diagnosis of infectious diseases. bioMérieux SA invested $7 million (CAD), which gave it a stake of under 10% in Qvella.

2.7 Significant subsequent events

There was no significant subsequent event.

Note 3 Accounting changes

3.1 Change in accounting method

As at January 1, 2017, the new regulation 2015-05 relating to forward financial instruments and hedging operations has been applied with retroactive effect. The impacts as at January 1, 2017 concerning operations of December 31, 2016 are recognised under "retained earnings".

The application of this regulation for hedged currencies is reflected as follows:

- trade receivables and payables are booked at the closing rate to the unrealised foreign exchange gains and losses accounts. The value of the financial instrument corresponding to the difference in value between the historical rate and the hedging rate is booked to operating income and balance sheet accounts and unrealised gains.

  When the net position of losses and gains on debts, receivables and financial instruments, assessed by currency, results in a loss, a provision for unrealised foreign exchange losses is booked as an operating income in the various operating expense accounts;
- loan accounts are converted at the closing price under unrealised gains and losses accounts. The value of the financial instrument corresponding to the difference between the historical rate and the hedging rate is booked to operating income. If the net position of losses and gains on loans and related financial instruments, by currency results in a loss, a provision for unrealised foreign exchange losses is booked to financial income.

In the financial statements of December 31, 2016, this new regulation had the following effect on the main financial aggregates:

In millions of euros	Dec. 31, 2016 *pro forma*	Dec. 31, 2016 published
CONSOLIDATED INCOME STATEMENT		
Sales	909.6	909.1
Purchases	(366.9)	(366.9)
Added value	**439.4**	**438.9**
Gross operating income	**146.9**	**146.4**
Other operating income (expense)	(42.4)	(42.4)
Operating income	**46.8**	**46.3**
Net financial expense	(2.9)	(3.3)
Net income before non-recurring items and tax	**70.2**	**69.2**
Net income for the year	**70.1**	**69.1**

In millions of euros	Dec. 31, 2016 *pro forma*	Dec. 31, 2016 published
BALANCE SHEET – ASSETS		
Trade receivables	298.2	297.7
Non-operating receivables	36.3	35.6
Unrealised foreign exchange losses	7.9	8.0
TOTAL ASSETS	**1,766.3**	**1,765.2**
BALANCE SHEET – LIABILITIES		
Attributable net income for the period	70.1	69.1
Impairment	55.9	56.3
Borrowings and debt	423.9	423.6
Unrealised foreign exchange gains	30.8	30.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,766.3**	**1,765.2**

3.2 Change in accounting estimate

Following the implementation of regulation 2015-05, an in-depth study was conducted to identify the appropriate treatment of foreign exchange gains and losses related to cash pooling accounts with Group companies, bringing the Company to treat these accounts as liquidity accounts, to the extent that the sums that go through these accounts are payable almost immediately. Historically, these accounts were treated as receivables and payables with respect to the Group and according to the conversion rules specific to foreign currency payables and receivables.

For example, as from financial year 2017, in accordance with Article 420-8 of the French Chart of Accounts, gains and losses valued between the historical price and the closing price are recorded directly as financial income and expenses. Before 2017, unrealised losses were recorded as a provision for charges to offset a financial expense, while unrealised gains were not recognised in the consolidated income statement.

Unrealised gains recorded as at December 31, 2016 relating to cash pooling accounts stood at €23.5 million and primarily concerned the US dollar.

As at December 31, 2017, gains relating to cash pooling accounts were booked as financial income for an amount of €13.7 million, while losses were recorded directly as financial expenses for an amount of €5.4 million.

Cash pooling accounts are converted at their closing price and booked to financial income. The value of the instrument corresponding to the difference between the historical rate and the hedging rate is recognised in the balance sheet as financial income.

Note 4 Fixed assets

4.1 Intangible assets

4.1.1 Accounting principles

In accordance with regulation ANC No. 2015-06, technical merger losses were assigned to specific fixed asset accounts in January 2016 relating to acquired goodwill such as intangible business assets, technology and customer relations.

Historical goodwill and assets originating from the assignment of technical elements merger losses do not constitute standalone individual items that can generate their own cash flow. They are intrinsically attached to plants, to the R&D effort that supports the acquired range, to technology and the sales forces that contribute to distributing the product ranges across the Group's entire distribution channels.

Acquired goodwill is therefore grouped together with the other assets of the technological range to which they are linked in order to constitute a homogeneous and standalone range. In practice, tests are performed to group together assets that serve the same client typology (industrial microbiology laboratories) or health issue (pathology/detection of disease-causing organisms: microbiology, molecular biology or immunoassays). An impairment test is carried out systematically from asset groups close to the groups identified at Group level (CGU) when their analysis reveals their fungibility (monitoring and pooled management of acquired goodwill by technological range and customer typology).

At each year-end, the net value of the asset groups thus identified is compared with the current value of assets determined from discounted net cash generated by these assets (including acquired goodwill). An impairment is recorded if an impairment loss is recognised.

Intangible assets also include software applications acquired or developed in-house, amortised over periods of three to ten years based on their estimated useful lives, and patents and licences amortised over the contractual or statutory term of use. In practice, a period of five years is usually applied. These assets are measured at cost (purchase price and incidental costs) or at their production cost.

Lastly, intangible assets acquired in exchange for the payment of indexed royalties are measured at the time of acquisition on the basis of estimated future royalties to be paid over the term of the contract. These estimates are subsequently adjusted based on royalties effectively paid.

4.1.2 Trend

Composition *In millions of euros*	Gross value	Depreciation and impairment	Carrying amount Dec. 31, 2017	Carrying amount Dec. 31, 2016
R&D expenses	17.2	16.0	1.2	2.0
Software	74.0	56.5	17.5	16.7
Goodwill and intangible business assets	143.2 [(a)]		143.2	143.2
Advances and downpayments	7.2		7.2	7.0
Other	71.4 [(b)]	50.2 [(c)]	21.2	21.8
TOTAL	**313.0**	**122.7**	**190.3**	**190.7**

(a) Of which acquired goodwill linked to the assignment of merger losses: €130.4 million.
(b) Of which technologies and customer relationships following the assignment of merger losses: €35.7 million.
(c) Including the amortisation of technologies linked to the assignment of merger losses: €12.9 million.

Change *In millions of euros*	Gross value	Depreciation and impairment	Carrying amount
DECEMBER 31, 2016	**302.4**	**111.7**	**190.7**
Acquisitions/Increases	15.8	11.6	4.2
Advencis merger	0.4	0.1	0.3
Disposals/Decreases	(5.6)	(0.7)	(4.9)
DECEMBER 31, 2017	**313.0**	**122.7**	**190.3**

The increase in the gross value of intangible assets over the year primarily corresponds to software acquired and the cost of development of IT solutions capitalised for €11 million and the Advencis merger loss assigned to technological assets for €2.6 million.

The increase in amortisation and impairment during the financial year result chiefly from the amortisation of software for €7.1 million, merger losses for €2.6 million and amortisation and impairment of research & development expenses previously capitalised by AES Chemunex for €1.2 million. These research & development expenses are being amortised over a period of five years.

Technical merger losses are allocated as follows:

Allocation of merger losses *In millions of euros*	Gross value	Accumulated depreciation	Carrying amount
AES Chemunex			
Goodwill	111.0		111.0
Technology	12.5	6.0	6.5
Customer relationships	5.4	1.9	3.5
TOTAL	**128.9**	**7.9**	**121.0**
ARGENE			
Goodwill	19.4		19.4
Technology	12.8	6.1	6.7
TOTAL	**32.2**	**6.1**	**26.1**
CEERAM			
Technology	2.4	0.5	1.9
TOTAL	**2.4**	**0.5**	**1.9**
Advencis			
Technology	2.6	0.3	2.3
TOTAL	**2.6**	**0.3**	**2.3**
TOTAL	**166.1**	**14.8**	**151.3**

4.2 Property, plant and equipment

4.2.1 Accounting principles

Property, plant and equipment are shown on the balance sheet at purchase or production cost.

In accordance with rules concerning the recognition of assets in effect since January 1, 2005, components are separately recognised and depreciated whenever their cost represents a significant portion of the total cost of the asset to which they relate and their useful life is not the same as that of the main asset.

The only property, plant and equipment assets to which this method is applied are buildings.

For buildings, the depreciation periods are adapted to each group of components:

Depreciation period	Accounting	Tax
Shell	30-40 years	Straight line basis 30 years
inishing work, fixtures and fittings	10-20 years	Straight line basis 15 years

The depreciation is calculated using the straight-line method over the estimated useful lives of the various asset categories. The main durations used are:

Depreciation period	Accounting	Tax
Machinery and equipment	3-10 years	Degressive 5-10 years
Instruments*	3-10 years	Degressive 3-5 years

* *Instruments either installed at third-party sites or used in-house.*

Impairment tests are carried out for property, plant and equipment whenever events or market developments indicate that an asset may have declined in value. If the carrying amount exceeds the recoverable amount, an impairment loss is recognised to reduce the assets to their realisable value.

Most capitalised instruments are installed at customers' sites.

4.2.2 Trend

Composition *In millions of euros*	Gross value	Depreciation and impairment	Carrying amount Dec. 31, 2017	Carrying amount Dec. 31, 2016
Land	18.6	0.8	17.8	15.8
Buildings	243.2	144.4	98.8	102.5
Machinery and equipment	200.7	142.7	58.0	59.8
Capitalised instruments	46.4	32.9	13.5	10.7
Other assets	41.6	30.5	11.1	11.2
Fixed assets in progress	32.3	0.0	32.3	19.7
TOTAL	**582.8**	**351.2**	**231.6**	**219.7**

Change *In millions of euros*	Gross value	Depreciation and impairment	Carrying amount
DECEMBER 31, 2016	**546.3**	**326.6**	**219.7**
Acquisitions/Increases	49.6	33.4	16.2
Advencis merger	0.1	0.1	
Disposals/Decreases	(13.2)	(8.9)	(4.3)
DECEMBER 31, 2017	**582.8**	**351.2**	**231.6**

Principal investments for the financial year concern the construction, equipment and fixtures and fittings for the Campus de Craponne site for €6.7 million, as well as the construction and equipment of the research & development building on the Marcy l'Etoile site for €4.3 million.

4.3 Non-current financial assets

4.3.1 Accounting principles

Non-current financial assets are recognised at their purchase price.

An impairment loss is recognised against investments whenever their value in use falls below their acquisition cost. Value in use is initially estimated taking into account the net carrying amount of the subsidiary's assets at the reporting date. This may be adjusted to reflect the value of any unrecognised identifiable assets (particularly real estate or technologies). Depending on the economic and financial situation of the subsidiary, value in use may also be estimated taking account of sales, borrowings and any associated technological assets and real estate. Given the specific nature of certain investments, in some cases value in use may be measured by estimating the enterprise value based on discounted future cash flows or on observable market financial inputs.

Non-controlling interests held in unlisted companies are measured based on various criteria including the economic outlook, the net equity of the investment or the valuation used based on recent investments in these shares.

Other investments are written down whenever their market value falls below cost. The market value of listed securities corresponds to the average trading price during the last month of the year.

Other non-current financial assets include treasury shares purchased under a liquidity agreement entered into with an investment firm for the specific purpose of maintaining an orderly market in the Company's shares. Own shares held are measured at their average trading price during the last month of the year.

4.3.2 Trend

Composition *In millions of euros*	Gross value	Impairment	Carrying amount Dec. 31, 2017	Carrying amount Dec. 31, 2016
Investments	351.8	93.2	258.6	220.9
Other financial assets	5.3	3.5	1.8	0.9
Related receivables	233.3	0.0	233.3	295.3
Other	0.9	0.1	0.8	0.6
TOTAL	**591.3**	**96.8**	**494.5**	**517.7**

Change *In millions of euros*	Gross value	Impairment	Carrying amount
DECEMBER 31, 2016	**614.3**	**96.6**	**517.7**
Acquisitions/Increases	114.7	7.0	107.7
Advencis merger	(9.2)	(4.8)	(4.4)
Disposals/Decreases	(128.5)	(2.0)	(126.5)
DECEMBER 31, 2017	**591.3**	**96.8**	**494.5**

In 2015, the Company granted a credit line to its subsidiary BioFire Diagnostics, a Group company, to finance the construction of its new industrial and administrative site in Salt Lake City, for a maximum amount of US$95 million. In 2015 and 2016, several drawdowns, totalling US$79.5 million (€75.7 million), were made from this credit line. In 2017, there were further drawdowns amounting to US$11.9 million (€11.2 million). The first loan maturities were repaid over the year for an amount of US$5.7 million (€5 million). As at December 31, 2017, borrowings amounted to US$85.7 million (€71.5 million) after taking into account the €10 million currency hedge.

bioMérieux Brazil carried out a recapitalisation through the capitalisation of trade receivables and related late-payment interests for R$38.7 million (€11.8 million), and a financial borrowing of R$35.7 million (€10.9 million) that had been granted to the subsidiary. The valuation of securities thus rose by €22.7 million in 2017 (see Note 2).

In 2017, bioMérieux SA granted the Indian subsidiary RAS a loan of 570 million Indian rupees (€8.1 million) repayable at par at maturity in 2018.

After acquiring a 34% stake in the non-controlling shares owned by Sysmex for €11.5 million (JPY 1.2 billion) in 2017, bioMérieux SA now wholly owns bioMérieux Japan Co. Ltd (see Note 2).

In 2017, bioMérieux SA acquired a stake of nearly US$7 million (€6.4 million) in Banyan Biomarkers (see Note 2).

In November 2017, bioMérieux invested US$7 million (€6 million) in the Canadian company Qvella (see Note 2).

The drops in securities and related receivables in 2017 concern the repayment of the loan granted to the subsidiary bioMérieux Inc. for an amount of US$67.1 million (or €49.2 million). At end December 2017, the balance of this loan stood at US$201 million (€147.4 million). The next maturity amounting to US$33.5 million is scheduled for April 2018.

The increase in the impairment of non-current financial assets corresponds primarily to impairments recognised on the securities of bioMérieux distribution subsidiaries.

4.3.3 List of subsidiaries and investments

See table below.

		Share capital	Net equity excl. Share capital	Percentage ownership	Carrying amount of shares held before impairment	Carrying amount of shares held after impairment	Outstanding loans and advances granted by the Company	Prior year sales	Prior year net income or loss	Dividends received by the Company during the year	Notes
		(In millions of currency units)	*(In millions of currency units)*		*(In millions of euros)*	*(In millions of euros)*	*(In millions of euros)*	*(In millions of currency units)*	*(In millions of currency units)*	*(In millions of euros)*	
A – Subsidiaries *(up to 50%-owned by bioMérieux)*											
AB bioMérieux	SEK	0.2	51.3	100.0%	74.2	12.0	0.0	0.0	(0.3)	1.0	Jan. 1, 2017 – Dec. 31, 2017
ABG Stella	USD	0.0	460.8	100.0%	55.5	55.5	0.0	0.0	0.0	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux West Africa	CFA	50.0	146.2	100.0%	0.1	0.1	0.0	0.0	9.0	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Germany	EUR	3.5	19.5	100.0%	3.8	3.8	8.3	105.1	0.4	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Algeria	DZD	58.0	84.2	100.0%	0.6	0.6	0.0	22.2	(4.2)	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Argentina	ARS	6.1	57.3	99.1%	5.4	3.0	0.0	321.9	22.3	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Austria	EUR	0.1	1.8	100.0%	0.1	0.1	0.0	14.8	0.5	0.5	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Colombia	COP	0.5	20.2	100.0%	2.2	2.2	0.0	67.5	5.3	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Brazil	BRL	123.3	58.8	100.0%	46.7	30.5	0.0	187.1	(6.8)	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Belgium	EUR	0.3	4.4	100.0%	0.3	0.3	0.0	26.9	1.3	0.5	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Benelux BV	EUR	0.0	7.1	100.0%	0.1	0.1	1.5	104.0	1.4	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Chile	CLP	1,686.6	6,345.1	100.0%	3.1	3.1	0.0	15,068.5	781.9	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux China	HKD	193.0	337.3	100.0%	24.6	24.6	3.3	228.7	11.3	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Korea	KRW	1,000.0	12,803.9	100.0%	0.7	0.7	0.0	49,054.0	3,306.2	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Denmark	DKK	0.5	7.3	100.0%	0.5	0.5	0.0	53.2	3.0	0.1	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Spain	EUR	0.2	26.5	100.0%	0.6	0.6	4.2	78.2	3.0	6.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Finland	EUR	0.0	0.6	100.0%	0.1	0.1	0.0	6.6	0.4	0.2	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Greece	EUR	2.0	6.2	100.0%	4.1	4.1	0.0	11.0	0.9	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Hungary	HUF	3.0	216.3	100.0%	0.0	0.0	0.6	1,654.2	94.3	0.1	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux HK Investment LTD	HKD	68.8	79.7	100.0%	6.1	6.1	0.0	0.0	(1.9)	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux India	INR	66.0	1,202.1	99.9%	2.9	2.9	0.0	4,106.4	340.8	1.1	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Italy	EUR	9.0	39.8	100.0%	12.8	12.8	0.0	125.5	4.3	3.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Japan	JPY	0.5	0.7	100.0%	15.4	12.4	0.0	5.8	0.1	0.3	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Malaysia	MYR	0.1	0.2	100.0%	0.0	0.0	0.1	0.0	0.1	0.0	Jan. 1, 2017 – Dec. 31, 2017

		Share capital	Net equity excl. Share capital	Percentage ownership	Carrying amount of shares held before impairment	Carrying amount of shares held after impairment	Outstanding loans and advances granted by the Company	Prior year sales	Prior year net income or loss	Dividends received by the Company during the year	Notes
		(In millions of currency units)	*(In millions of currency units)*		*(In millions of euros)*	*(In millions of euros)*	*(In millions of euros)*	*(In millions of currency units)*	*(In millions of currency units)*	*(In millions of euros)*	
bioMérieux Middle East	AED	0.1	1.0	100.0%	0.0	0.0	0.9	0.0	0.3	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Norway	NOK	2.8	4.0	100.0%	0.3	0.3	0.0	44.7	1.3	0.1	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Poland	PLN	0.4	32.6	100.0%	1.5	1.5	0.8	119.6	8.3	1.7	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Portugal	EUR	1.6	7.8	100.0%	2.0	2.0	2.3	17.0	0.1	0.5	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Czech Republic	CZK	0.2	9.9	100.0%	0.0	0.0	3.8	539.4	3.2	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Russia	RUB	55.7	197.1	100.0%	1.3	1.3	0.0	1,135.3	75.4	0.6	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux South Africa	ZAR	50.0	104.5	100.0%	5.4	5.4	0.0	272.4	10.8	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Sweden	SEK	0.5	8.1	100.0%	0.2	0.2	0.0	187.2	6.1	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Switzerland	CHF	0.4	3.8	100.0%	0.6	0.6	0.0	34.3	1.9	2.1	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Thailand	THB	35.0	85.6	100.0%	0.9	0.9	0.0	368.0	(2.3)	0.8	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Turkey	TRY	3.3	55.6	100.0%	2.7	2.7	0.0	81.0	7.1	0.9	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux UK	GBP	0.0	8.8	100.0%	1.2	1.2	0.0	54.5	1.3	1.1	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Vietnam	VND	6.3	7.4	100.0%	0.2	0.2	0.0	0.0	0.5	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Serbia	RSD	1.2	9.4	100.0%	0.0	0.0	0.0	0.0	2.5	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux Singapore	SGD	0.1	8.9	100.0%	0.1	0.1	0.7	9.0	1.9	0.0	Jan. 1, 2017 – Dec. 31, 2017
bioMérieux International SAS	EUR	0.0	1.1	100.0%	0.0	0.0	0.0	0.0	0.0	0.0	Jan. 1, 2017 – Dec. 31, 2017
AES Canada	CAD	0.0	0.2	100.0%	0.0	0.0	0.5	1.7	0.4	0.0	Jan. 1, 2017 – Dec. 31, 2017
AES GMBH (Germany)	EUR	0.0	0.4	100.0%	0.9	0.4	0.0	0.0	0.0	0.0	Jan. 1, 2017 – Dec. 31, 2017
BTF	AUD	4.1	14.5	100.0%	13.6	13.6	0.0	21.3	8.4	5.5	Jan. 1, 2017 – Dec. 31, 2017
Quercus Scientific NV	EUR	3.9	8.8	94.8%	19.9	19.9	0.0	0.0	0.0	0.0	Jan. 1, 2017 – Dec. 31, 2017
TOTAL SUBSIDIARIES					**310.9**	**226.5**					

	Share capital		Net equity excl. Share capital	Percentage ownership	Carrying amount of shares held before impairment	Carrying amount of shares held after impairment	Outstanding loans and advances granted by the Company	Prior year sales	Prior year net income or loss	Dividends received by the Company during the year	Notes
		(In millions of currency units)	*(In millions of currency units)*		*(In millions of euros)*	*(In millions of euros)*	*(In millions of euros)*	*(In millions of currency units)*	*(In millions of currency units)*	*(In millions of euros)*	
B – Investments *(5%-50% owned by bioMérieux)*											
Geneuro	CHF	614.7	(596.0)	6.4%	0.1	0.1	0.0	5.9	(14.1)	0.0	Jan. 1, 2016 – Dec. 31, 2016
Labtech system LTD	AUD	20.9	0.5	7.6%	1.3	1.3	0.0	5.9	(5.1)	0.0	July 1, 2016 – June 30, 2017
Mérieux Université	EUR	4.0	0.2	40.0%	1.6	0.0	0.0	0.0	(1.0)	0.0	Jan. 1, 2016 – Dec. 31, 2016
Quanterix	USD	128.6	(115.1)	11.5%	17.9	17.9	0.0	12.6	(23.2)	0.0	Jan. 1, 2016 – Dec. 31, 2016
Lumed Inc	CAD	0.8	(0.6)	10.0%	0.3	0.3	0.0	0.2	(0.4)	0.0	Feb. 1, 2017 – Jan. 31, 2018
Banyan Biomarkers Inc	USD	10.7	0.0	19.7%	6.4	6.4	0.0	14.3	(1.3)	0.0	July 1, 2016 – June 30, 2017
Qvella	CAD	54.7	(20.6)	5.8%	6.0	6.0	0.0	0.3	(3.9)	0.0	Jan. 1, 2017 – Dec. 31, 2017
TOTAL EQUITY INVESTMENTS					**33.6**	**32.0**					
C – OTHER SECURITIES											
Avesthagen	INR	76.1	(1,040.7)	3.6%	1.4	0.0	0.0	0.0	(401.2)	0.0	April 01, 2016 – March 31, 2017
My Cartis	EUR	25.4	(17.0)	1.6%	1.2	0.0	0.0	0.4	(6.9)	0.0	Jan. 1, 2016 – Dec. 31, 2016
Dynavax	USD	905.0	(815.8)	0.0%	0.7	0.1	0.0	10.2	(112.4)	0.0	Jan. 1, 2016 – Dec. 31, 2016
Amorçage Technologique Investissement	EUR	29.0	(7.7)	2.5%	0.8	0.8	0.0	0.0	(1.8)	0.0	Jan. 1, 2016 – Dec. 31, 2016
Supernova 2	EUR	0.0	0.0	1.3%	1.0	1.0	0.0	0.0	0.0	0.0	Company created in 2017
Knome TAFKAK	USD	0.0	0.0	0.3%	7.3	0.0	0.0	0.0	0.0	0.0	In liquidation
LyonBiopôle	EUR	1.0	(1.0)	0.0%	0.3	0.0	0.0	1.3	(1.1)	0.0	Jan. 1, 2016 – Dec. 31, 2016
Théra conseil	EUR	0.5	0.2	0.8%	0.0	0.0	0.0	3.4	0.2	0.0	Jan. 1, 2016 – Dec. 31, 2016
TOTAL OTHER SECURITIES					**12.6**	**1.9**					
GRAND TOTAL					**357.1**	**260.4**					

Note 5 Inventories

5.1 Accounting principles

Inventories are measured at the lower of cost and net realisable value.

Inventories of raw materials, consumables and goods for resale are measured at their purchase price plus related expenses using the FIFO method. Work-in-progress and finished products are measured at their actual production cost.

Inventories are written down where necessary, taking into account selling prices, obsolescence, residual shelf life, product condition, sale prospects and, in the case of spare parts, changes in the corresponding instruments' installed base.

5.2 Trend

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Raw materials	35.2	35.9
Work-in-progress	27.2	25.6
Finished products and goods held for resale	95.5	87.8
Total gross value	**157.9** [a]	**149.3**
Impairment losses	(9.9) [b]	(9.5)
TOTAL CARRYING AMOUNT	**148.0**	**139.8**

(a) Of which relating to instruments and the related spare parts : 27. 9 % compared to 26,2% en 2016.
(b) Of which impairment of inventories and work-in-progress: -€0.1 million versus -€0,1 million in 2016.

Note 6 Trade and operating receivables

6.1 Accounting principles

Receivables are recognised at face value. An impairment loss is recognised when the receivables present a risk of non-recovery.

6.2 Trend

Trade receivables *In millions of euros*	Dec. 31, 2017	Dec. 31, 2016
Gross trade receivables	325.2	302.8
Impairment losses	(4.6)	(5.1)
CARRYING AMOUNT	**320.6**	**297.7**

Other operating receivables *In millions of euros*	Dec. 31, 2017	Dec. 31, 2016
Advances and downpayments	8.5	8.8
Prepaid expenses	6.2[(a)]	6.0
Other operating receivables	22.7[(b)]	20.8
TOTAL GROSS VALUE	**37.4**	**35.6**

(a) Prepaid expenses correspond primarily to purchases (€5.8 million as at December 31, 2017, compared with €5.7 million the previous year).
(b) Including a VAT receivable for €13.5 million.

Maturities of trade and other receivables *Carrying amount in millions of euros*	Dec. 31, 2017	Dec. 31, 2016
Trade receivables	**320.5**	**297.7**
Due in less than one year	320.3	297.3
Due in more than one year	0.2	0.4
Other operating receivables	**37.4**	**35.6**
Due in less than one year	35.9	33.4
Due in more than one year	1.4	2.2

Note 7 Cash at bank and in hand

7.1 Accounting principles

Cash and cash equivalents include available cash and short-term investments.

Changes in the cash pool are valued at the average monthly exchange rate. Cash pooling accounts are remeasured at the end of the month at the closing rate. Until December 31, 2016, this remeasurement was offset by an entry to unrealised foreign exchange gains or losses and a provision for financial risk was set aside for any unrealised losses. As from 2017, the remeasurement is offset by an entry to financial income and expenses, taking into account currency hedges related to these positions, as stated in Note 3.2.

7.2 Trend

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Short-term investments	83.2	33.8
Cash pooling	219.7	223.6
Cash at bank and in hand, and financial instruments	129.8	49.7
TOTAL	**432.7**	**307.1**

Short-term investments break down as follows:

	Dec. 31, 2017	Dec. 31, 2016
Investment	BNP Paribas Deposit money-market fund	BNP Paribas Deposit money-market fund
Net amount	€55.6 million	€11.8 million
Classification	Euro money-market fund	Euro money-market fund
ISIN code	FR0011046085	FR0011046085
Investment	AMUNDI TRESO EONIA money-market fund	Swiss Life Short Term €money-market fund
Amount	€12.0 million	€8.0 million
Classification	Euro money-market fund	Euro money-market fund
ISIN code	FR0007435920	FR0011060870
Investment	Treasury shares	Treasury shares
Amount	€10.6 million	€14.0 million
Classification	Equities	Equities
ISIN code	FR0010096479	FR0010096479
Investment	Time-deposit account	Time-deposit account
Amount	€5.0 million	€0.0 million
Classification	Euro money-market fund	Euro money-market fund
ISIN code		

The short-term investments include:

- 13,763 treasury shares purchased under a share grant plan.
  As prescribed by the French National Accounting Board (*Commission des Normes Comptables* – CNC) in its November 6, 2008, notice No. 2008-17, treasury shares allocated to existing plans are not written down to reflect market prices;
- 215,394 shares purchased within the framework of the establishment of a hedging program intended to ensure the cost of the various share grant plans.

Note 8 Translation adjustments

8.1 Accounting principles

In accordance with the accounting changes presented in Note 3, the accounting principles concerning the recognition of foreign exchange gains and losses were changed in 2017.

Income and expenses in foreign currencies are recognised at their value in euros on the transaction date based on the average monthly exchange rate. Foreign exchange gains or losses on commercial transactions resulting from differences in rates between the transaction date and payment date are recognised under the corresponding line in the income statement (sales and purchases).

Receivables and payables denominated in foreign currency are translated at the closing rate (until 2016, if a hedge had been put in place, the translation was based on the hedging rate). Any differences resulting from this valuation are recognised under unrealised foreign exchange gains and losses. Provisions are set aside for unrealised foreign exchange losses and are recognised in income (sales and purchases) whenever the receivable or payable is related to a commercial transaction.

Since 2017, when, for business transactions with relatively close maturities, unrealised foreign exchange gains and losses may be considered as contributing to an overall position, the amount of the allowance for exchange rate risks is capped at the excess of losses over gains. This estimate of losses takes into account, if applicable, the hedging rate linked to the derivative instruments related to these transactions.

Foreign exchange gains and losses concerning financial flows are recorded under financial income and expenses. Following the accounting changes presented in Note 3, cash-pooling related translation differences are recognised as income as well as the hedging instrument symmetrically to the hedged item.

8.2 Unrealised foreign exchange losses

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
On operating items	2.8	2.6
On borrowings and financial receivables	1.1	5.4
TOTAL	**3.9**	**8.0**

For 2017, unrealised foreign exchange losses related to the cash pool are booked as income for an amount of €5.5 million. As at December 31, 2016, they were recognised under unrealised foreign exchange losses for €2.5 million and were recorded as a provision for unrealised losses.

Unrealised gains on currency hedges are recorded as at December 31, 2017 for an amount of €1.2 million, as a deduction from unrealised losses on sales flows.

8.3 Unrealised foreign exchange gains

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
On operating items	0.7	4.1
On borrowings	0.0	2.0
On financial receivables	0.0	24.4 [(a)]
TOTAL	**0.7**	**30.5**

(a) Unrealised gains on cash pooling recognised in the income statement for the 2017 financial year for €13.7 million.

Unrealised losses on currency hedges are recorded as at December 31, 2017 for an amount of €0.2 million, as a deduction from unrealised gains on sales flows.

Note 9 Equity and share grant plans

9.1 Accounting principles

Investment grants are recognised in equity. The Company has elected to spread an investment grant financing an amortisable fixed asset over several periods. The investment grant is reversed over the same period based on the same pattern as the value of the asset acquired or created as a result of the grant.

Share grant plans

Shares were acquired as part of a hedging plan, allocating the shares specifically to a share grant plan or as hedging for plans without precise allocation.

9.2 Change in shareholders' equity

The Company's share capital amounted to €12,029,370 at December 31, 2017 and was divided into 118,361,220 shares with a total of 196,884,538 voting rights (of which 78,757,392 shares carrying double voting rights). Following a decision taken by the General Meeting of March 19, 2001, the Company's bylaws no longer refer to a par value for its shares. In September 2017, there was a three-for-one split of the par value of the share upon a decision of the Combined General Meeting of May 30, 2017. Each existing share entitled the owner to three new shares. No rights or securities with a dilutive impact on capital were outstanding at December 31, 2017.

At December 31, 2017, the Company held:

- 4,917 treasury shares under a liquidity agreement with an independent investment service provider. During 2017, the Company purchased 421,704 and sold 418,493 of its own shares;
- 13,763 treasury shares were set aside for free share grants and allocated to a specific plan, and 215,394 treasury shares purchased under a hedging program covering the various share grant plans. During 2017, the Company purchased 13,773 and awarded 99,000 of its own shares.

Change in shareholders' equity *In millions of euros*	Share capital	Additional paid-in capital	Retained earnings	Statutory provisions	Subsidies	Total
EQUITY AT DECEMBER 31, 2016	**12.0**	**63.5**	**813.3**	**53.8**	**0.2**	**942.8**
Attributable net income for the period			109.2			109.2
Regulation 2015-05 – Allocation to retained earnings			1.0			1.0
Dividends paid			(39.4)			(39.4)
Changes in statutory provisions				5.1	(0.1)	5.0
EQUITY AT DECEMBER 31, 2017	**12.0**	**63.5**	**884.1**	**58.9**	**0.1**	**1,018.6**

The following table presents the Company's share grant plans:

	Year in which plan opened					
Number of shares	2012	2013	2014	2015	2016	2017
Initial number of options granted	78,000	125,100	15,000	53,100	402,300	40,116
Forfeited shares	28,800	38,100		4,500	24,300	
Number of shares remitted in 2017	30,000	69,000				
Total number of vested shares	19,200	18,000				
Number of shares to be remitted as of Dec. 31, 2017	0	0	15,000	48,600	378,000	40,116

The number of shares for plans prior to 2017 were tripled after the three-for-one split decided by the Combined General Meeting of June 2017.

Between 2013 and 2017, the Board of Directors granted free shares (out of existing shares) to certain employees and corporate officers, subject to presence and performance conditions, as applicable.

Under the terms of the different plans, the free shares are subject to a vesting period of three or four years.

The performance shares will only fully vest if certain objectives based on operating income or other specific objectives are met. The performance shares are no longer subject to a lock-up period if the vesting period is at least two years. The lock-up period may be waived for shares granted to non-French tax residents provided that the shares concerned are subject to a four-year vesting period.

In 2017, after taking into account the rebilling of free shares, a net expense of €15.2 million was recognised as operating income (compared with a net expense of €4.6 million the previous year), primarily as a result of the increase by more than 50% of the average price of the bioMérieux share.

Considering the 13,763 shares held on December 31, 2017 and specifically allocated to a share grant plan and the 215,394 shares purchased to cover the other grants, the Company will have to purchase an additional 252,559 shares for an amount of €18.9 million based on the share price at December 31, 2017.

9.3 Changes in statutory provisions

Statutory provisions *In millions of euros*	Accelerated amortisation	Provisions for price increases	Total
DECEMBER 31, 2016	**52.6**	**1.2**	**53.8**
Additions	15.6	0.3	15.9
Reversals	(10.7)	(0.1)	(10.8)
DECEMBER 31, 2017	**57.5**	**1.4**	**58.9**

Note 10 Provisions for contingencies and losses

10.1 Accounting principles

Contingency and loss provisions are recognised in accordance with French accounting rules applicable to liabilities (C.R.C. 2000-06).

The Company is involved in a certain number of claims and litigation arising from the normal course of its business. It believes that these claims and litigation will not have a materially adverse impact on its ability to continue as a going concern. When a risk is identified, a provision is recognised as soon as it can be reliably estimated. The provision for claims and litigation amounted to €0.6 million at December 31, 2017.

10.2 Trend

Provisions *In millions of euros*	Other employee benefits [a]	Product warranties [b]	Other provisions [c]	TOTAL
DECEMBER 31, 2016	**31.0**	**0.8**	**24.5**	**56.3**
Retained earnings – regulation 2015-05			(0.4)	(0.4)
Additions	1.8	1.0	26.0	28.8
Reversals (utilisations)	(5.0)	(0.8)	(15.9)	(21.7)
Reversals (surplus)			(0.8)	(0.8)
Net additions (reversals)	(3.2)	0.2	9.2	6.2
DECEMBER 31, 2017	**27.9**	**1.0**	**33.3 [c]**	**62.2**

(a) Provisions for other employee benefits comprise retirement benefits, long-service awards and bonuses and mutual health insurance benefits. In 2017, the long-service award and bonus commitment was reviewed to take into account the granting of a long-service bonus for 40 years of employment, to accompany the award of the Grande Médaille d'Or long-service award set out in the forward-looking skills management agreement 2017-2020 that was signed in June 2017.

(b) Estimate of the costs relating to warranties issued on the sale of instruments in the period that may be incurred over the remaining warranty period.

(c) Including a provision for unrealised foreign exchange losses of €3.9 million, provision for free share grants of €22.4 million and provisions to cover losses upon termination on sales contracts amounting to €2.6 million and provisions for sales or employee disputes (€4.2 million).

10.3 Provisions for pensions and other post-employment benefits

10.3.1 Accounting principles

The Company applies ANC recommendation No. 2013-02 of November 7, 2013 and applies the principles of IAS 19 as amended in June 2011 for its statutory financial statements, with the exception of the option to recognise actuarial gains and losses in equity.

10.3.2 Trend

Obligations in respect of pensions and other post-employment benefits are calculated using actuarial methods based on the following assumptions:

	Dec. 31, 2017	Dec. 31, 2016
Salary increase rate	2.0%	2.5%
Discount rate	1.75%	1.65%
Employee mobility rate[(a)]	0% to 5%	0% to 5%
Average duration	14.0	15.0

(a) Depending on the age and status of the employee (managerial/non-managerial grade).

At December 31, 2017, the Company recognised provisions for retirement benefits an amount of €13.0 million.

The provision for long-service awards amounts to €14.8 million.

10.4 Contingent liabilities

The declared dispute with regard to the collective action of patients against bioMérieux as manufacturer of diagnostic tests for Lyme disease has not given rise to a provision for risk in the consolidated financial statements for the year ended December 31, 2017 as at this stage it is not possible to assess the risk incurred by the Company.

Note 11 Net debt

11.1 Statement of changes in net debt

The statement of changes in net debt includes all changes in borrowings and debt, regardless of maturity, net of cash and short-term bank borrowings.

It lists separately:

- cash flow relating to operating activities;
- cash flow relating to investing activities;
- cash flow relating to shareholders' equity.

Cash flow from operating activities corresponds to the aggregate of net income, depreciation and amortisation, net additions to provisions (impairment and contingencies and losses), less capital gains or losses on disposals of fixed assets.

Net debt corresponds to the Company's financial situation with regard to financing third parties outside of operating payables. This aggregate is determined by the sum of mandatory and bank debt (short, medium and long term) and bank overdrafts, less cash at bank and in hand and investment securities.

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Net income	109.2	69.1
Depreciation, amortisation and provisions, net	60.8	20.8
Gains and losses on corporate actions	0.4	57.5
Cash flow from operating activities	**174.1**	**147.4**
Increase in inventories	(8.5)	(8.5)
Increase of requirements in accounts receivable	(27.3)[a]	(12.1)
Change in trade payables and other operating working capital	7.3	31.3
Operating working capital requirement	**(28.5)**	**10.7**
Increase in receivables, net of tax	(3.6)	(0.7)
Total change in working capital requirement	**(32.1)**	**10.0**
NET CASH GENERATED FROM OPERATING ACTIVITIES	**142.1**	**157.4**
Capital expenditure	(60.6)	(59.4)
Disposals of fixed assets	8.5	13.8
Change in net trade payables	(4.6)	0.9
Equity acquisitions, subscriptions to capital increases	(47.9)[b]	(5.4)[c]
Net change in advances and loans to subsidiaries	62.1[d]	(14.6)[e]
Net change in other non-current financial assets	(0.1)	0.1
NET CASH USED IN INVESTING ACTIVITIES	**(42.8)**	**(64.4)**
Dividends paid	(39.4)[f]	(39.4)
Regulation 2015-05 – Allocation to retained earnings	0.6	0.0
Net cash used in shareholders' equity	**(38.8)**	**(39.4)**
Change in net debt (excluding exchange rate impact)	**60.4**	**53.6**
Breakdown of change in net debt		
Net debt at beginning of year	116.5	174.3
Net debt from the merger	2.9	(0.2)
Impact of changes in exchange rates on net debt	22.8	(4.0)
Change in net debt:	**(60.4)**	**(53.6)**
• committed debt	(22.1)	11.3
• cash and bank overdrafts	(38.3)	(64.9)
NET DEBT AT END OF YEAR	**81.7**	**116.5**

(a) Including amounts owed by Group customers (+€12.4 million) and by export customers (+€4 million).
(b) Including the capital increase of bioMérieux Brazil (-€22.7 million), purchase of bioMérieux Japan shares (-€11.5 million), equity participation in Banyan Biomarkers (-€6.4 million) and Qvella (-€6 million).
(c) Including capital increase of AB bioMérieux (-€4.5 million), and Mérieux University (-€0.4 million).
(d) Including bioMérieux Inc loan (+€50.1 million), BioFire loan (+€3.6 million), bioMérieux Brazil loan (+€12.6 million), bioMérieux India loan (€8.4 million).
(e) Including bioMérieux Inc loan (+€49.2 million), bioMérieux Gmbh loan (-€9.5 million), BioFire loan (-€55.9 million).
(f) Dividend approved by the Annual General Meeting of May 30, 2017.

11.2 Debt refinancing

bioMérieux SA has a syndicated credit facility for an amount of €500 million following the renegotiation of January 2017. This loan will mature in January 2022 and may be extended twice for an additional year (first extension made in January 2018). There was no drawdown on this facility at December 31, 2017.

The syndicated credit facility is subject to the following covenant: bioMérieux Group net debt may not exceed 3.5 times operating income before non-recurring items (EBITDA) before depreciation/amortisation and acquisition expenses. The Company complied with this covenant at December 31, 2017. No amounts were drawn down under this facility during the year.

bioMérieux SA had €15 million in outstanding commercial paper at December 31, 2017 (€40 million at December 31, 2016).

In early October 2013, bioMérieux SA carried out its first bond issue, placing €300 million worth of seven-year bonds (maturing October 14, 2020) with institutional investors. The bonds pay interest at an annual rate of 2.875% and the fourth instalment was paid in October 2017 for €8.6 million. The bonds were issued with an issue premium. The expense relating to the issue premium and issue fees is being amortised over the term of the bonds.

The financial cost of half of the bond loan has been transformed into a floating rate cost through the setting up of a swap contract that matures in July 2020, and has a 0.3% floor and is capped at 1.2% until July 2018. A swap contract in the opposite direction was set up in the 1st half of 2017 for the period between July 2018 and July 2020.

11.3 Debt schedule

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Due beyond five years	0.0	2.6
Due in one to five years	311.2 [(a)]	305.3
TOTAL LONG-TERM BORROWINGS	**311.2**	**307.9**
Due within one year	203.2 [(b)]	115.7
TOTAL BORROWINGS	**514.4**	**423.6**
Short-term investments	(83.2) [(c)]	(33.8)
Cash at bank and in hand, and financial instruments	(349.5) [(d)]	(273.3)
NET DEBT	**81.7**	**116.5**

(a) Including the €300 million bond issue.
(b) Including cash pooling for €136.8 million.
(c) The carrying amount of short-term investments is identical to their market value, except for treasury shares, which are carried at historical cost.
(d) Including cash pooling for €219.6 million.

Note 12 Trade and operating payables

Trade and other operating payables *In millions of euros*	Dec. 31, 2017	Dec. 31, 2016
Trade payables	**159.9**	**161.7**
Accrued payroll and other taxes	118.9	109.3
Deferred income	5.6 [(a)]	3.3
Other	10.1	12.2
Other operating payables	134.6	124.8

(a) Including a lease and maintenance agreement for €3.2 million and the sale of reagents and instruments for €2.4 million.

Trade and other operating payables In € millions	Dec. 31, 2017	Dec. 31, 2016
Trade payables		
Due within one year	159.9	161.6
Due beyond one year		0.1
TOTAL	**159.9**	**161.7**
Other operating payables		
Due within one year	125.3	124.8
Due beyond one year	9.3	
TOTAL	**134.6**	**124.8**

Note 13 Accrued expenses and income

Accrued expenses *In millions of euros*	Dec. 31, 2017	Dec. 31, 2016
Miscellaneous borrowings	3.0	3.5
Trade payables	72.4	70.0
Accrued payroll and other taxes	106.6	97.9
Other operating payables	7.3	7.8
Due to suppliers of fixed assets	10.8[(a)]	14.8[(b)]
TOTAL	**200.1**	**194.0**

(a) Including €0.9 million of ATI Supernova 2 securities balance.
(b) Including a €3.4 million earn-out relating to Advencis and €1 million relating to Quercus Scientific NV.

Furthermore, accrued income amounted to €15.8 million at December 31, 2017, versus €23 million at December 31, 2016. It comprised mainly unbilled customer payables (€11.8 million versus €17.2 million at December 31, 2016), and accrued interest on loans to subsidiaries (€2.2 million).

Note 14 Sales

14.1 Accounting principles

Revenue from the sale of products (reagents and instruments) and related services (technical support, training, shipping costs, etc.) are recorded under "sales" in the income statement.

Revenue arising from the sale of products is recognised when all of the following criteria have been satisfied:

- the significant risks and rewards of ownership have been transferred to the buyer;
- the Company no longer has a continuing involvement in the effective control over the goods sold;
- the revenue and the costs incurred or to be incurred in relation to the transaction can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company.

These criteria are satisfied when reagents are delivered and when sold instruments are installed.

In the case of services (training, technical support, etc.), revenue is recognised only after the services have been rendered. Revenue from instrument maintenance contracts is deferred and recognised on the basis of the elapsed portion of the service contract.

Sales are measured at the fair value of the consideration received or receivable, net of any discounts and rebates granted to customers. Sales taxes and value-added taxes are not included in sales.

14.2 Trend

Breakdown of sales *In millions of euros*	France	Export	Total Dec. 31, 2017	Total Dec. 31, 2016
Sales of goods for resale	12.6	118.1	130.7	119.8
Sold production (goods)	159.4	673.6	832.9	774.4
Sold production (services)	21.0	152.9	173.9	144.7
TOTAL	**193.1**	**944.4**	**1,137.6**	**1,038.9**

Sales by geographic area *In millions of euros*	Dec. 31, 2017	Dec. 31, 2016
France & Dom Tom	197.6	196.4
Europe, Africa, Middle East	458.1	420.2
South America	44.8	43.8
North America	162.7	141.0
Asia-Pacific	145.5	138.1
Other	128.9	99.3
TOTAL	**1,137.6**	**1,038.9**

Note 15 Research & development expenses

Research & development expenses are expensed as incurred except for research & development programs capitalised following the merger with the companies AES Chemunex and CEERAM.

Research & development expenses at December 31, 2017 amounted to €119.2 million.

Note 16 Personnel costs and employee benefits

16.1 Accounting principles

When an expense is not considered as definitive on recognition, the expense transfer accounts are used to subsequently reclassify the expense based on the appropriate economic nature.

In 2017, income relating to the tax credits promoting competition and employment (CICE) was recorded as and when the compensation deemed eligible for inclusion in the tax base was recognised. This income is presented in operating items as a deduction from personnel costs for €4.6 million.

CICE tax credits in respect of compensation paid in 2016 amounted to €3.8 million. These tax credits have helped improve the Company's competitiveness, in particular through production capacity investments in France, new hires and staff training, and expenditure on occupational health and safety.

16.2 Trend

Personnel costs *In millions of euros*	Dec. 31, 2017 12 months	Dec. 31, 2016 12 months
Wages and salaries	184.0	175.1
Discretionary profit-sharing	13.6	11.3
Payroll taxes	90.4	86.1
TOTAL	**288.0**	**272.5**
AVERAGE HEADCOUNT	**3,554**	**3,427**
HEADCOUNT AT YEAR-END	**3,597**	**3,484**

In accordance with the law, no non-discretionary profit-shares could be granted to employees out of net income for 2017.

Compensation allocated to members of the administrative, management and supervisory bodies and senior management (Company directors and members of the Executive Committee who are employees of the Company) in respect of their duties in 2017 consisted of directors' fees of €0.1 million, and fixed and variable compensation of €10.6 million.

Breakdown of headcount *In FTE*	Dec. 31, 2017 12 months	Dec. 31, 2016 12 months
AVERAGE HEADCOUNT		
Managers	1,703	1,629
Supervisors	61	63
Employees	25	25
Technicians	1,175	1,149
Blue-collar workers	591	561
TOTAL	**3,554**	**3,427**
HEADCOUNT AT YEAR-END		
Managers	1,725	1,657
Supervisors	58	64
Employees	28	24
Technicians	1,188	1,156
Blue-collar workers	598	583
TOTAL	**3,597**	**3,484**

Note 17 Net financial expenses

17.1 Accounting principles

Dividends received are recognised net of withholding taxes applicable in the country of origin.

17.2 Trend

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Net finance costs	5.6	4.8
Impairment of investments	(5.9)[a]	(16.9)[b]
Merger loss	(3.7)	0.0
Provisions for financial contingencies and losses	(0.1)	(0.1)
Dividends	26.0	43.3
Foreign exchange gains (losses)	20.2	(8.2)
TOTAL	**42.1**	**22.9**

(a) Including net additions relating to shares in subsidiaries for €5.8 million.
(b) Including net additions relating to shares in subsidiaries for €16 million and €0.9 million relating to other investments.

Following the merger of Advencis in the Company's accounts, an unassigned merger loss was recorded as financial income in 2017 (see Note 2).

17.3 Foreign exchange gains (losses)

Foreign exchange gains and losses result from differences between the transaction exchange rate and the settlement rate (or the year-end rate if the payment has not yet been made). These differences only partially reflect the impact of currency fluctuations.

Foreign exchange gains and losses on commercial transactions are recognised under the relevant headings in the consolidated income statement. The table below shows their income statement impact:

In millions of euros	Dec. 31, 2017 12 months	Dec. 31, 2016 12 months
Sales	(4.5)	1.3
Purchases	2.6	(0.6)
Financial items	20.2	(8.2)
TOTAL	**18.3**	**(7.5)**

Following the change in accounting estimates relating to the treatment of exchange gains and losses of cash pooling accounts, exchange gains related to cash pooling accounts amounting to €13.7 million were recorded at December 31, 2017. At December 31, 2016, unrealised gains had not been booked to financial income, but recorded in the balance sheet for an amount of €26.5 million (see Note 3.2).

Note 18 Non-recurring income

In millions of euros	Income	Charges	Net Dec. 31, 2017	Net Dec. 31, 2016
Deconsolidations and disposals of fixed assets	8.5	8.9	(0.4)	(57.5)
Statutory provisions	10.8	15.9	(5.1)	(8.0)
Other non-recurring income and expenses	5.7	5.0	0.6	56.9
TOTAL	**24.8**	**29.7**	**(4.9)**	**(8.6)**

In 2016, retirements and disposals of non-current assets primarily comprise the disposal of bioMérieux BV (€53.3 million) and Oscient Pharma shares (€3.5 million). Other non-recurring income and expenses include the reversal of impairment of these shares for the same amounts.

Note 19 Corporate income tax

19.1 Accounting principles

The Company has opted to present CICE tax credits promoting competitiveness and employment in France as a deduction from personnel costs (see Note 16.1).

Taxes on dividends are recognised in income tax expense (see Note 19.2 concerning accrued income recognised for 2017).

19.2 Trend

Since January 1, 2005, bioMérieux SA has been the head of a tax consolidation group comprising bioMérieux S.A. and bioMérieux International SAS (formerly Stella).

At January 1, 2015, this tax consolidation group was extended to include CEERAM and Advencis.

On January 1, 2016, CEERAM left the tax consolidation group due to it being absorbed by bioMérieux SA on September 30, 2016, with retroactive effect to January 1, 2016.

On January 1, 2017, Advencis left the tax consolidation group due to it being absorbed by bioMérieux SA on September 30, 2017, with retroactive effect to January 1, 2017.

The parent company can therefore benefit from consolidated tax relief.

At December 31, 2017, the Company recognised various tax credits totalling €24.6 million, including a research tax credit for an estimated €17.8 million. The various tax credits accumulated since 2011 represent the majority of the Company's non-operating receivables at December 31, 2017 and break down as follows: €43.7 million maturing in less than one year and €6.8 million maturing beyond one year.

Following the censure by the French constitutional council of the 3% contribution on distributed income, bioMérieux SA has filed claims to obtain the reimbursement of this contribution for the financial years between 2013 and 2017. Since the outcome of this dispute is certain, bioMérieux SA has recognised accrued income of €5.9 million excluding interests on arrears. The duration of this procedure cannot be estimated at this stage.

An additional contribution of 15% for companies that generate sales in excess of €1 billion was recognised for 2017 and amounted to €2.9 million.

Income net of corporate income tax totalled €2.3 million in 2017, versus €8.5 million the previous year.

19.2.1 Breakdown of corporate income tax

In millions of euros	Before tax	Tax[a]	Dec. 31, 2017 After tax	Dec. 31, 2016
Recurring income	111.8	(5.2)	106.6	71.8
Non-recurring income	(4.9)	2.8	(2.1)	(5.5)
Prior-year tax adjustment and other	0.0	4.8	4.8	2.8
NET INCOME FOR THE YEAR	**106.9**	**2.3**	**109.2**	**69.1**

(a) CICE tax credits for €4.6 million are recognised in personnel costs and not in income tax.

19.2.2 Net income for the year excluding valuation allowances

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Net income for the year	109.2	69.1
Income tax	2.3	8.5
Net income before tax	106.9	60.6
Accelerated depreciation/amortisation and statutory provisions	(5.1)	(8.0)
Total valuation allowances	(5.1)	(8.0)
NET INCOME BEFORE TAX AND EXCLUDING VALUATION ALLOWANCES	**112.0**	**68.6**
Income tax	2.3	8.5
Income tax on valuation allowances at 39.43% in 2016 and 34.43% in 2015	2.0	2.8
NET TAX BENEFIT (EXPENSE)	**0.3**	**5.7**
NET INCOME FOR THE YEAR EXCLUDING VALUATION ALLOWANCES	**112.3**	**74.3**

19.2.3 Change in deferred taxes

In millions of euros	Dec. 31, 2017 34.43%	Dec. 31, 2016 34.43%
Accelerated depreciation, amortisation and statutory provisions	20.3	18.5
Investment grants	0.0	0.1
Provision for accrued receivables on treasury shares	0.0	0.8
TOTAL DEFERRED TAX LIABILITIES	**20.3**	**19.4**
Non-deductible provisions and expenses	(11.5)	(12.8)
Amortisation of instrument installation costs	0.0	(0.1)
Unrealised foreign exchange gains	(0.2)	(10.5)
Amortisation of acquisition costs	0.0	0.0
TOTAL DEFERRED TAX ASSETS	**(11.8)**	**(23.4)**
TOTAL DEFERRED TAX BENEFIT OR EXPENSE	**8.5**	**(4.0)**

Note 20 Hedging instruments

20.1 Accounting principles

The Company only uses financial instruments for hedging purposes, in order to limit risks stemming from changes in exchange rates and interest rates, whether related to assets and liabilities at the end of the period or to future transactions.

20.2 Exchange rate risk

In view of the significant proportion of bioMérieux SA's operations conducted outside the eurozone, its sales, earnings and assets and liabilities may be impacted by changes in exchange rates between the euro and other currencies. Sales are particularly affected by euro/US dollar exchange rate variations and, more occasionally, by fluctuations in the rate of the euro against other currencies.

bioMérieux SA's current policy is to seek to hedge the impact of exchange rate fluctuations on budgeted net income. It uses hedging instruments, when they are available at a reasonable cost, in order to mitigate risks relating to currency fluctuations. Hedging contracts are purchased to cover transactions included in the budget and not for speculative purposes.

Hedges consist mainly of forward currency sales and purchases (maturing within 18 months at December 31, 2017).

Hedging instruments used are backed against trade and financial receivables and payables.

Unrealised foreign exchange gains and losses on hedging instruments, related to the basis of trading prices at December 31, 2017 are recognised in the balance sheet whenever they are in a hedging relationship with receivables or payables.

Hedges in effect at December 31, 2017 were as follows:

- forward sales of €37.5 million to hedge trade receivables;
- forward purchases of €1.1 million to hedge trade payables;
- forward sales of €154.9 million to hedge financial receivables;
- forward purchases of €15.8 million to hedge borrowings.

Furthermore, currency hedges were set up to cover the budget positions of the 2018 financial year. The net amount of these hedges is €203 million.

The market value at December 31, 2017 of all the budget hedges represent an unrealised gain of €1.7 million.

At December 31, 2017, the Company had no hedges covering the earnings of foreign subsidiaries.

The market value at December 31, 2017 of financial hedges represent an unrealised gain of €1.5 million.

The table below shows the currencies in which sales are generated:

	Dec. 31, 2017		Dec. 31, 2016	
In millions of euros	**12 months**	**%**	12 months	%
Euro	**631.9**	**56%**	**578.2**	**56%**
Other				
US dollar	206.3	18%	180.1	17%
Chinese yuan	57.8	5%	52.5	5%
Pound sterling	34.2	3%	27.0	3%
Indian rupee	26.6	2%	28.5	3%
Swiss franc	20.7	2%	20.2	2%
Czech koruna	19.8	2%	14.3	1%
Swedish krona	17.0	1%	16.7	2%
Turkish lira	13.3	1%	13.6	1%
Brazilian real	13.1	1%	12.3	1%
Other currencies	97.2	9%	95.6	9%
TOTAL	**1,137.6**	**100%**	**1,038.9**	**100%**

20.3 Rate risk

20.3.1 Exposure to interest rate risks

As part of its interest rate risk management policy aimed at managing the risk of an increase in interest rates, bioMérieux SA hedges part of its debt.

The bond issue, after taking account of interest rate derivatives, breaks down as €150 million at fixed rates and €150 million at floating rates (capped at 1.2%), until mid-2018, and then €300 million at fixed rates from mid-2018 until the maturity of the bond in 2020. The expense in respect of the related premiums is being amortised over the term of the hedges.

The real estate lease financing agreement in the amount of €45 million set up in 2015 to finance Campus de l'Etoile is variable-rate and indexed. At December 31, 2017, there was no 2017 mechanism set up to back this financing.

Exposure to interest rate risk on other borrowings is not material and is not subject to hedging.

20.3.2 Hedging instruments

At December 31, 2017, the interest rate risk hedging portfolio comprised interest rate swaps for €300 million (€150 million at maturity in mid-2018 and €150 million with a deferred start date in mid-2018) and options for €150 million (maturing in mid-2018).

The market value of interest rate swaps was €7.3 million, while the market value of interest rate options was a negative €0.9 million.

20.4 Exchange rate and interest rate risk

20.4.1 Exposure to exchange rate and interest rate risk

In 2013, bioMérieux SA issued bonds in connection with its US dollar-denominated acquisition of US-based BioFire by bioMérieux Inc., which closed in January 2014. In January 2014, bioMérieux SA granted a loan of US$470 million to bioMérieux Inc. These transactions generated a combined exchange rate risk and interest rate risk that needed to be hedged.

20.4.2 Hedging instruments

In order to mitigate the above-described exchange rate and interest rate risk, the Company set up a cross currency swap in January 2014.

Cross currency swaps in the amount of US$470 million have been exchanged. This nominal amount is payable in six-monthly instalments.

At December 2017, 2017, the outstanding nominal amount of cross currency swaps stood at US$201.4 million. The market value of these instruments amounted to a negative €19.3 million.

Note 21 Off-balance sheet commitments

21.1 Financial commitments

21.1.1 Commitments given

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Endorsements and guarantees	95.0[(a)]	102.2
Finance lease and rent commitments	42.2	46.1
TOTAL	**137.2**	**148.3**

(a) Of which related parties for €93.7 million.

At December 31, 2017, bioMérieux SA made a commitment to BioFire Diagnostics for US$3.6 million (€3 million) in connection with a loan to finance new buildings.

Lease financing *In millions of euros*	Gross	Royalties		Amortisation and depreciation	
		financial year	cumulative	financial year	cumulative
Land	2.3	0.2	0.2	0.0	0.0
Buildings	42.1	3.7	4.7	2.5	3.1
Other property, plant and equipment	0.0	0.0	0.0	0.0	0.0
TOTAL	**44.4**	**3.9**	**4.9**	**2.5**	**3.1**

Lease financing *In millions of euros*	Outstanding royalties				Residual value
	<1 year	1 to 5 years	beyond 5 years	TOTAL	
Land	0.2	0.8	1.1	2.1	0.0
Buildings	3.7	14.6	21.0	39.3	0.0
Other property, plant and equipment	0.0	0.0	0.0	0.0	0.0
TOTAL	**3.9**	**15.4**	**22.1**	**41.4**	**0.0**

In April 2017, a new swap contract was taken out to cancel the floating rate as from July 18, 2018 with the possibility of a probable increase in interest rates. The fair value of this instrument recorded at December 31, 2017 is not significant.

21.1.2 Commitments received

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Credit facilities with a banking syndicate	500.0	350.0
TOTAL	**500.0**	**350.0**

21.2 Research & development commitments

At December 31, 2017, commitments given in respect of various research agreements amounted to €8.7 million.

bioMérieux SA participates in a research program coordinated by Institut Mérieux, together with bioMérieux, Transgène, Genosafe and the Genethon association. The aim of this program is to develop a new generation of diagnoses and therapies focusing on cancers, infectious diseases and genetic disorders. This program is known under the acronym "ADNA" (for "Advanced Diagnostics for New therapeutic Approaches"). The program receives financing from the French government's Industrial Innovation Agency (*Agence de l'innovation industrielle*), which merged with OSEO ANVAR in 2007, and was renamed Bpifrance in July 2013. The public financing agreement was approved by the European authorities on October 22, 2008. In this context, and in light of the supplemental agreements modifying the initial research program, bioMérieux SA had agreed to undertake research & development for an estimated amount of €67.5 million updated to €54.5 million. The liquidating assessment of the program was carried out in 2017. At December 31, 2017, the Company had no

more undertakings to carry out research & development work. In return, bioMérieux SA received subsidies (€16.1 million) and repayable grants (€7.5 million). Provided that the two sales thresholds defined in the agreement are reached, if a project is successful, bioMérieux SA will have to pay back the grants according to a payment schedule based on sales generated, and then pay 3.4% of sales until 2029.

bioMérieux SA entered into a ten-year partnership with BIOASTER, a Technological Research Institute in Lyon specialised in infectious diseases. In the period 2012-2015, its contribution to research activities resulted in new partnership agreements being put in place with BIOASTER for almost €4 million. bioMérieux's own employees are also involved in these partnership agreements. A new collaboration cycle was opened for the period between January 1, 2016 and end of July 2020 during which bioMérieux has made a commitment to BIOASTER in the same proportions.

21.3 Commitments relating to equity investments

bioMérieux SA granted a commitment to Amorçage Technologique Investissement (ATI) to submit further competitive bids in an amount of €1.2 million.

21.4 Other commitments

The Company granted a formal raw material purchase price commitment to ABL Inc. up to 2018.

Note 22 Related parties

22.1 Affiliated companies: balance sheet items

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
TOTAL NON-CURRENT FINANCIAL ASSETS	**585.4**	**609.2**
Operating receivables	221.1	205.2
TOTAL RECEIVABLES	**221.1**	**205.2**
Total cash and cash equivalents [(a)]	**219.7**	**223.5**
Operating payables	83.5	78.2
Non-operating payables	0.0	0.1
Borrowings [(b)]	136.8	59.1
TOTAL PAYABLES	**220.3**	**137.4**

(a) Advances to subsidiaries under cash pooling agreements.
(b) Advances from subsidiaries under cash pooling agreements.

22.2 Affiliated companies: financial income and expenses

In millions of euros	Dec. 31, 2017 12 months	Dec. 31, 2016 12 months
Net impairment of investments	(5.9)	(16.0)
Financial expenses	(11.6)	(5.6)
Dividends received	26.0	43.3
Financial income	38.8	25.1
TOTAL	**47.3**	**46.8**

Financial income includes exchange gains following the revaluation of the cash pooling (€13.9 million), as well as interest on loans to subsidiaries and cash pooling (€17.7 million) of which €10.1 million of interest on the bioMérieux Inc. loan, €2.6 million for the interest on the BioFire loan and €4.7 million for interest for the cash pool. Financial income also includes reversals of provisions for exchange losses on the cash pool and long-term borrowing of €5.5 million, and a cancellation of the price supplement on Advencis securities of €0.9 million.

Financial expenses include exchange losses on the cash pool (€5.6 million), a €3.7 million merger loss for Advencis, reversals of allowances for exchange losses on long-term borrowing (€1.1 million) *i.e.* €0.7 million for the loan to RAS and €0.4 million for the BioFire loan, as well as interest on the cash pool (€0.9 million).

22.3 Related party transactions

Institut Mérieux, which holds a 58.9% interest in bioMérieux SA at December 31, 2017, provided consulting and other services to bioMérieux SA, is amounting to €3.2 million in 2017. bioMérieux SA rebilled Institut Mérieux €0.6 million for expenses incurred on its behalf.

The Company supplied €2.5 million worth of services and reagents to entities of the Mérieux NutriSciences Corp. Group, in which Institut Mérieux holds a majority interest.

Théra Conseil, which is 99.20%-owned by Institut Mérieux, billed bioMérieux SA €2.2 million for services in respect of 2017.

bioMérieux SA contributed €2 million to the Fondation Christophe and Rodolphe Mérieux for humanitarian projects.

bioMérieux SA billed the Fondation Mérieux €0.2 million for expenses incurred on its behalf.

bioMérieux SA billed Geneuro €0.1 million for patent maintenance fees and royalties in 2017.

bioMérieux SA paid €3.8 million to Mérieux University (in which bioMérieux SA and Institut Mérieux each hold a 40% interest, and Mérieux NutriSciences Corporation holds a 20% interest) in respect of training fees, and rebilled €2 million in other services.

ABL Inc., in which Institut Mérieux indirectly holds the entire share capital, billed bioMérieux SA for raw materials in 2017in an amount of €0.8 million. The other companies of the ABL group billed bioMérieux SA €0.1 million for research expenses and fees. Conversely, bioMérieux SA rebilled them €0.1 million for instruments and reagents.

The LyonBiopôle competitiveness cluster billed bioMerieux SA €0.1 million for services in 2017.

The companies of the Pierre Fabre group were billed €0.6 million for services and reagent sales.

BIOASTER billed bioMérieux SA €1.7 million for research expenses and fees. Conversely, bioMérieux rebilled BIOASTER €0.2 million for services.

bioMérieux SA made a €0.1 million donation to the Université de Lyon Foundation.

The VétAgro Sup school billed bioMérieux SA research fees amounting to €0.1 million.

Lastly, bioMérieux SA rebilled Quanterix €0.3 million for the purchase of raw materials, services and fees.

6.2.3 Analysis of the results and other financial information

6.2.3.1 Sales and financial position

Sales

During the year ended December 31, 2017, the Company's sales amounted to €1,138 million compared to €1,039 million for the previous year, representing a year-on-year increase of 9.5%.

The growth in sales was mainly attributable to the 9.5% rise in sales to subsidiaries in a context of global Group growth, as well as to the 7.6% increase in export sales (mainly to distributors). Domestic sales also rose 2.4%, boosted by the strong momentum of the molecular biology product ranges.

Gross operating income

Gross operating income came in at €172.7 million, *i.e.* 15.2% of sales. It rose by €26.3 million (18%) compared to the previous financial year.

Gross operating income benefited from the growth in business (9.5%). Added value rose along the same lines as business despite an increase in purchases (12.8%), but was offset by weaker growth of external charges (4.5%).

Gross operating income was buoyed by an increase in personnel costs that was lower than the growth in business (5.7%).

Operating income

After depreciation, amortisation and provisions, operating income raised €23.4 million, rising from €46.3 million in 2016 to €69.7 million at December 31, 2017.

This 50.4% increase is primarily due to the increase in gross operating income.

Net financial income

In 2017, net financial income came in at €42.1 million versus €22.9 million the previous year.

The €17.3 million decrease in dividends received from subsidiaries was offset by the €28.4 million increase in net financial foreign exchange gains on financial transactions and the reduction in losses and provisions booked on subsidiary investments for €7.4 million.

Recurring income

Net income before non-recurring items and tax totalled €111.8 million versus €69.2 million one year earlier.

Non-recurring income

The Company reported a net non-recurring loss of €4.9 million at December 31, 2017 versus a loss of €8.6 million at December 31, 2016.

Net accelerated depreciation/amortisation expense amounted to €4.9 million, down from €8 million in 2016.

Income tax and tax credits

Income tax amounted to net income of €2.3 million, compared to €8.5 million at December 31, 2016.

It mainly comprises provisioned research tax credits totalling €17.8 million, representing a decrease of €0.6 million in 2016.

Net income

Net income for the financial year came in at €109.2 million compared with €69.1 million in the previous year, *i.e.* a year-on-year increase of €40.1 million. It represented 9.6% of sales, compared to 6.7% of sales the previous year.

Investments

Investments in intangible assets represented €11 million and primarily concerned developments of IT solutions.

The carrying amount of intangible assets scrapped or sold amounted to €4.9 million, corresponding to IT projects rebilled to subsidiaries.

Capital expenditure, amounting to €49.6 million, mainly concerned the equipment of the Craponne and Marcy l'Etoile industrial sites.

Non-current financial assets (acquisitions – disposals) dropped by €13.8 million in gross value, primarily because of the repayment of the €49.2 million of the loan granted to bioMérieux Inc., partially offset by the capital increase of bioMérieux Brazil (€22.7 million) and the repurchase of shares of the *joint venture* with the Japanese company Sysmex (€11.5 million). Furthermore, a credit facility granted to BioFire Diagnostics in 2015, to finance the building of its new industrial and administrative site in Salt Lake City, was drawn down for an amount of €11.2 million.

6.2.3.2 Income appropriation and non-deductible expenses

Shareholders will be invited to appropriate distributable net income for the year ended December 31, 2017, totalling €207,015,061.73, consisting of €109,199,429.28 in net income and €97,815,632.45 in retained earnings, as follows:

- €60,000,000 is to be transferred to the general reserve, increasing the balance from €675,000,000.28 to €735,000,000.28;
- €56,481.61 is to be transferred to the special sponsorship reserve, increasing the balance from €822,655.72 to €879,137.36;
- €40,242,814.80 is to be distributed as dividends, representing a dividend of €0.34 for each of the 118,361,220 shares comprising the Company's share capital, to be paid on June 7, 2018;
- the remaining €106,715,765.32 is to be transferred to retained earnings.

In accordance with the provisions of Article L.225-210 of the French Commercial Code, the Company will not receive any dividends on treasury shares held on the ex-dividend date. The corresponding dividend amount will be allocated to "retained earnings."

The dividend is eligible for the 40% tax basis deduction. Individuals domiciled in France for tax purposes benefit from a 40% tax deduction in accordance with paragraph 2, Article 158.3 of the French General Tax Code and will be subject, except in specific cases, to the mandatory, non-discharging levy of 12.8% for income tax and social security withholdings.

The dividends paid for each of the past three years are presented in section 7.6.

Non-tax-deductible expenses

The 2017 financial statements include non-tax-deductible expenses as provided for in Articles 223 *quater* and 223 *quinquies* of the French Tax Code amounting to €345,427. These correspond to the non-deductible portion of rental payments and depreciation charges for vehicles leased and purchased by bioMérieux SA. Income tax at the base rate paid in this respect amounted to €115,142.

6.2.3.3 Five-year financial summary (Article R.225-102 of the French Commercial Code)

	Financial year Dec. 31, 2017	Financial year Dec. 31, 2016	Financial year Dec. 31, 2015	Financial year Dec. 31, 2014	Financial year Dec. 31, 2013
I. Share capital at year-end					
Share capital (in euros)	12,029,370	12,029,370	12,029,370	12,029,370	12,029,370
Number of ordinary shares outstanding	118,361,220	39,453,740	39,453,740	39,453,740	39,453,740
Number of preferred shares (without voting rights) outstanding	0	0	0	0	0
Maximum number of potential shares to be issued	0	0	0	0	0
By conversion of bonds	0	0	0	0	0
By exercise of subscription rights	0	0	0	0	0
II. Transactions and net income for the year *(in euros)*					
Sales	1,137,563,972	1,038,853,374	961,955,147	901,590,987	880,986,860
Income before tax, employee profit-sharing, depreciation, amortisation and provisions	167,690,845	81,341,294	150,431,236	95,469,356	169,316,060
Income tax	(2,294,743)	(8,533,578)	(1,081,437)	(13,187,405)	(6,561,154)
Employee profit-sharing for the year		0	0	0	0
Income after tax, employee profit-sharing, depreciation, amortisation and provisions	109,199,429	69,111,739	75,654,871	65,214,395	109,668,415
Dividends paid [(a)]	40,242,815	39,453,740	39,453,740	39,453,740	38,664,665
Special dividend paid from the general reserve	0	0	0	0	0
III. Earnings per share [(b)] *(in euros per share)*					
Income after tax and employee profit-sharing, but before depreciation, amortisation and provisions	1.44	2.28	3.83	2.74	4.46
Income after tax, employee profit-sharing, depreciation, amortisation and provisions	0.92	1.75	1.92	1.65	2.78
Dividend per share	0.34	1.00	1.00	1.00	0.98
IV. Employee data					
Average number of employees during the year [(b)]	3,554	3,427	3,326	3,330	3,385
Total annual payroll	199,088,838	187,804,208	177,082,713	170,319,174	167,535,748
Total employee benefits paid during the year (social security, charities) *(in euros)*	88,884,116	84,651,059	80,796,671	78,084,404	78,937,503

(a) Subject to the non-payment of dividends on treasury shares held on the ex-dividend date.
(b) Excluding interns and international work experience volunteers (VIE), data changed from that previously published in order to homogenise the headcount.

6.2.3.4 Information on payment periods

Trade payables at December 31, 2017 by due date

In accordance with Article D.441.4 of the French Commercial Code (*Code de commerce*), invoices received and not paid at December 31, 2017 that are in arrears are broken down as follows:

SUPPLIER INVOICES (NON-GROUP)

	Invoices received that have not been settled on the balance sheet date and are in arrears					
	0 day *(Indicative)*	1 to 30 days	31 to 60 days	61 to 90 days	More than 91 days	TOTAL (More than 1 day)
(A) Late payment ranges						
Number of invoices concerned						482
Total amount of invoices concerned (including VAT)		809,349	706,274	225,197	522,377	2,263,197
Percentage of the total amount of purchases for the year		0.18%	0.16%	0.05%	0.13%	0.52%
(B) Invoices excluded from (A) relating to disputed debts or unrecognised debts						
Number of invoices excluded						
Total amount of invoices excluded (including VAT)						
(C) Reference payment period used (contractual or legal period Article L.441-6 or Article L.443-1 of the French Commercial Code (*Code de commerce*)						
Payment periods used for the calculation of late payments	Contractual period: 0 to 45 days from the end of the month, according to the contract					

SUPPLIER INVOICES (NON-GROUP AND GROUP)

	Invoices received that have not been settled on the balance sheet date and are in arrears					
	0 day *(Indicative)*	1 to 30 days	31 to 60 days	61 to 90 days	More than 91 days	TOTAL (More than 1 day)
(A) Late payment ranges						
Number of invoices concerned						497
Total amount of invoices concerned (including VAT)		1,052, 476	2,503, 146	245,854	1,309, 037	5,110,513
Percentage of the total amount of purchases for the year		0.14%	0.36%	0.03%	0.19%	0.72%
(B) Invoices excluded from (A) relating to disputed debts or unrecognised debts						
Number of invoices excluded						
Total amount of invoices excluded (including VAT)						
(C) Reference payment period used (contractual or legal period Article L.441-6 or Article L.443-1 of the French Commercial Code (*Code de commerce*)						
Payment periods used for the calculation of late payments	Contractual period: 60 days, on 22 for group suppliers Contractual period: 0 to 45 days from the end of the month, according to the contract for suppliers					

Trade receivables at December 31, 2017 by due date

In accordance with Article D.441.4 of the French Commercial Code (*Code de commerce*), invoices issued and not paid at December 31, 2017 that are in arrears are broken down as follows:

CLIENT INVOICES (NON-GROUP)

	Invoices issued that have not been settled on the balance sheet date and are in arrears					
	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total (more than 1 day)
(A) Late payment ranges						
Number of invoices concerned	4,033	2,465	1,616	853	8,588	13,522
Total amount of invoices concerned (inclusive of tax)	10,425,370	3,224,358	4,235,790	2,564,885	4,447,515	14,472,548
Percentage of revenue for the financial year	2.57%	0.79%	1.04%	0.63%	1.10%	3.57%
(B) Invoices excluded from (A) relating to disputed or unrecognised receivables						
Number of invoices excluded		721				
Total amount of invoices excluded (inclusive of tax)		858,892				
(C) Reference payment periods used						
Payment schedules used in calculating late payments	Contractual periods:	France: between 30 days from the end of the month and 60 clear days Export: between 30 clear days and 120 clear days				

CLIENT INVOICES (NON-GROUP AND GROUP)

	Invoices issued that have not been settled on the balance sheet date and are in arrears					
	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total (more than 1 day)
(A) Late payment ranges						
Number of invoices concerned	4,033	2,668	1,684	880	8,935	14,167
Total amount of invoices concerned (inclusive of tax)	10,425,370	4,187,363	4,913,834	2,880,044	4,761,973	16,743,214
Percentage of revenue for the financial year	0.88%	0.36%	0.42%	0.24%	0.40%	1.42%
(B) Invoices excluded from (A) relating to disputed or unrecognised receivables						
Number of invoices excluded		855				
Total amount of invoices excluded (inclusive of tax)		5,010,929				
(C) Reference payment period used (contractual or legal period – article L.441-6 or article L.443-1 of the French Commercial Code)						
Payment schedules used in calculating late payments	Contractual periods:	France: between 30 days from the end of the month and 60 clear days Export: between 30 clear days and 120 clear days				

6.2.4 Report of the Statutory Auditors on the annual financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

At the bioMerieux Annual General Meeting,

Opinion

In performing the duty entrusted to us by your Annual General Meetings, we conducted an audit of the annual financial statements of bioMérieux for the year ended December 31, 2017 as appended to this report.

We certify that with regard to French accounting rules and principles, the annual financial statements are reliable and faithfully reflect the operating results of the financial year just elapsed, as well as the financial position and assets of the Company at the close of the said financial year.

The opinion expressed above is consistent with the contents of our report to the Audit Committee.

Basis for opinion

Audit Standard

We conducted our audit according to generally accepted professional standards in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities by virtue of these standards are stated in the section "Statutory Auditors' responsibilities relating to the audit of the annual financial statements" of this report.

Independence

We have conducted our audit in compliance with the rules of independence that apply to us, from the period between the of January 1st, 2017 to the date of issue of our report, and in particular we have not provided services prohibited by article 5, Paragraph 1, of EU regulation No. 537/2014 or by the Auditors Code of Ethics.

Notes

Without challenging the opinion expressed above, we would like to draw your attention to Note 3.1 of the notes to the annual financial statements relating to the change in method resulting from the first application, as from the January 1st, 2017 of the regulation ANC No. 2015-05.

Justification for our assessments – Key points of the audit

Pursuant to the provisions of articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the key points of the audit relating to risks of material misstatements which, according to our professional judgement, were the most significant for the audit of the annual financial statements for the financial year, plus the answers provided to control these risks.

Our assessments on these matters are part of the audit approach of the annual financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on the elements of these annual financial statements taken separately.

Assessment of goodwill and intangible business assets

Risk identified	Our response
Goodwill and intangible business assets are recognised in the balance sheet for an amount of €143.2 million. These assets mainly come from mergers, following the assignments carried out on the January 1st, 2016 pursuant to regulation ANC No. 2015-06. As indicated in Note 4.1.1 of the notes, these assets are grouped together with the other assets of the technological range to which they are linked in order to constitute a consistent stand-alone range. An impairment test is carried out systematically from asset groups close to the groups identified at Group level (CGU) when their analysis reveals their fungibility. At each year-end, the net value of the asset groups thus identified is compared with the current value of assets determined from discounted net cash generated by these assets (including acquired goodwill). An impairment is recorded if a loss of value is observed. We consider the assessment of these assets as a key point of the audit inasmuch as the recoverable amount is determined on the basis of assumptions.	We examined the conformity of the methodology applied by the Company with applicable accounting standards. We also examined the methods used to implement this methodology and analysis, in particular: • cash flow and operating forecasts and their consistency with the forecasted data presented by senior management under the budget process; • consistency of the assumptions used with the economic climate, and the consistency of the growth rate used for projected flows with market analyses; • calculation of the discount rate used for the discounting of cash flows.

Assessment of equity investments

Risk identified	Our response
Equity investments are recorded in the balance sheet for a net amount of €258.6 million. They are recognised at their acquisition cost and impaired whenever their value in use falls below their acquisition cost. As stated in Note 4.3.1 of the notes to the annual financial statements, the value in use is estimated by the management either: • by taking into account the net carrying amount of the subsidiary on the reporting date that may be adjusted if necessary to reflect the value of any unrecognized; identifiable assets (particularly real estate or technologies); • or given the specific nature of certain investments, based on discounted future cash flows or on observable market financial inputs. The estimation of the value in use of these securities requires that the management exercise its judgement in selecting the elements to be considered depending on the investments concerned (cash flow, discount rate, etc.). In this connection and given the uncertainties inherent to some elements, and in particular the probability of realisation of forecasts, we have considered that the assessment of equity investments and related receivables is a key audit matter.	We analysed the appropriateness of the assessment method and the figures on which it is based. For assessments based on historic elements or that may be adjusted to reflect the value of any unrecognised identifiable assets, our work consisted primarily in examining the consistency of the net assets used with the accounts of the entities that have been audited or subjected to analytical procedures, and in checking whether adjustments made, if any, were supported by meaningful documentation. For assessments based on provisional data, our work consisted primarily in: • obtaining the cash flow and operating forecasts for the activities of the entities concerned and in assessing their consistency with the forecasted data presented by senior management; • analysing the consistency of the assumptions used with the economic climate; • assessing the discount rate used for the discounting of cash flows.

Verification of the management report and other documents sent to shareholders

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

Information given in the management report and in the other documents: sent to shareholders about the Company's financial position and annual financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Report on corporate governance

We certify that the Board of Directors' report on corporate governance contains the information required by articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

Concerning the information disclosed in accordance with the requirements of article L.225 37-3 of the French Commercial Code relating to compensation and benefits received by corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

Concerning the information on the elements that your Company considered likely to have an impact in the event of a public tender or exchange offer, provided pursuant to the provisions of article L.225-37-5 of the French Commercial Code, we verified their compliance with the documents from which they were created and that were forwarded to us. On the basis of these verifications, we have no observation to make with regard this information.

Other Information

Pursuant to the law, we ascertained that the different items of information regarding acquisitions and takeovers, as well as the identity of the holders of capital (or voting rights), were submitted to you in the management report.

Information from other legal and regulatory obligations

Appointment of Statutory Auditors

We were appointed Statutory Auditors of bioMérieux by your General Meeting of May 30, 2017 for GRANT THORNTON and May 30, 2012 for ERNST & YOUNG et Autres.

As at December 31, 2017, GRANT THORNTON was in the first continuous year of its audit engagement while ERNST & YOUNG et Autres was in the sixth year.

Responsibilities of senior management and the persons constituting corporate governance for the annual financial statements

Senior management is responsible for the preparation of annual financial statements that present a true view in compliance with French accounting rules and principles, together with the implementation of the internal control that it deems relevant to the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the annual financial statements, senior management is responsible for assessing the Company's ability to continue as a going concern, to present in these financial statements, if necessary, information concerning the continuity of the Company's operations and to apply the accounting policy of going concern, unless there are plans to unwind the Company or discontinue the business.

The Audit Committee is responsible for monitoring the financial reporting preparation process and the effectiveness of internal control and risk management systems and, if necessary, the Internal Audit Department with respect to procedures relating to preparation and treatment of financial and accounting information.

These financial statements have been approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the annual financial statements

Audit objective and procedure

It is our duty to draw up a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements, taken as a whole, are free from material misstatement. Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit conducted in accordance with professional standards will systematically detect any material misstatement. Misstatements may arise from fraud or result from errors and are considered as material when it can be reasonably expected that, taken singly or together, they can influence the economic decisions that users of the financial statements take based thereon.

As stated in article L.823-10-1 of the French Commercial Code, our engagement to certify the financial statements does not consist in guaranteeing the viability or quality of management of your Company.

Within the framework of an audit conducted in compliance with professional standards applicable in France, the statutory Auditor exercises his professional judgement throughout the audit.

Furthermore:

- the statutory auditor identifies and assesses the risks whereby the annual financial statements may contain material misstatements, whether from fraud or errors, defines and implements audit procedures based on these risks, and collects the elements it considers sufficient and appropriate on which to base its opinion. The risk of not detecting a material misstatement arising from fraud is higher than the risk of a material misstatement resulting from an error, because fraud may imply collusion, falsification, voluntary omissions, false declarations or the circumvention of internal control;
- the statutory auditor reviews the relevant internal control for the audit in order to define the appropriate audit procedures for the circumstances and in the aim of expressing an opinion on the effectiveness of internal control;
- he assesses the appropriateness of the accounting methods used and the reasonable nature of the accounting estimates made by the management, as well as information concerning these methods provided in the annual financial statements;
- he assesses the appropriateness of the application by the management of the going concern concept and, according to the elements collected, whether or not there is a material uncertainty linked to events or circumstances likely to compromise the Company's ability to continue as a going concern. This assessment is based on the information collected until the date of his report. It is however pointed out that subsequent circumstances or events could jeopardize continuity as a going concern. If he concludes that there is a material uncertainty, the statutory auditor draws the attention of the readers of the report to the information provided in the annual financial statements about such uncertainty, or if this information is not provided or is not relevant, he issues a certification with reservations or a refusal to certify;
- he assesses the overall presentation of the annual financial statements and assesses whether they reflect underlying operations and events so as a give a true view.

Report to the Audit Committee

We submit a report to the Audit Committee that presents, in particular, the scope of the audit and the work schedule implemented as well as the conclusions of our audit. Our audit also informs the Audit Committee of any material weaknesses of internal control that we have identified with respect to the procedures relating to the preparation and treatment of accounting and financial information.

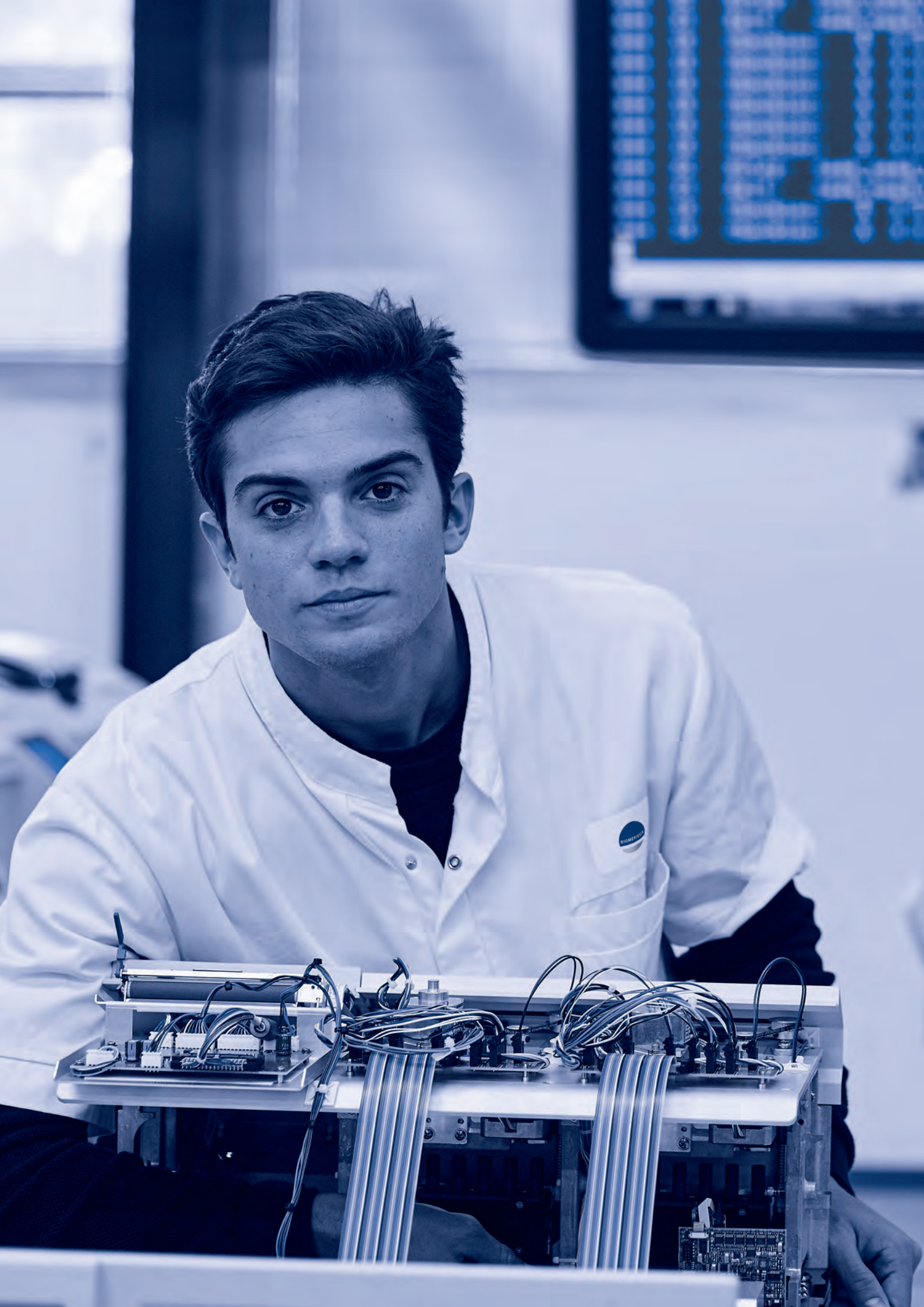
The points mentioned in the report to the Audit Committee include the risks of material misstatements that we consider to have been the most important for the audit of the annual financial statements of the year, which therefore constitute the key points of the audit, which it is our duty to describe in this report.

We also submit to the Audit Committee the declaration provided in article 6 of EU regulation No. 537-2014 confirming our independence, as defined in rules applicable in France as set out in articles L.822-10 to L.822-14 of the French Commercial Code and in the statutory auditors professional Code of Ethics. If necessary, we will meet the Audit Committee to discuss the risks that threaten our independence and the safeguard measures applied.

Lyon, February 28, 2018
The Statutory Auditors

Françoise Mechin
GRANT THORNTON
French member of Grant Thornton International

Nicolas Perlier
ERNST & YOUNG et Autres



7 Information on the Company and its share capital

7.1 General information on the Company

The Company's name is bioMérieux.

No trade name has been registered. In this Registration Document, bioMérieux is referred to as the "Company", "bioMérieux", or the "Group".

bioMérieux is a French joint stock company (*société anonyme*) with a Board of Directors, governed by the French Commercial Code (*Code de commerce*) and all other applicable laws and regulations, registered with the Lyon Trade and Companies Register under number 673 620 399. Its APE Industry Code is 2059 Z.

The Company was incorporated on December 13, 1967 for a period of 50 years from its registration with the Trade and Companies Registry, unless this period is extended or the Company is dissolved before the end of the period. The Ordinary and Extraordinary Shareholders' Meeting of April 16, 2004 resolved to extend the Company's duration (Article 5 of the bylaws) to 99 years, expiring April 15, 2103.

The Company's registered office is located in Marcy l'Etoile (Rhône department), France. The Company has been established in France since its incorporation.

7.2 Articles of incorporation and bylaws

7.2.1 Corporate purpose

Article 2 of the bylaws stipulates that the Company's purpose, in France and elsewhere, is to:

- manufacture, produce, process, package, distribute, buy, sell, import and export any products and devices and any techniques and know-how used in particular for diagnostics, prevention and treatment, notably in the field of healthcare;
- carry out all studies and research and develop, acquire, grant, keep, control, use, improve, including through the use of licenses and sub-licences, all trademarks, brand names, patents, techniques, inventions, improvements, formulas, designs, processes, etc. in any way related to the abovementioned products or to the manufacturing and trading of such products;
- participate, either directly or indirectly, in all business and manufacturing transactions related in any way whatsoever to the abovementioned purposes or likely to promote them, either through the creation of new companies, the contribution, subscription or purchase of securities or Company rights, through mergers, alliances, joint holdings, or by any other means;
- perform all transactions in its line of business, either alone and on its own behalf or on behalf of a third party, on commission, as a broker, for a fee, on a cost basis, as representative or proxy for any entity or in any other capacity;
- provide all services relating to the organisation of bioMérieux's systems including laboratory automation, the purchase and assembly of equipment and specialised software; propose training courses for all healthcare professionals working within the key fields of industrial and medical biology;
- generally, perform all business, manufacturing, financial or other transactions directly or indirectly related to the above purposes or to any similar purposes, including the development of ways to expand, promote, advertise, trade or transport raw materials, semi-finished or finished products, as well as the ability to purchase, acquire, hold, transfer, lease, mortgage or dispose of goods, whether movable or immovable, tangible or intangible, related to the above purposes or likely to develop them.

7.2.2 Provisions relating to the administrative, management and supervisory bodies

The provisions relating to the administrative, management and supervisory bodies are laid down in Articles 11 to 17 of the bylaws and in the internal rules of the Board of Directors and are listed in section 4.2.3.1.

The Company is managed by a Board of Directors composed of at least three members and up to the maximum number permitted by law. The Board of Directors elects a Chairman from among its members. The Chairman must be a natural person, failing which the appointment will be deemed invalid. The Board of Directors sets the Chairman's compensation. The Board of Directors may also appoint one or more Vice-Chairmen from among its members. The Chairman of the Board of Directors organises and coordinates the Board of Directors' work and reports thereon to the Shareholders' Meeting.

The members of the Board of Directors are elected for terms of four years, expiring at the end of the Ordinary Shareholders' Meeting called during the year in which the term of the director in question expires to approve the financial statements for the previous year. All directors are eligible for reelection.

The internal rules of the Board of Directors require each member of the Board of Directors to hold a minimum of ten Company shares for the duration of his/her term of office.

The Shareholders' Meeting may decide to allocate a fixed annual sum to the Board of Directors as directors' fees, until a subsequent Shareholders' Meeting decides otherwise. Directors' fees are allocated among members of the Board as the Board deems appropriate. Directors who are members of Board Committees receive higher fees than other directors.

The Company's Chief Executive Officer is the Chairman of the Board of Directors.

7.2.3 Rights and privileges attached to shares

7.2.3.1 Appropriation of income

Article 10 of the bylaws stipulates that each share entitles its holder to a proportionate share of income corresponding to the percentage of capital it represents.

Article 22 specifies that the income for the year, less any accumulated losses, is subject to a deduction of (i) at least five per cent allocated to the legal reserve, a deduction which ceases to be mandatory once the reserve represents one tenth of the share capital but becomes mandatory again if the legal reserve falls to below one tenth of the share capital for any reason, and (ii) any amount to be set aside as reserves as required by law.

The balance, plus any retained earnings, represents distributable net income that the Shareholders' Meeting may, on recommendation of the Board of Directors, distribute in whole or in part as dividends, or allocate to reserve accounts, capital amortisation or retained earnings.

The Shareholders' Meeting may allow shareholders the option to receive all or part of dividends or interim dividends distributed in either cash or shares, in accordance with the law. The Shareholders' Meeting may decide to use the reserves at its disposal to pay a dividend on shares. If this occurs, the relevant resolution must expressly state from which accounts funds are to be withdrawn.

In addition, the Shareholders' Meeting may resolve to use income or reserves, other than the legal reserve, to pay off some or all of the shares and to repay them up to their par value.

Article 23 of the bylaws specifies that the terms of payment of dividends are set by the Shareholders' Meeting or, failing that, by the Board of Directors. Dividends must be paid no more than nine months after the year end, unless otherwise authorised by a court. The Board of Directors may, subject to the provisions of the law, distribute one or more interim dividends prior to the approval of the financial statements for the year.

7.2.3.2 Attendance at Shareholders' Meetings

Article 19 of the bylaws stipulates that all shareholders are entitled to take part in Ordinary and Extraordinary Shareholders' Meetings and in deliberations, either in person or by proxy, as provided by law.

Shareholders may be represented at all meetings, in accordance with applicable laws and regulations. They may also vote by mail by way of a form, which can be obtained under the conditions outlined in the convening notice, in accordance with applicable laws and regulations. Proxy or voting forms of shareholders attending meetings in person will be declared null and void.

Shareholders may take part in meetings by videoconference or by other means of telecommunication in accordance with the terms of applicable laws and regulations referred to in the published notice of meeting or the convening notice. In 2013, the Annual General Meeting decided to introduce voting by electronic mail.

Minutes of Shareholders' Meetings are prepared, and copies are certified and delivered in accordance with the law.

7.2.3.3 Voting rights

Voting rights attached to shares are proportionate to the fraction of capital represented and each share entitles its holder to at least one vote (Article 20 of the bylaws).

All paid-up shares which have been held in registered form by the same shareholder for five years or more, based on the proportion of share capital they represent and irrespective of their class, carry double voting rights. The double voting right was approved by the Annual General Meeting in 1999. Shares converted to bearer form or whose ownership changes, subject to the exceptions provided by law, automatically lose their double voting rights. Registered shares are not stripped of voting rights and the five-year period continues to run in the event of transfers following an inheritance, the liquidation of community property between spouses and inter vivos gifts made to a spouse or relatives entitled to inherit.

The Company's merger or demerger would not affect double voting rights, which may be exercised within the successor entity(ies) if their bylaws so permit.

In the event of a capital increase through the capitalisation of reserves, profit or paid-in capital, new shares allocated in respect of existing shares carrying double voting rights will also have double voting rights from the date of issue.

7.2.3.4 Form of shares and identification of the shareholders

Fully paid-up shares may be held in registered or bearer form, at the shareholders' discretion, subject to applicable laws and regulations. Shares must be held in registered form until they are fully paid up (Article 8 of the bylaws).

The Company may apply statutory and regulatory provisions relating to the identification of holders of securities granting immediate or future voting rights at Shareholders' Meetings.

7.2.4 Changes in capital and shareholders' rights

Any changes in the share capital or the shareholders' rights (voting rights attached to shares) are governed by French law, as the bylaws do not any contain specific provisions in this respect.

7.2.5 Convening of Shareholders' Meetings

Shareholders' Meetings are called and deliberate in accordance with the law.

Shareholders' Meetings take place either at the Company's registered office or at another location indicated in the convening notice. The Board of Directors can decide, upon issuing the convening notice, to publicly hold the entire meeting by videoconference and/or by other means of telecommunication, in accordance with the law. Where applicable, this decision is made known in the published notice of meeting or the convening notice.

The Company publishes a notice in the French bulletin of mandatory legal notices (*Bulletin des annonces légales obligatoires* – BALO) containing the text of the resolutions which will be presented at the Shareholders' Meeting in accordance with the law.

Shareholders' Meetings are called by a notice published in the BALO and in a newspaper authorised to publish legal notices in the same *département* (French administrative division) as the Company's registered office, within the timeframe provided for by law.

Holders of registered shares who have held their shares for at least one month at the date of publication of the convening notice are convened by ordinary letter; they may request to receive notice by registered letter if they provide the Company with the amount of postage required.

All shareholders are entitled to take part in Ordinary and Extraordinary Shareholders' Meetings and in deliberations, either in person or by proxy, as provided by law.

Shareholders may be represented by their spouse or by another shareholder at all meetings.

7.3 Share capital

7.3.1 History and amount of the issued capital

The Company's share capital has not been modified in the last three years.

The number of shares issued is 118,361,220 (all shares are of the same class). On September 19, 2017, bioMérieux carried out a 1 for 3 stock split, dividing the par value per share by 3, following a decision by the Board of Directors dated August 29, authorised by the Combined Shareholders' Meeting held on May 30 of the same year, which endorsed this decision (18th resolution). The number of shares accordingly rose from 39,453,740 to 118,361,220.

The issued capital amounts to €12,029,370, fully paid up. The Annual General Meeting of March 19, 2001 eliminated reference to par value in the Company's bylaws.

On the date of filing of this Registration Document:

- there are no securities which do not represent share capital;
- the Company has not been informed of any pledging of shares;
- there are no other securities granting access to the Company's share capital;
- there are no options on the share capital of any Group member.

7.3.2 Share buyback program - Description of the share buyback program

7.3.2.1 Information on the share buyback program conducted

The Ordinary and Extraordinary Shareholders' Meetings of May 26, 2016 and May 30, 2017 authorised the Board of Directors to buy back shares of the Company in accordance with articles L.225-209 et seq. of the French Commercial Code.

At December 31, 2017, the Company held 234,074 shares, *i.e.* 0.20% of the share capital.

Summary of transactions in treasury shares between January 1, 2017 and December 31, 2017

Pursuant to the authorisations given by the Annual Shareholders' Meetings of May 26, 2016 and May 30, 2017:

- Under the liquidity agreement consistent with the AMAFI Code of Ethics, approved by the AMF and entered into with the Company, Natixis performed the following transactions in its capacity as investment services provider.

Shares purchased	421,704 (251,819 before stock split/169,885 after stock split)
Average purchase price	€129.91 (€170.75 before stock split/€69.31 after stock split)
Shares sold	418,493 (253,525 before stock split/164,968 after stock split)
Average selling price	€131.24 (€171.35 before stock split/€69.59 after stock split)
Fees and commissions	0
Treasury shares held at December 31, 2017	4,917
Value of shares held at the end of the year based on their average purchase price*	€340,774
Carrying amount at December 31, 2017	€367,251
Nominal value of shares	/
Purpose of transactions	Maintaining an orderly market
Percentage of treasury shares held at year-end	0.00%

* *Calculated at average purchase price following stock split (€69.31).*

The shares purchased by Natixis were acquired exclusively to maintain a liquid market in the Company's shares through market-making transactions carried out by an independent investment services provider under a liquidity agreement that complies with the AMAFI Code of Ethics approved by the AMF.

- Under an agency agreement entered into with Natixis with the sole objective of delivering shares upon the exercise of rights in connection with free share grants to employees of the Company or companies within the Group, pursuant to the authorisations granted by the Shareholders' Meeting.

Shares purchased	13,763
Average purchase price	€74.46
Shares sold	0
Average selling price	/
Treasury shares held at December 31, 2017	229,157
Value of shares held at the end of the year based on their average purchase price*	€10,593,468
Carrying amount at December 31, 2017	€17,115,736
Nominal value of shares	/
Purpose of transactions	Delivery of shares upon the exercise of rights in connection with share grants to employees
Percentage of treasury shares held at year-end	0.19%

* *Calculated based on average purchase price for all treasury shares, i.e. €46.29.*

Use of derivatives

The Company did not use derivatives as part of this share buyback program and there were no open positions to buy or sell derivatives at the date this Registration Document was filed.

7.3.2.2 Description of the new share buyback program

Pursuant to article 241-2 of the AMF General Regulations, this paragraph is a description of the buyback program to be put to the Combined General Meeting of May 17, 2018 for approval.

Buy-back program objectives

Under the share buyback program, purchases will be made based on the following objectives: (i) maintaining a buoyant secondary market or a liquid market in the Company's shares through an independent investment service provider, operating under a liquidity agreement that complies with the AMAFI Code of Ethics approved by the AMF; (ii) ensuring the hedging of stock option plans and/or share grant plans (or similar) for Group employees and/or corporate officers as well as of any granting of shares under the Group's Employee Savings Plan (or similar), company profit-sharing schemes and/or any other granting of shares to Group employees and/or corporate officers; (iii) reducing the Company's share capital by cancelling shares within legal limits; (iv) shares purchased and swapped again at a later date or expansion investments or be paid out as part of any external expansion operations; (v) implementing any market practice that is accepted or is to be accepted by market authorities.

Summary of the main features of the buy-back program

- Relevant securities: ordinary shares;
- Maximum stake proposed to the Annual Shareholders' Meeting of May 17, 2018: 10% of the number of shares making up the Company's share capital (at any time, as this percentage applies to a share capital adjusted according to the transactions affecting it);
- Maximum buyback percentage of shares purchased by the Company to be held and subsequently delivered as payment or in exchange as part of a merger, spin-off or contribution: 5%;
- Maximum unit purchase price: the unit purchase price must not exceed €150 per share (excluding acquisition costs);
- Total cost of program: the maximum theoretical cost of implementing this program is €1,775,418,300 (maximum theoretical amount not taking into account the shares owned by the Company). However, the Board could adjust the aforementioned purchase price in the event of a change in the share's par value, of an increase in capital through the capitalisation of reserves and granting of free shares, of share splits or consolidation, of capital redemption or reduction, of the distribution of reserves or other assets, or of any other transactions affecting equity, in order to take into account the incidence of such transactions on the share value.

Breakdown per objective of shares held by the Company as of February 28, 2018

At February 28, 2018, the Company's share capital is made up of 118,361,220 shares. At this date, the Company held 266,347 shares, *i.e.* 0.23% of the share capital:

- of which 37,190 shares under the liquidity agreement with Natixis. The Company effectively entered into a liquidity agreement with Natixis. The agreement, which is compliant with the AMAFI and AFEI Code of Ethics, as approved by the French financial markets authority (AMF), took effect on May 27, 2016. The shares purchased by Natixis were acquired exclusively to maintain a liquid market in the Company's shares through market-making transactions carried out by an independent investment service provider under a liquidity agreement that complies with the AMAFI Code of Ethics approved by the AMF;
- of which 229,157 shares under an agency agreement entered into with Natixis with the sole objective of delivering shares upon the exercise of rights in connection with free share grants to employees of the Company or companies within the Group.

The purchase, sale and transfer of the aforementioned securities was carried out to meet two of the program's objectives approved by the Annual Shareholders' Meetings of May 26, 2016 and May 30, 2017, *i.e.* maintaining a liquid market in the Company's shares through market-making transactions carried out by an independent investment service provider under a liquidity agreement that complies with the AMAFI Code of Ethics, approved by the AMF and delivering shares upon the exercise of rights in connection with free share grants to employees of the Company or companies within the Group. The Company has not cancelled any shares in the last 24 months and acquired no shares prior to April 16, 2014, date on which the new share buyback program under the new regulation from the European directive on "Market Abuse" entered into force.

The Company has not used derivatives as part of this share buyback program and there have been no open positions to buy or sell derivatives at the date this buyback program description was published.

Term of program

In compliance with the provisions of article L.225-209 of the French Commercial Code and the draft motion to be put to the Annual General Meeting on May 17, 2018, this buy-back program may be implemented over an eighteen-month period from the Annual Shareholders' Meeting on May 17, 2018, until November 17, 2019.

7.3.3 Other securities

In addition to the shares issued by the Company as stated in section 7.3.1 and the free share grants (see section 7.4.3), the Company carried out a bond issue, placing €300 million in seven-year bonds (maturing on October 14, 2020) with institutional investors. The bonds pay interest at an annual rate of 2.875%.

The bonds were listed on Euronext Paris in October 2013 but have not and will not be registered under the US Securities Act of 1933, as amended (the Securities Act). The bonds are being offered outside the United States, in accordance with the regulations of the Securities Act, and may not be offered, sold or delivered within the United States or to, or for the account of, US persons.

This bond issue enabled bioMérieux to (i) lengthen the average maturity of its debt under favourable financial conditions, (ii) diversify its sources of financing in addition to its existing syndicated lines of credit, and (iii) contribute to funding the acquisition of the US company BioFire.

7.3.4 Authorised unissued capital

TABLE SUMMARISING VALID AUTHORISATIONS

Relevant securities	Date and duration of the authorisation	Maximum nominal amount of capital increase	Amount authorised and used
Issue with pre-emptive subscription rights Capital increase with pre-emptive subscription rights through the issue of shares or securities (20th resolution)	AGM of May 30, 2017 26 months, *i.e.*, until July 29, 2019	Maximum nominal amount of €4,210,280 for capital increases[(a)] and of €1 billion for issues of debt securities[(b)]	N/A
Issue without pre-emptive subscription rights Capital increase without pre-emptive subscription rights through the issue of shares or securities (21st resolution)	AGM of May 30, 2017 26 months, *i.e.*, until July 29, 2019	Maximum nominal amount of €4,210,280 for capital increases[(a)] and of €1 billion for issues of debt securities[(b)]	N/A
Capital increase without pre-emptive subscription rights as part of an offer provided for in article L.411-2 II of the French Monetary and Financial Code (*Code monétaire et financier*) (22nd resolution)	AGM of May 30, 2017 26 months, *i.e.*, until July 29, 2019	Maximum nominal amount of 20% of the share capital per year[(a)] and of €1 billion for issues of debt securities[(b)]	N/A
Increase in the number of shares issued in the event of a capital increase (24th resolution)	AGM of May 30, 2017 26 months, *i.e.*, until July 29, 2019	15% of the initial issue, up to the amounts authorised by the 20th to 22nd resolutions [(a)(b)]	N/A
Capital increase without pre-emptive subscription rights as consideration for contributions in kind made to the Company (25th resolution)	AGM of May 30, 2017 26 months, *i.e.*, until July 29, 2019	Maximum nominal amount of 10% of the share capital (as of the implementation of the authorisation)[(a)]	N/A
Capital increase through the capitalisation of additional paid-in capital, reserves, profit or other items (26th resolution)	AGM of May 30, 2017 26 months, *i.e.*, until July 29, 2019	Maximum nominal amount of €4,210,280[(a)] as of the AGM of May 30, 2017	N/A
Capital increase without pre-emptive subscription rights as part of the issue by subsidiaries or by the parent company of securities giving access to the Company's securities (27th resolution)	AGM of May 30, 2017 26 months, *i.e.*, until July 29, 2019	Maximum nominal amount of €4,210,280 for capital increases[(a)] and maximum amount of €1 billion for issues of debt securities[(b)]	N/A
Capital increase reserved for employees participating in an employee savings plan (PEE) (28th resolution)	AGM of May 30, 2017 26 months, *i.e.*, until July 29, 2019	Maximum nominal amount of 3% of the share capital at the date of the AGM of May 30, 2017	N/A
Grant of shares (existing or to be issued) (13th resolution)	AGM of May 26, 2016 26 months, *i.e.*, until July 25, 2018	0.95% of the share capital as of the date of the AGM	437,446 shares[(c)] (0.37% of the share capital)

(a) This percentage/amount must be offset against the total authorised capital increase of €4,210,280 (nominal amount).
(b) This amount must be offset against the aggregate capital increase through the issue of debt securities of €1 billion (nominal amount).
(c) Board of Directors meetings of May 26 and December 15, 2016, February 28 and December 15, 2017.

7.3.5 bioMérieux shares in 2017

7.3.5.1 bioMérieux equity market

bioMérieux shares have been traded publicly since July 6, 2004 on the CAC Mid 60®, SBF 120®, CAC Mid & Small®, CAC All-Tradable® and CAC All-Share® French market indices. In addition, bioMérieux was included in new indices during 2017, specifically MSCI France Index and STOXX® Europe 600. The Company's shares are listed on compartment "A" of the Eurolist market and are eligible for deferred settlement service (*Service de Règlement Différé* – SRD).

For a number of years extra-financial rating agencies have been evaluating the CSR performance of bioMérieux and have included it in their SRI indices (Socially Responsible Investments), such as the Ethibel Forum (Ethibel Sustainability Index (ESI) Excellence Europe) which draws on the work of the ratings agency VIGEO, or FTSE Russell (FTSE4Good Index). This year bioMérieux was included in new indices and obtained new labels (Vigeo Eiris Eurozone 120, EcoVadis, OEKOM Research, CDP).

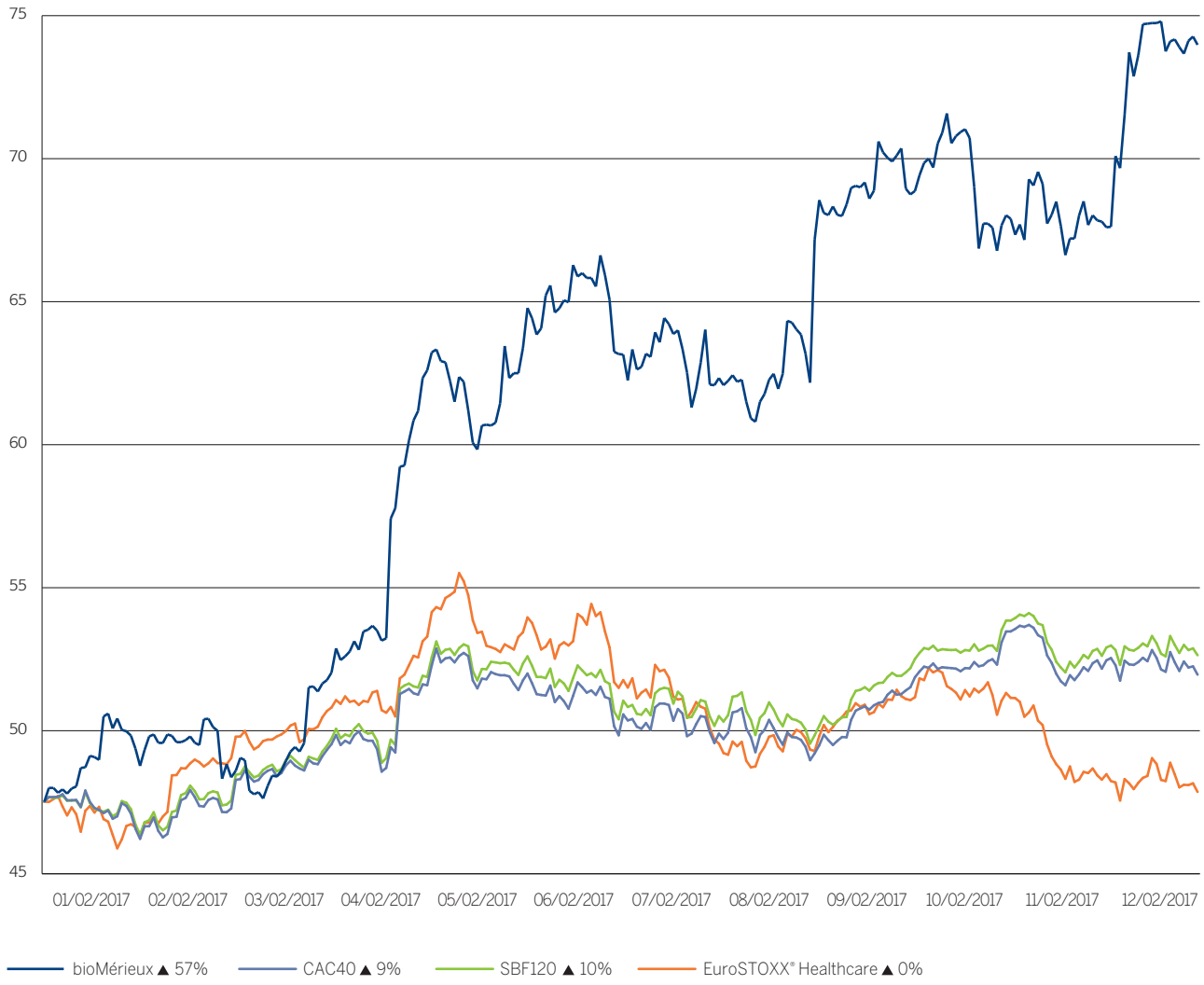
On September 19, 2017, bioMérieux carried out a 1 for 3 stock split, dividing the par value per share by 3, thereby increasing the number of shares from 39,453,740 to 118,361,220. The information below, including section 7.3.5.2, is provided on a comparable basis and includes the number of shares following the stock split.

At December 31, 2017, the closing price for the bioMérieux share was €74.69 (€47.30 at December 31, 2016) and the Company's market capitalisation was €8.8 billion. In 2017, 28,750,521 of the Company's shares were traded on Euronext (31,554,284 in 2016).

During 2017, the average liquidity of the bioMérieux share was as follows (source: Thomson Reuters Eikon):

- average closing price: €61.36;
- average daily trading volume: 112,747 shares;
- average trading day: approximately €7,107,000.

7.3.5.2 Change in bioMérieux share price in euros during 2017 compared to benchmark indices (Code: BIM – ISIN Code: FR0013280286)



	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Low	47.52	48.32	47.63	52.47	59.83	63.17	61.30	60.80	68.00	66.78	66.63	69.67
High	50.60	50.42	52.88	61.18	63.45	66.62	64.43	68.55	70.60	71.58	70.09	74.80
Closing	48.77	48.37	52.88	61.18	62.50	63.17	62.08	68.55	68.87	67.34	70.09	74.69

Source: Thomson Reuters Eikon, data extracted on 01/09/2018.

7.3.5.3 bioMérieux historical share price performance

Period	High *(In euros)*	Low *(In euros)*	Closing *(In euros)*
2012	25.05	18.41	24.00
2013	26.16	23.44	25.42
2014	29.14	24.53	28.58
2015	36.77	28.10	36.63
2016	47.45	32.67	47.30

Source: Thomson Reuters Eikon, price recalculated after stock split.

7.4 Main shareholders

7.4.1 History of the ownership structure

The table below shows the Company's ownership structure on the dates indicated.

	Dec. 31, 2017				Dec. 31, 2016				Dec. 31, 2015			
Shareholders[a]	Number of shares	% of capital	Number of theoretical voting rights[f]	% of voting rights	Number of shares	% of capital	Number of theoretical voting rights[f]	% of voting rights	Number of shares	% of capital	Number of theoretical voting rights[f]	% of voting rights
Institut Mérieux[b]	69,720,270	58.90	139,440,540	70.82	23,240,090	58.90	46,480,180	70.85	23,240,090	58.90	46,480,180	70.73
GIMD[c]	6,040,410	5.10	12,080,820	6.14	2,013,470	5.10	4,026,940	6.14	2,013,470	5.10	4,026,940	6.13
Employees[d]	553,720	0.47	1,048,570	0.53	189,790	0.48	354,740	0.54	187,600	0.48	375,200	0.57
Treasury stock[e]	234,074	0.20	0	0	106,506	0.27	0	0	3,455	0.01	0	0
Public	41,812,746	35.33	44,314,608	22.51	13,903,884	35.25	14,742,304	22.47	14,009,125	35.51	14,831,191	22.57
TOTAL	**118,361,220**	**100**	**196,884,538**	**100**	**39,453,740**	**100**	**65,604,164**	**100**	**39,453,740**	**100**	**65,713,511**	**100**

(a) Only the shareholders representing more than 5% of the capital are named in this table. All other shareholders are included under Public.
(b) Institut Mérieux is the holding company of the Mérieux family.
(c) Groupe Industriel Marcel Dassault.
(d) This line includes employee share ownership through the corporate mutual fund ("FCPE").
(e) In 2017, shares were held pursuant to the liquidity agreement with Natixis and under an agency agreement signed with Natixis.
(f) Theoretical voting rights are identical to actual voting rights.

Employee share ownership has not changed materially since December 31, 2016. Differences between the number of shares and the number of voting rights reflect the existence of double voting rights. As of the date of this Registration Document, all shares held by Institut Mérieux and GIMD have double voting rights.

On September 19, 2017, bioMérieux carried out a 1 for 3 stock split, dividing the par value per share by 3 (see section 7.3.1).

To the Company's best knowledge, no other shareholder directly or indirectly holds, alone or in concert, more than 5% of the Company's share capital or voting rights.

7.4.2 Control of the issuer

Institut Mérieux, which is the holding company owned by the Mérieux family through Compagnie Mérieux Alliance, held 58.90% of the share capital and 70.82% of the voting rights of the Company at December 31, 2017. Institut Mérieux is therefore able to adopt all the resolutions submitted for the approval of shareholders at Shareholders' Meetings.

Despite Institut Mérieux's position as the majority shareholder, the Company, which is managed by a Board of Directors, seven of whose ten members are independent and which has assessed its own performance to be satisfactory (see section 4.2.3.2), considers that there is no risk that control would be exercised in an abusive manner.

To the best of the Company's knowledge, there are no shareholders' agreements, parties acting in concert and/or other joint actions, nor any other agreement whose implementation could result in a change of control of the Company.

7.4.3 Employee share ownership

7.4.3.1 Statement of employee profit-sharing

As of December 31, 2017, employees held:

- 553,720 shares under the OPUS Classic corporate mutual fund ("FCPE"), representing 0.47% of the share capital;
- a total of 162,714 registered shares, or 0.14% of capital; at December 31, 2016, registered shares constituted 0.13% of capital.

In 2017, the Company proposed new employee share ownership plans to its employees (outside of France and the United States) under which, once authorised by the Board of Directors, free shares will be granted to employees that have subscribed for a certain number of shares. These shares will be granted permanently, after a four-year vesting period, subject to a continuous employment condition.

In the United States, a bioMérieux Inc. phantom share plan was implemented in 2015 and renewed in 2016 and 2017. The employees are not shareholders of the Company as such, but the plan makes it possible to link their individual contributions more closely to the Company's performance. BioFire also launched a similar plan in 2016 and 2017.

7.4.3.2 Special report on free share grants and stock options

This report was prepared in accordance with the provisions of articles L.225-184 and L.225-197-4 of the French Commercial Code.

The Company does not currently have any stock option plans. No stock options were granted to corporate officers or employees by the Company or Group companies in 2017. At the date of this report, no stock options are exercisable.

The Board of Directors granted 40,116 free shares in 2017 under share grant plans set up by the Board – after consulting with the Human Resources, Appointment and Compensation Committee – pursuant to the authority granted to it by the Ordinary and Extraordinary Shareholders' Meetings of May 26, 2016.

Accordingly, the Company did not grant any free shares to corporate officers for their positions within the Company or in a controlled company within the meaning of article L.233-16 of the French Commercial Code (*Code de commerce*).

The table below sets forth the free shares granted at the end of the 2017 financial year:

Grant date	Number of shares granted	Share price *(In euros)*
February 28, 2017	31,800	48.37
December 15, 2017	8,316	73.75

The table below shows the number of free shares granted and not fully vested at the end of 2017:

Grant date		Company employing the beneficiary	Number of shares granted	Beneficiary category
February 28, 2017		bioMérieux SA	9,300	2 Global Leaders
TOTAL GLOBAL LEADER (A) 2017 PLAN	**48.37**		**9,300**	**2 Global Leaders**
February 28, 2017		bioMérieux India Pvt Ltd	1,500	1 Global Leader
TOTAL GLOBAL LEADER (B) 2017 PLAN	**48.37**		**1,500**	**1 Global Leader**
February 28, 2017		BioFire Defense	6,000	1 Global Leader
TOTAL GLOBAL LEADER (C) 2017 PLAN	**48.37**		**6,000**	**1 Global Leader**
February 28, 2017		bioMérieux Shanghaï	15,000	1 Global Leader
TOTAL GLOBAL LEADER (D) 2017 PLAN	**48.37**		**15,000**	**1 Global Leader**
		bioMérieux Argentina SA	114	6 employees
		bioMérieux Australia Pty Ltd	181	10 employees
		bioMérieux Benelux SA	194	11 employees
		bioMérieux BTF Ltd	55	2 employees
		bioMérieux Canada Inc.	348	18 employees
		bioMérieux Chile Sp	288	17 employees
		bioMérieux Deutschland GmbH	578	34 employees
		bioMérieux Hellas SA	212	13 employees
		bioMérieux India Pvt Ltd	384	29 employees
		bioMérieux Italia spA	715	37 employees
		bioMérieux Korea Co, Ltd	322	14 employees
		bioMérieux Shanghai Biotech Co., Ltd	273	19 employees
		bioMérieux EspanaSA	788	41 employees
		bioMérieux Shanghaï Company Ltd	1,257	60 employees
		bioMérieux China LimitedLtd	76	3 employees
		Applied Maths NV	193	9 employees
		bioMérieux Brasil SAIndustria de Productos Laboratorias (Ltda	114	6 employees
		bioMérieux Denmark ApS	43	2 employees
		bioMérieux Japan Ltd	144	6 employees
		bioMérieux Benelux BV	42	2 employees
		bioMérieux Portugal Lda	135	6 employees
		bioMérieux SSC Europe SpZoo	97	5 employees
		bioMérieux Sweden AB	68	3 employees
		bioMérieux Thailand Ltd	40	2 employees
		bioMérieux UK Ltd	369	20 employees
		bMx China Ltd	173	9 employees
		bioMérieux SwitzerlandSuisse SA	40	2 employees
		bioMérieux Singapore Pte Ltd	137	8 employees
		bioMérieux Austria GmbH	19	1 employee
		bioMérieux Polska Sp Zoo	36	2 employees
		bioMérieux Colombia SAS	18	1 employee
		bioMérieux Mexico SA de CV	235	17 employees
		bioMérieux Moyen-Orient Fz-LLC	15	1 employee
December 15, 2017		bioMérieux Suomi Oy	13	1 employee
TOTAL OPUS INTERNATIONAL 2017 PLAN	**73.75**		**7,716**	**417 employees**
December 15, 2017		bioMérieux SA	600	1 Global Leader
TOTAL GLOBAL LEADER 2017 PLAN	**73.75**		**600**	**1 Global Leader**
GRAND TOTAL			**40,116**	

Vesting period

In the 2017 free share grant plan, a three or four-year vesting period applies from the date of the decision to grant the shares before the beneficiary becomes the owner of the shares granted.

Eligibility and performance conditions

During the financial year, the Board of Directors decided, at the recommendation of the Human Resources, Appointment and Compensation Committee, to grant free shares that are fully vested, (i) subject to a continuous employment condition, (ii) subject to continuous employment and performance conditions, or (iii) subject to continuous employment and investment conditions (Opus International plan).

Delivery of shares

At the end of the vesting period and provided that the vesting conditions and criteria set by the Board of Directors are met, the Company will transfer to the beneficiary the number of free shares granted by the Board of Directors. The beneficiaries will become shareholders but they are required to hold their shares during any lock-up period set by the plan if any.

Lock-up period

2017 share grant plans have no lock-up period

Beneficiaries' rights

Even though the shares will not be transferable, like any other shareholder, the beneficiaries of vested shares are entitled to exercise all other rights attached to such shares during the lock-up period, including:

- pre-emptive subscription rights;
- right to information;
- right to attend Shareholders' Meetings;
- voting rights;
- right to dividends and, if applicable, distributed reserves.

7.4.3.3 History of free share grants (Table 10)

The table below summarises, at December 31, 2017, all the terms and conditions of the free share grants and the performance share grants, subject to the fulfilment of the presence conditions and, for certain grants, the performance criteria laid down by the Company's Board of Directors:

Date of Annual General Meeting	Name of plan	Date of Board meeting	Total number of free shares granted	Number of beneficiaries	Of which to corporate officers	Acquisition date of the shares	End date of the lock-up period	Cumulative number of forfeited or lapsed shares	Free shares granted during the year	Free shares remaining at the end of the year
May 26, 2016	OPUS International[a] Plan	December 15, 2017	7,716	417	0	December 15, 2021	December 15, 2021	0	0	7,716
May 26, 2016	Global Leader Plan	December 15, 2017	600	1	0	December 15, 2020	December 15, 2020	0	0	600
May 26, 2016	Global Leader[a] 2017 Plan	February 28, 2017	9,300	2	0	February 28, 2021	February 28, 2021	0	0	9,300
May 26, 2016	Global Leader[b] 2017 Plan	February 28, 2017	1,500	1	0	February 28, 2021	February 28, 2020	0	0	1,500
May 26, 2016	Global Leader 2017 Plan	February 28, 2017	15,000	1	0	February 28, 2020	February 28, 2021	0	0	15,000
May 26, 2016	Global Leader 2017 Plan	February 28, 2017	6,000	1	0	December 15, 2020	December 15, 2020	0	0	6,000
May 26, 2016	Global Leader 2016 Plan	December 15, 2016	75,000[a]	9	0	December 15, 2019	December 15, 2019	0	0	75,000
May 26, 2016	Global Leader 2016 Plan	May 26, 2016	264,600[b]	55	0	May 26, 2019	May 26, 2019	23,400	0	241,200
May 26, 2016	Corporate officer Plan	May 26, 2016	60,000[a]	1	1	May 26, 2019	At the end of his or her term	0	0	60,000
May 28, 2015	Global Leader 2015 Plan	March 1, 2016	2,700	3	0	March 1, 2020	March 1, 2020	900	0	1,800
May 28, 2015	Global Leader 2015 Plan	December 17, 2015	3,600	3	0	December 17, 2019	December 17, 2019	0	0	3,600
May 28, 2015	Expatriates Plan	August 28, 2015	49,500	26	0	August 28, 2019	August 28, 2019	4,500		45,000
May 29, 2013	US Plan	September 2, 2014	6,000	1	0	September 2, 2018	September 2, 2018	0	0	6,000
May 29, 2013	Global Leader 2014 Plan	May 28, 2014	9,000[a]	1	0	May 28, 2018	May 28, 2018	0	0	9,000
May 29, 2013	Global Leader 2013 Plan	December 17, 2013	42,000	3	0	December 18, 2017	December 18, 2017	0	42,000	0
May 29, 2013	Global Leader 2013	May 29, 2013	41,100	22	0	May 29, 2017	May 29, 2017	14,100	27,000	0

(a) Free shares granted subject to performance criteria.
(b) Free shares granted subject to performance criteria except for 24,200 shares subject solely to continuous employment criteria.
(c) Additional two-year period for French beneficiaries.

Performance share grants to employees during 2017

In 2017, the ten non-corporate officer employees who were granted the most performance shares received a total of 32,512 shares.

7.4.4 Shares and stock options held by administrative, management and supervisory bodies

N/A

7.4.5 Other information on the shareholders

7.4.5.1 Crossing of thresholds

Obligations of the shareholders

Shareholders have a legal obligation to notify the Company and the French financial markets authority (Autorité des marchés financiers - AMF) by letter when a legal threshold is crossed, specifying in particular their fractional ownership of the Company's shares and voting rights, within the legal deadline.

Furthermore, Article 10 of the Company's bylaws requires individuals or legal entities, acting alone or in concert, who directly or indirectly own (within the meaning of articles L.233-7 *et seq*. of the French Commercial Code) 1% of the Company's capital or voting rights, and thereafter for each additional 1%, to report to the Company by registered letter with acknowledgement of receipt, within five trading days of the date the threshold was crossed, the total number of shares and voting rights held, as well as the number of securities carrying immediate or future entitlement to shares and the potential voting rights attached thereto.

The same obligation applies whenever ownership of shares or voting rights falls below each of the aforementioned thresholds.

In the event of failure to comply with these requirements, the shares in excess of the relevant threshold will be stripped of voting rights for all Shareholders' Meetings held within the two-year period from the date when the omission is remedied, at the request of one or more shareholders holding at least 5% of the Company's capital or voting rights, as evidenced in the minutes of the Shareholders' Meeting.

Intermediaries acting as holders of securities for non-resident shareholders, pursuant to article L.228-1 of the French Commercial Code, are required to report increases or decreases if their aggregate holdings exceed or fall below the above thresholds, without prejudice to the reporting obligations of the securities' holders.

Crossing of thresholds declared to the Company in 2017

Jupiter Asset Management Limited reported:

- on March 15, 2017 that it had exceeded the disclosure threshold of 2% of the voting rights;
- on June 15, 2017 that it had exceeded the disclosure threshold of 4% of the capital.

OppenheimerFunds, Inc. reported:

- on April 27, 2017 that it had fallen below the disclosure threshold of 1% of the capital.

AXA Investment Managers reported:

- on May 18, 2017 that it had fallen below the disclosure threshold of 2% of the capital.

Wellington Management Company reported:

- on June 15, 2017 that it had fallen below the disclosure threshold of 1% of the capital.

Norges Bank Investment Management reported:

- on September 20, 2017 that it had exceeded the disclosure threshold of 1% of the capital.

Furthermore, since the beginning of 2018, the Company has received a declaration that a disclosure threshold was crossed from Amundi (Amundi Asset Management, Société Générale Gestion, Etoile Gestion, CPR Asset Management and BFT Investment Managers) which reported:

- on January 16, 2018 that it had exceeded the disclosure threshold of 1% of the capital.

7.4.5.2 Trading in the Company's shares by senior executives or by their close relations

The Company has been informed that the following securities transactions were carried out by senior executives in 2017 and reported in accordance with the procedures set forth by the French financial markets authority (AMF):

- number of shares sold: 1,038.

  In this case, Agnès Lemarchand, director, sold 150 shares on November 24, 2017 for an amount of €10,176, 592 shares on December 7, 2017 for an amount of €43,079, then 296 shares on December 23, 2017, for a total amount of €21,239;
- number of shares purchased: N/A;
- number of shares subscribed: N/A;
- number of shares exchanged: N/A.

7.5 Provisions delaying a change of control

The following factors contribute to delaying, if needed, a change of control:

- ownership structure: bioMérieux is a controlled company (see sections 7.4.1 and 7.4.2);
- existence of double voting rights (see section 7.2.3.3);
- bylaw restrictions on the exercise of voting rights and share transfers: crossing of thresholds (see section 7.4.5.1);
- in addition, no restrictions on the exercise of voting rights and share transfers or clauses to agreements have been brought to the Company's attention;
- control mechanisms within the framework of an employee share ownership plan: a mutual fund, Opus Classic, has been set up in connection with the share capital increase reserved for bioMérieux employees subsequent to the initial public offering of its shares;
- powers granted to the Board of Directors to buy back shares: the Shareholders' Meeting of May 26, 2016 granted the Board of Directors the necessary powers to launch a share buyback program (see section 7.3.2);
- authorisations and powers granted by the Shareholders' Meeting to the Board of Directors regarding the issuance of shares (see section 7.3.4);
- termination benefits payable to the Chairman and Chief Executive Officer in the event of a forced departure resulting from a change of control or strategy (see section 4.3.3);
- change-of-control clauses: some of the agreements to which the Company is party may be amended or terminated in the event of a change of control.

PRINCIPAL AGREEMENTS INCLUDING A CHANGE-OF-CONTROL CLAUSE

Nature of agreement	Contracting party	Purpose
Loan agreement	Eight banks	Syndicated loan of €500 million, maturing in January 2022 (with extension options for two additional years)
Bonds	Public	Bond issue of €300 million, maturing in October 2020
Real estate lease financing agreements	Two financial institutions	Financing of the extension of the Marcy l'Etoile site for €45 million for a period of 12 years
Licence agreement	Roche Diagnostics	NT-proBNP
Licence agreement	Paul Sabatier University/Pr. Serre	Filaggrin
Licence agreement	Wellcome Trust Limited	B-Raf genetic mutations associated with cancer

bioMérieux is not aware of any other factors likely to have an impact in the event of a public offer of its securities.

7.6 Dividend policy

The distribution policy is decided in light of the yearly analysis of the Company's profits, its financial position and other factors that the Board of Directors considers relevant.

Dividends that remain unclaimed five years after their payment date are time-barred and remitted to the French government.

At the Shareholders' Meeting to be held on May 17, 2018, the Board of Directors will recommend a dividend of €0.34 per share, representing a total of €40.2 million to be paid on June 7, 2018.

The table below presents the dividends paid by the Company for each of the past three years.

Year ended	Dividend paid *(In euros)**	Dividend per share *(In euros)**
12/31/2016	39,453,740.00	1.00
12/31/2015	39,453,740.00	1.00
12/31/2014	39,453,740.00	1.00

* *The Company did not receive any dividends on treasury shares held on the ex-dividend date. The corresponding dividend amount was allocated to "retained earnings". Individuals domiciled in France for tax purposes benefit from a tax deduction on the annual dividend in accordance with paragraph 2 of Article 158.3 of the French Tax Code (Code général des impôts).*

7.7 Main related-party transactions

7.7.1 Description of the principal related parties

Institut Mérieux commits its experience in biology to serving medicine and public health across the globe. In order to fight infectious diseases and cancers, it conceives of and develops new global and interdisciplinary approaches in the fields of diagnostics, immunotherapy, food safety and nutrition. In addition to the R&D programs in place within each of its companies, Institut Mérieux has pioneered a unique system through which it aims to support and accelerate scientific innovation.

For several years now, Institut Mérieux and its companies have sought to develop international partnerships with public and private academic research institutions and the hospital community. An example of this strategy is the joint unit founded by Institut Mérieux and Fudan University Shanghai Cancer Center whose research focuses on tumour and immune markers.

Additionally, Institut Mérieux actively supports biological research in France and promotes such research around the world. Institut Mérieux is a founding member of LyonBioPôle, a global competitiveness cluster in the field of biology, and BIOASTER, a technology research institute whose work focuses on infectious diseases. It carries out interdisciplinary R&D activities at the crossroads of fundamental research and manufacturing. Collaborative projects are carried out in the four key areas of microbiology, health and infectious diseases: vaccines, antibiotics, diagnostics and microbiota. Every such project has access to top academic researchers, a team of highly qualified scientists and engineers and cutting-edge technological equipment and infrastructure.

As part of its innovation policy, Institut Mérieux has set up the Mérieux Research Grants program with the aim of supporting doctors and scientists around the world whose projects have the potential to lead to conceptual or technological breakthroughs. This ambitious program of calls for projects is designed to give Institut Mérieux companies access to groundbreaking scientific, clinical and technological knowledge upon which new approaches in diagnostics, therapy and nutrition will be developed. The purpose of these research agreements is to finance particularly innovative projects, in both public and private laboratories, in the strategic fields in which Institut Mérieux operates. Following a rigorous selection process, the winning applicants receive financing for two years. In the event that their projects are successful, Institut Mérieux has the right of first refusal for entering into a partnership. Since the creation of the Mérieux Research Grants program in 2009, more than 100 grants have been awarded in almost 20 countries, creating an international community of highly qualified scientists and physicians from Europe, the United States, Latin America, the Middle East and Asia.

Lastly, in an effort to provide global responses to the major public health challenges, Institut Mérieux has launched interdisciplinary research programs that harness the specific and complementary expertise of its companies, leveraging some of the work carried out by Mérieux Research Grant researchers as well as partnerships with international research networks. These programs concern five strategic areas: neglected infectious diseases (particularly tuberculosis), antibiotic resistance and hospital-associated infections, host response analysis with regard to infectious diseases and cancer, the relationship between microbiota and health, and technological developments in diagnostics.

The Fondation Christophe et Rodolphe Mérieux, under the aegis of the Institut de France, is the reference shareholder of Institut Mérieux, holding one third of its shares (see section 3.2.2.1). Its on-the-ground initiatives are financed through the dividends that it receives indirectly from Institut Mérieux (as the only shareholder to which Institut Mérieux distributes dividends). This independent family foundation takes action in underdeveloped countries in order to fight infectious diseases. In an effort to support high-level research in emerging countries, it inaugurated in 2007 the Christophe Mérieux Prize (€500,000), the aim of which is to sponsor researchers studying specific diseases in developing countries.

An independent family foundation created in 1967 and recognised as a public utility, the Fondation Mérieux fights infectious diseases in developing countries (see section 3.2.2.1). Its mission is to enhance biological diagnostic capabilities in these countries by improving diagnostics, an essential tool in patient care and disease monitoring and control. Bringing together long-standing expertise in clinical biology and a global approach to public health challenges, the Fondation trains researchers in developing countries, develops collaborative research programs with regard to the diseases affecting these countries, creates laboratories of excellence (Rodolphe Mérieux Laboratories), and sets up or renovates medical analysis laboratories in hospitals, trains the staff who work there and encourages skills sharing in the medical community through the Les Pensières Conference Centre, where it has hosted health professionals from across the world and from every discipline for more than 30 years.

7.7.2 Service agreements

None of the members of the administrative, management or supervisory bodies has a service agreement with the Company or one of its subsidiaries providing for the payment of benefits. There are service agreements between bioMérieux and certain Group companies that have executive officers in common, as described below.

7.7.3 Description of transactions

The Statutory Auditors' report on related-party agreements for the year ended 2016 is presented in section 7.7.4 of the 2016 Registration Document, and the description of transactions with related parties are presented in section 6.1.2 (Note 29) and in section 6.2.2 (Note 21.3) of the 2016 Registration Document filed with the French financial markets authority (*Autorité des marchés financiers* - AMF) on March 15, 2017.

For 2017, transactions with related parties are described in this Registration Document in section 6.1.2 (Note 29) and section 6.2.2 (Note 22.3).

In 2017, the following agreements, which fall outside the scope of related-party agreements as defined in articles L.225-38 *et seq*. of the French Commercial Code, were signed:

- two service and consulting agreements were signed between Institut Mérieux, which owns 58.9% of bioMérieux SA, and (i) bioMérieux Inc. for the amount of nearly €2.4 million and (ii) BioFire Diagnostic, for the amount of more than €1.3 million;

The Statutory Auditors' special report on related-party agreements for the year ended December 31, 2017 is presented below.

Three new agreements were authorised in 2017, the terms and conditions of which are described in the Statutory Auditors' special report. They will be submitted for approval to the Annual General Meeting of May 17, 2018.

- The first concerns bioMérieux's contributions to the supplementary pension scheme (Article 83) of Mr Alexandre Mérieux, in the same way it does for bioMérieux managers. This agreement is justified by the Company's desire to treat its employees and corporate officers equitably;
- The second concerns a draft Employee Mobility Management Agreement at Mérieux Group, previously known as the Agreement on Allocation of Employment Contract Severance Payments. This agreement provides that severance payments for employment contracts and/or retirements of employees who have worked for Group companies, whose seniority was made retroactive without compensation, be divided equitably between the parties. This division is made *prorata* based on compensation paid by each Mérieux Group company that benefited from the employees' services, except for compensation that constituted the basis for a previous severance payment. Renewal of this agreement is justified by the Company's interest in dividing severance payments under its employees' employment contracts among each of the Mérieux Group companies (including the Fondation Mérieux, if applicable) for which such employees also worked, based on common rules and conditions. This agreement was extended to Fondation Mérieux, an entity outside of Mérieux Group, by an addendum;
- The third concerns the inequitable distribution of SNC Mérieux Université losses. Partners of Mérieux Université (Institut Mérieux owns 40% of the capital, bioMérieux owns 40% and Mérieux NutriSciences Corporation holds 20%) wished to distribute the loss on internal training, coaching and leasing activities, *prorata* based on the use of sessions invoiced to partners during the financial year, and not *prorata* based on their capital ownership. The Board of Directors of bioMérieux based its approval on the economic interest in bearing the loss on a *pro rata* basis according to the use of sessions invoiced to each partner during the financial year. Specifically, invoices sent to bioMérieux, which represent 95% of total invoices for Mérieux Université's internal training, coaching and leasing, will be borne by bioMérieux.

In addition, the Company's other related-party agreements, which continued during the financial year, were approved by the Board of Directors in 2015 as set forth below.

The service agreement entered into with Institut Mérieux sees the Company receive assistance from Institut Mérieux, whose staff have a high level of expertise in strategy, public relations and human resources as well as in science, manufacturing and legal and financial matters. As the lead holding company, Institut Mérieux provides assistance to companies in the Group, thus ensuring efficiency and consistency that would be difficult to achieve if not for structured coordination at Group level of the policies of each company and bioMérieux in particular. This is the advantage of being part of the Institut Mérieux Group.

The addendum to the sponsorship agreement with the Fondation Mérieux is in line with the Company's general sponsorship policy and is designed to allow the Company to support the humanitarian activities and goals of the foundations over the long term, in the field of public health, which is the Company's area of operation.

The sponsorship agreement with the Fondation Christophe and Rodolphe Mérieux, the Company's reference shareholder, whose budget rose in 2017 from €1,325,000 to €2,000,000, is in line with the Company's general sponsorship policy and is designed for the long-term support of the humanitarian activities and goals of the foundations in the field of public health, which is the Company's area of operation.

The addendum to the service agreement with the Fondation Mérieux enables the Company to share with the Fondation the skills and resources necessary for meeting some of the Fondation's needs so that it can carry out its public interest missions, financed by the Company through sponsorship agreements.

At its December 2017 meeting, the Board of Directors carried out an annual review of the related-party agreements and confirmed following discussion that the previously authorised agreements and addenda still met the criteria on which basis it had granted prior authorisation and that these authorisations therefore remained in force. The calculation methods applied to the agreements are set out in the Statutory Auditors' special report below. The Board of Directors confirmed that the agreement signed with Jean-Luc Belingard concerning his termination benefits was not renewed due to his resignation, effective December 15, 2017. It is specified that the end of Mr Jean-Luc Belingard's employment did not result in payment of these benefits.

7.7.4 Statutory Auditors' special report on related-party agreements and commitments

This is a free translation into English of the Statutory Auditors' special report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of bioMérieux, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the principal terms and conditions of the agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements and commitments. Under article R.225-31 of the French Commercial Code, it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France. These procedures consisted in verifying that the information provided to us is consistent with the underlying documents.

Agreements and commitments submitted for the approval of the Shareholders' Meeting

Agreements and commitments authorised during the year

Pursuant to article L.225-40 of the French Commercial Code, we were informed of the following agreements and commitments that were authorised by the Board of Directors.

1. With Alexandre Mérieux, Chairman and Chief Executive Officer

Nature and purpose

Transfer to your Company of liability for supplementary pension contributions for Alexandre Mérieux.

Terms and conditions

Your Company shall henceforth pay supplementary pension contributions (article 83 of the French Tax Code (*Code général des impôts*) for Alexandre Mérieux, on the same terms as the managers in your Company.

Reasons why the agreement will be of benefit to your Company:

Your Board has provided the following reasons: "this agreement is justified by the Company's desire to treat its employees and corporate officers equitably".

2. With the companies of the Mérieux Group: Institut Mérieux, Mérieux NutriSciences, Transgene, ABL, Thera, Mérieux Développement, Fondation Mérieux

People concerned

Alexandre Mérieux (Chairman and Chief Executive Officer), Alain Mérieux (founding chair), Jean-Luc Bélingard (director), Philippe Archinard (director) and Harold Boël (independent director).

Nature and purpose

Agreement on managing the mobility of employees within the Mérieux Group.

Terms and conditions

For employees having worked for companies within the Group and whose seniority was backdated without compensation, severance payments for employment contracts and/or retirement shall be divided equitably between the parties. This division is on a prorata basis, according to compensation paid by each Mérieux Group company that benefited from the employees' services, except for compensation that constituted the basis for a previous severance payment. This agreement shall be extended to Fondation Mérieux, an entity outside the Mérieux Group, by a subsequent supplemental clause.

Reasons why the agreement will be of benefit to your Company:

Your Board has provided the following reasons: "this agreement is justified by the Company's interest in dividing severance payments under its employees' employment contracts among each of the Mérieux Group companies (including Fondation Mérieux, if relevant) for which such employees also worked, based on common rules and conditions".

3. With the companies Institut Mérieux and Mérieux NutriSciences

People concerned

Alexandre Mérieux (Chairman and Chief Executive Officer), Alain Mérieux (founding Chairman) and Jean-Luc Bélingard (director).

Nature and purpose

Inequitable distribution of Mérieux Université losses.

Terms and conditions

The losses of the Mérieux Université's activity "Formation interne, Coaching & Locatif" shall be distributed between partners in Mérieux Université (Institut Mérieux, bioMérieux and Mérieux NutriSciences Corporation) proportionally and according to the use of sessions invoiced to the partners during the financial year, and not proportionally according to their voting rights.

Reasons why the agreement will be of benefit to your Company:

Your Board has provided the following reasons: "the economic interest in bearing the loss proportionally and according to the use of sessions invoiced to each partner during the financial year. In particular, as invoices issued to bioMérieux amounted to 95% of the total invoices of

the activity "Formation interne, Coaching & Locatif" of Mérieux Université, 95% of the losses from this activity shall be borne by your Company according to the conditions above".

Agreements and commitments already approved by the Shareholders' Meeting

Agreements and commitments approved in previous years which continued to be implemented during the past year

Pursuant to article R.225-30 of the French Commercial Code, we were informed of the following agreements and commitments approved in prior years, which remained in place in the past year.

1. With Institut Mérieux

People concerned

Institut Mérieux (parent company) and Alexandre Mérieux (Chairman and Chief Executive Officer), Alain Mérieux (founding Chairman) and Jean-Luc Bélingard (director).

Nature and purpose

The agreement covering services provided by Institut Mérieux, signed on April 23, 2015 and authorised by the Board on December 28, 2014, took effect on January 1st, 2015 for an indefinite length of time.

Terms and conditions

The agreement sets out the rules for rebilling the Company for services provided by Institut Mérieux in its capacity as lead holding company of the Institut Mérieux Group. The services include:

- regular administrative (legal, treasury and HR) and scientific support and representation services for all Institut Mérieux Group companies, both in and outside France;
- and specific services provided on an ongoing or as-needed basis on behalf of the Company.

The cost of these services is rebilled in line with OECD rules, with a margin of 8% added. However, for those services delivered by service providers external to Institut Mérieux on its behalf, rebilling is made at cost price. The basis for allocating the current service cost for the Institut Mérieux Group as a whole to the various companies within it has not changed; it is grounded in three criteria: the payroll, revenue and fixed assets of each company.

The definition of services provided by Institut Mérieux has been revised to take into account changes within the Group since 2002 and now includes "transfer price" documentation introduced within the Institut Mérieux Group.

Amounts in the financial year

For the year ended December 31, 2017, services amounting to €2,719,679.85 were rebilled by Institut Mérieux to your Company under this agreement.

2. With Institut Mérieux NutriSciences Corp. Transgène, ABL Inc, Mérieux Développement and Théra

People concerned

Institut Mérieux (parent company) and Alexandre Mérieux (Chairman and Chief Executive Officer), Alain Mérieux (founding Chairman) and Jean-Luc Bélingard (director) and Philippe Archinard (director).

Nature and purpose

This agreement on the allocation of severance payment costs, approved by the Board of Directors on December 18, 2014, took effect on January 1st, 2015 for an indefinite length of time.

Terms and conditions

Under this agreement, severance payments for employees having worked for the companies within the Group that are party to this agreement shall be divided equitably between the parties. This division is on a *prorata* basis, according to compensation paid by each Mérieux Group company having benefited from the employees' services, except for compensation that constituted the basis for a previous severance payment.

Amounts in the financial year

In the financial year ending December 31, 2017, your Company reported a liability under this agreement of €2,039,386.91.

3. With the Fondation Mérieux

People concerned

Alexandre Mérieux (Chairman and Chief Executive Officer) and Alain Mérieux (founding Chairman).

A. Rider to the sponsorship agreement of March 8, 2011

Nature and purpose

The Fondation Mérieux's sponsorship agreement dated March 8, 2011, approved by the Board of Directors on December 18, 2014, took effect on January 1st, 2015 for an indefinite length of time.

Terms and conditions

Your Company donates cash and assigns some of its employees to initiatives carried out on behalf of the Fondation Mérieux as part of your corporate sponsorship strategy. The total amount represented by these donations and by the employees made available is determined and voted each year by the Board of Directors.

Amounts in the financial year

In the year ended December 31, 2017, your Company reported total liabilities of €33,000 in relation to donations to Fondation Mérieux.

B. Rider to the service agreement dated of January 1st, 2011

Nature and purpose

The agreement covering services provided to Fondation Mérieux by your Company, approved by the Board of Directors on December 18, 2014, took effect on January 1st, 2015 for an indefinite length of time.

Terms and conditions

Your Company provides the Fondation Mérieux with human resources by assigning some of its employees to carry out Fondation work, on biology, as well by supplying administrative support and IT staff. These services are remunerated in accordance with the regulation applicable to intragroup transfer prices, with 8% margin added for the reimbursement of service costs, excluding biological services (categorised as research and development under the terms of the

regulation on transfer prices) and a 10% margin added for the reimbursement of biological service costs.

Amounts in the financial year

In the year ended December 31, 2017, your Company reported profits of €217,000.

4. With the Fondation Christophe and Rodolphe Mérieux

People concerned

Alexandre Mérieux (Chairman and Chief Executive Officer) and Alain Mérieux (founding Chairman).

Nature and purpose

On December 15, 2016, the Board of Directors approved an increase in the annual sponsorship budget for the Fondation Christophe and Rodolphe Mérieux, from €1,325,000 to €2,000,000 from January 1st, 2017.

Terms and conditions

Your Company makes donations to the Christophe and Fondation Rodolphe Mérieux as part of your corporate sponsorship strategy. The total amount represented by these donations and voted each year by the Board of Directors.

Amounts in the financial year

In the year ended December 31, 2017, your Company reported total liabilities of €2,000,000 in relation to donations to Fondation Christophe and Rodolphe Mérieux.

Agreements and commitments approved in previous years not implemented during the past year

We were informed of the following agreements and commitments, already approved by the Shareholders' Meeting during previous financial years, which were not implemented during the past financial year.

With Jean-Luc Bélingard (director)

Nature and purpose

Revision of termination benefits of Chairman and Chief Executive Officer, approved by the Board of Directors on March 10, 2015.

Terms and conditions

In order to comply with recommendations under the AFEP-MEDEF's Corporate Governance Code, your Company's Board of Directors, in keeping with the recommendations of the Human Resources, Appointments and Compensation Committee, decided to change the termination benefits of Jean-Luc Bélingard for his term as Chairman and Chief Executive Officer as follows: termination benefits amounting to 24 months of total fixed and variable compensation. The fixed compensation retained for the calculation will be his last annual base salary.

The termination benefits will be payable only in the event of a forced departure resulting from a change of strategy or control.

In addition, they will be payable based on the achievement of growth targets set for sales and operating income before non-recurring items as per the guidance announced to the market in the two years preceding the year of Jean-Luc Bélingard's departure.

Finally, the benefits will be paid only after the Board of Directors has ascertained whether the above-mentioned performance conditions have been met.

They will not be payable if Mr Belingard resigns, retires or takes up another role within the Group.

This agreement had no impact on the year ended December 31, 2017.

Lyon, February 28, 2018
The Statutory Auditors

Françoise Mechin
Grant Thornton
French member of Grant Thornton International

Nicolas Perlier
ERNST & YOUNG et Autres

7.8 Material contracts

The Company has not entered into any material contracts over the last two years other than those entered into in the ordinary course of business.


WELCOME

8 Additional information

8.1 Persons responsible for the Registration Document

8.1.1 Name and function of persons responsible

Alexandre Mérieux, Chairman and Chief Executive Officer of bioMérieux.

8.1.2 Statement of the person responsible

"We hereby certify that having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

We declare that, to the best of our knowledge, the annual financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the consolidated Group as a whole, and that the management report presented according to the concordance table in section 8.5 provides a fair view of the business, results and financial position of the Company and the consolidated Group as a whole, as well as a description of the principal risks and uncertainties to which they are exposed.

We obtained a statement from the Statutory Auditors at the end of their engagement in which they state that they have examined the information concerning the financial position and the financial statements presented in this Registration Document and that they have read this Registration Document in its entirety."

Marcy l'Etoile, March 13, 2018

Chairman and Chief Executive Officer

Alexandre Mérieux

8.1.3 Name and function of person responsible for financial information

Guillaume Bouhours, Chief Financial Officer, replacing Claire Giraut, since March 1, 2018.

bioMérieux
69280 Marcy l'Etoile
Phone: +33 (0)4 78 87 20 00
www.biomerieux-finance.com
www.biomerieux.com

8.2 Responsible for auditing the financial statements

8.2.1 Statutory Auditors

Cabinet ERNST & YOUNG et Autres

1-2 place des Saisons
Paris-La Défense 1
92400 Courbevoie, France

The firm was appointed by the Annual General Meeting of May 30, 2012 for a term expiring at the end of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2017.

ERNST & YOUNG et Autres is a registered audit firm, member of *Compagnie régionale des Commissaires aux comptes de Versailles*.

ERNST & YOUNG et Autres is represented by Nicolas Perlier.

The Annual General Meeting of May 17, 2018 will vote on retaining ERNST & YOUNG et Autres, for a term expiring at the close of the General Meeting which will approve the financial statements for the year ending December 31, 2023.

Cabinet Grant Thornton

44, quai Charles de Gaulle
69006 Lyon

The firm was appointed by the Annual General Meeting of May 30, 2017 for a term expiring at the end of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2022.

Grant Thornton is a registered audit firm, member of *Compagnie régionale des Commissaires aux comptes de Versailles*.

Grant Thornton is represented by Françoise Méchin.

8.2.2 Deputy Statutory Auditors

Auditex

1-2 place des Saisons
Paris-La Défense 1
92400 Courbevoie, France

AUDITEX was appointed deputy Statutory Auditor by the Annual General Meeting of May 30, 2012 for a term expiring at the end of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2017.

AUDITEX is a registered audit firm, member of *Compagnie régionale des Commissaires aux comptes de Versailles*.

In accordance with the Sapin II law, the deputy Statutory Auditor's term will not be renewed due to the existence of a college of Statutory Auditors.

8.3 Documents on display

In accordance with article 28 of regulation No. 809/2004 of April 29, 2004 of the European Commission (EC), the following information is referenced in this Registration Document.

For financial year 2016:

- the consolidated financial statements and the corresponding Statutory Auditors' report appear in section 6.1.1 and 6.1.2 (pages 140 to 195) and in section 6.1.3 (pages 196) respectively;
- the annual financial statements and the corresponding Statutory Auditors' report appear in section 6.2.1 and 6.2.2 (pages 197 to 223) and in section 6.2.4 (page 228) respectively;
- financial information appears in section 5.2 (pages 129 to 134);
- capital expenditure (or capex) appears in section 5.5 (page 136);

of the Registration Document of financial year 2016 filed with the AMF on March 15, 2017, under No. D17-0173.

For financial year 2015:

- the consolidated financial statements and the corresponding Statutory Auditors' report appear in section 20.1.1 (pages 179 to 244) and 20.4.1 (pages 274 to 275) respectively;
- the annual financial statements and the corresponding Statutory Auditors' report appear in section 20.1.2 (pages 245 to 273) and in section 20.4.2 (pages 276 to 277) respectively;
- financial information appears in section 9 (pages 119 to 128);
- capital expenditure (or capex) appears in section 5.3 (pages 71 and 72),

of the Registration Document of financial year 2015 filed with the AMF on March 17, 2016, under No. D16-0151.

Other information in these Registration Documents is irrelevant to investors or is covered by another section in the 2017 Registration Document.

During the period of validity of this Registration Document, the Company's articles of incorporation and bylaws, as well as the minutes of Shareholders' Meetings, the Company's historical financial information, the Statutory Auditors' reports and all other Company documents may be consulted at the Company's registered office in Marcy l'Etoile, France.

In accordance with AMF recommendation No. 2014-15, the Company press releases and annual reports including historical financial information on the Company are available on the Company's website and kept on file for the required length of time.

More generally, and in accordance with article 221-3 of the AMF's General Regulation, all of the regulatory information within the meaning of article 221-1 of the aforementioned regulation, as well as the Company's updated bylaws (in French only), are available on the Company's website www.biomerieux-finance.com.

MAIN SOCIAL MEDIA PAGES

Facebook	https://www.facebook.com/biomerieux
Twitter	https://twitter.com/biomerieux
YouTube	https://www.youtube.com/user/bioMerieuxTV https://www.youtube.com/user/biomerieuxdiagnostic https://www.youtube.com/user/biomerieuxindustry
LinkedIn	https://www.linkedin.com/company/biomerieux

8.4 2018 Provisional investor calendar

Date	Event
April 19, 2018	First quarter 2018 sales (before start of trading)
May 17, 2018	Annual General Meeting
July 19, 2018	Second quarter 2018 sales (before start of trading)
September 5, 2018	First-half 2018 results (before start of trading)
October 18, 2018	Third quarter 2018 sales (before start of trading)

The Company reserves the right to modify this calendar at any time.

8.5 Concordance tables

REGISTRATION DOCUMENT CONCORDANCE TABLE TO IDENTIFY THE INFORMATION REQUIRED BY ANNEX I OF REGULATION (EC) NO. 809/2004 OF APRIL 29, 2004

Sections of Annex I of regulation (EC) No. 809/2004	Section(s)	Page(s)
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6.1.1 Type of operations carried out by the issuer and its main activities	1.2.2	21
6.1.2. New products	1.2.3 / 5.2.2.4	24 / 137
6.2. Principal markets	1.2.1	17
6.3. Exceptional events	N/A	
6.4 Dependence of the issuer on patents, licences, industrial, commercial or financial contracts or new manufacturing processes	1.6.2.2 / 2.1.8 to 2.1.10	46 / 56
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9.2.2. Explanation for significant changes in net revenue or net income	5.2.1.	133
9.2.3. Governmental, economic, budgetary, monetary or political strategies or factors that have significantly impacted or could significantly impact, either directly or indirectly, the issuer's operations	2	51

Sections of Annex I of regulation (EC) No. 809/2004	Section(s)	Page(s)
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10.3. The issuer's borrowing conditions and financing structure	5.3.3	139
10.4. Restrictions on the use of the share capital	5.3.4	139
10.5. Expected financing sources required to honour investment commitments	5.3.5	139
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12.1. Main trends that have affected production, sales and inventories, costs and sales prices since the end of the last financial year	5.6.1	141
12.2. Known trends, uncertainties, demands, commitments or events that can reasonably be expected to significantly impact the issuer's outlook, at least during the current financial year	5.6.2	141
13. Profit forecasts		
13.1. Declaration listing the main assumptions on which the issuer has based its forecasts or estimates	N/A	
13.2. Statutory Auditors' report	N/A	
13.3. Profit forecasts or estimates calculated on a comparable basis to historical financial information	N/A	
13.4. Declaration indicating the validity of the forecast at the date of the Registration Document	N/A	
14. Administration, management and supervisory bodies		
14.1. Name, business address and function, within the issuing company, of the members of the administrative, management and supervisory bodies, stating their main activities carried on outside of the Company and their management expertise and experience	4.2.2.1 to 4.2.2.3	104
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b) Convictions for fraud pronounced over at least the last five years		
c) Bankruptcy, court-ordered receivership or liquidation in which one of the members of the administrative, management and supervisory bodies has been involved over at least the last five years		
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20.4.2. Other audited information		
20.4.3. Sources of financial information not drawn from the issuer's audited financial statements		
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20.6. Interim financial information and other		
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20.6.2. Interim financial information for the first six months of the financial year following the end of the last audited financial year	N/A	
20.7. Dividend policy	7.6	259
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21.1.7. Changes in share capital for the period covered by the historical financial information	7.3.1 / 7.4.1	248 / 253
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8.6 Glossaries

8.6.1 Scientific terms

Nucleic acid: Nucleic acid is a naturally-occurring molecule found in most cells. It has the ability to hold and transmit coded hereditary instructions allowing for an organism's development. There are two types of nucleic acids: DNA and RNA.

Amplification: a technique, usually using enzymes, for multiplying nucleic acids in order to increase the sensitivity of detection methods.

Antibiotic: susceptibility test: an analysis to determine the sensitivity of a bacterium to antibiotics.

Antibiotic: a substance of natural or synthetic origin capable of stopping the multiplication of bacteria.

Antibody: a complex protein molecule produced by the immune system to detect and neutralise disease-causing organisms, in particular viruses.

Antigen: a macromolecule recognised by an antibody or cells from an organism's immune system that triggers an immune response.

DNA: the acronym of "deoxyribonucleic acid". These nucleotides consist of a sugar (deoxyribose), a phosphate group and one of the following nitrogen-containing bases: adenine (A), cytosine (C), guanine (G) or thymine (T), and serve as a medium for genetic information.

ANSM (*Agence nationale de sécurité du médicament et des produits de santé*): French regulatory agency, which carries out assessments, provides expertise and makes decisions regarding the safety of drugs and healthcare products.

ANVISA (*Agência Nacional de Vigilância SAnitária*): Brazilian agency responsible for regulating food and medical products.

RNA: the acronym of "ribonucleic acid". A polymer similar to DNA which, like DNA, mainly has a role as a vector of genetic information. The sugar in RNA is a ribose.

Bacterium: a unicellular microorganism lacking chlorophyll and visible only under a microscope. Bacteria do not belong to either the plant or the animal kingdom.

Multi-resistant bacteria: bacteria are said to be multi-resistant to antibiotics when they are sensitive only to a small number of the antibiotics customarily used in therapy, as a consequence of the accumulation of natural and acquired resistances.

Biochemistry: an area of science which studies the correlation between the structure of natural molecules and the consequences on their activity.

Molecular biology: technology that analyses genetic sequences of DNA or RNA that are characteristic of a bacterium, virus, protein or cell.

CFDA (China Food and Drug Administration): Chinese agency responsible for regulating food and medical products.

Chromogen: a substance that produces colouring under certain conditions. Related to an enzyme substrate and incorporated in a culture medium, it is used to reveal a particular enzyme metabolism and thereby assists in identifying the cultured bacterium.

Consumable: a single-use accessory, generally employed in an analysis instrument.

Contaminant: a substance present where it should not be.

Cytology (or cellular biology): an area of biology concerning the study of cells and their organelles, the vital processes taking place therein as well as the mechanisms allowing for their survival (reproduction, metabolism).

Cytomegalovirus: a virus responsible for infections, usually undetected. It becomes pathogenic especially in patients with weak immune defences. The virus is a member of the herpes virus family, which includes inter alia herpes simplex virus (HSV) or herpes virus hominis (HVH), cytomegalovirus (CMV), varicella-zoster virus (VZV) and Epstein-Barr virus (EBV).

Cytometry: the counting of cells.

Flow cytometry: technique of passing a stream of cells, particles or molecules at high speed within a stream of liquid through a laser beam. The light re-emitted (by diffusion or fluorescence) enables the population to be classified and sorted according to several criteria.

***In Vitro* Diagnosis:** tests performed outside the human body using diagnostic tools.

Enzyme: a protein macromolecule which speeds up a biochemical reaction.

Pulmonary embolism: obstruction of one of the branches of the pulmonary artery or of the pulmonary artery itself by a blood clot.

Enterobacteria: a family of aerobic or anaerobic (requiring or not requiring oxygen to live and reproduce) bacilli (bacteria), revealed by Gram-negative staining.

Enterococcus: oval-shaped bacterium of the group D of the Streptococcus family, usually resident in the intestine of healthy humans.

Extraction: term applied to the steps which extract nucleic acids from the cells that contain them and process them so they can be used in molecular biology techniques such as amplification.

Fungal: that which relates to fungi.

FDA (Food and Drug Administration): American agency responsible for regulating food and medical products.

Genotyping: determination of all the genes contained in the cells of an organism.

Gram staining: staining which reveals the properties of the bacterial wall so that they can be used to distinguish and classify bacteria. The main distinction is between Gram-positive and Gram-negative bacteria.

Blood culture: an essential blood test in infectious disease. It is carried out by taking a sample of venous blood which is then cultured to reveal the presence or absence of germs.

Histology: the study of tissue in order to research tissue composition, structure and renewal and cellular exchanges within themselves.

Immunoassay: detection of pathology markers using an antigen-antibody reaction.

Quality indicator: term used in food processing to define the microorganisms responsible for visual or taste alterations (*e.g.*, mould or bacterial contamination). Quality indicator counts are used to assess product hygiene.

ID/AST: a bacterial identification and antibiotic susceptibility test.

IVD: abbreviation for *in vitro* diagnostics.

Laboratory P1, P2, P3 and P4: classification of laboratories based on biohazard level, Level 1 representing a minimum risk and Level 4 representing a high risk of transmission and mortality.

***Listeria*:** a genus of bacteria which can cause listeriosis, an infectious disease which is potentially serious in new-born babies, pregnant women or individuals with low resistance.

Marker: a reagent used to detect the substance to which it is bound. A biological marker (biomarker) is a substance that is assayed to help diagnose a pathology.

Methicillin: a semi-synthetic penicillin used primarily against non-resistant *Staphylococcus aureus*.

Microbiology: the study of microorganisms, including inter alia viruses, bacteria and fungi.

Microorganism: a living organism of microscopic size.

Culture media: a simple or compound nutrient composition in liquid or solid form, used to maintain or increase the development of a microbial species under appropriate biological conditions.

MRSA: methicillin-resistant *Staphylococcus aureus* bacterium.

Multiplex: the ability to transmit multiple data on a single physical medium.

Mycobacteria: rod-shaped bacillus-type bacteria. Some species of mycobacterium are pathogenic: *M. leprae* responsible for leprosy; *M. tuberculosis*, responsible for tuberculosis.

Healthcare-associated infection: a disease contracted in a hospital or other healthcare establishment by a patient who did not have this disease on admission.

WHO (World Health Organization): executive authority in healthcare for international projects within the UN system.

Oncology or cancerology: the medical speciality of the study, diagnosis and treatment of cancers.

Test panel: a set of predetermined medical tests used in the diagnosis and treatment of medical conditions.

Parasite: an organism that feeds off, lives or reproduces itself by establishing a lasting interaction with another organism (the host).

Disease-causing organism: biological agent responsible for infectious disease. Infectious agents can be viruses, bacteria or parasites.

PCR (polymerase chain reaction): the polymerase chain reaction is a molecular biology method for *in vitro genetic amplification* that duplicates a large quantity (with a multiplication factor nearing one billion) of a known DNA or RNA sequence from a small initial quantity. This method is particularly appropriate for the detection of viruses.

POC (point of care) - POCT (point of care testing): services offered "at the bedside", including in particular the analysis of the diagnosis.

Rheumatoid arthritis: the most frequent chronic inflammatory rheumatism. Its cause is not fully known, but it is one of the autoimmune diseases (the body produces antibodies against its own tissues).

Procalcitonin: a marker used to assist in the early detection of bacterial infections.

Protein: a basic constituent of all living cells. A biological macromolecule is composed of one or more amino acid chains linked by peptide bonds.

***Salmonella*:** a genus of enterobacteria called *Salmonella*. They cause two types of illness: gastrointestinal diseases through foodborne illnesses (salmonellosis) and typhoid and paratyphoid fevers.

Sepsis: an excessive reaction of an organism's immune system and coagulation system to an infection. This reaction is characterised by systemic inflammation and by blood coagulation problems, which can rapidly lead to organ failure (severe sepsis) and, in many cases, death.

Septicaemia: serious systemic infection of the organism by pathogenic germs, indicated by the presence of microorganisms in the blood.

Mass spectrometry: a technique used to identify and determine the chemical structure of multiple molecules simultaneously, analysing the mass and charge of their ions.

DNA sequencing: method used to determine the order of the nucleotide bases in a molecule of DNA.

Staphylococcus: a genus of Gram-positive bacteria, usually observed in clusters resembling bunches of grapes.

Substrate: a molecule used as a starting product which binds to the active site of an enzyme and is converted into one or more products.

Syndrome: a set of clinical signs and symptoms a patient is likely to display when suffering from certain medical conditions.

Acute coronary syndrome: decreased blood flow in the coronary arteries resulting in reduced circulation rate and inadequate oxygenation of the myocardial muscle.

Theranostics: a diagnostic test that allows clinicians to take the most suitable therapeutic decision for each patient, thereby favouring more personalised treatment.

Venous thrombosis: the formation of a blood clot in a vein. It usually occurs in a vein of the lower limbs, in the leg or hip, rarely in the upper limbs.

Typing: a method which can help in the assessment of the compatibility between two individuals, their organs, tissues or blood. A technique used to characterise bacteria.

Virus: a rudimentary infectious microorganism, containing a single type of nucleic acid encaged in a protein capsid, which uses the materials of the cell that it parasitises to synthesise its own constituents. It reproduces using just its own genetic material.

8.6.2 Alternative performance indicators and financial terms(1)

- **Net debt:** sum of cash and cash equivalents with a maturity of less than three months, less committed debt and bank overdrafts and other uncommitted debt borrowings. APM
- **FTE:** Full-time equivalent. APM
- **Earning Before Interest, Taxes, Depreciation and Amortization (EBITDA):** contributive operating income before non-recurring items, depreciation and amortisation. APM
- **Currency impact:** currency effects are established by converting actual numbers at the average rates of year y-1. In practice, those rates are either average rates communicated by the ECB, or hedged rates if hedging instruments have been set up.
- **Free Cash Flow:** Free cash flow corresponds to cash generated from operations, net of cash used in investing activities. APM
- **Contributive operating income before non-recurring items:** operating income before non-recurring items related to the acquisition and integration of BioFire and before accounting entries relating to the company's purchase price allocation. APM
- **Contributive operating income:** operating income before material, extraordinary and non-recurring items, which are included in "other non-recurring income and expenses from operations."
- **Changes in scope of consolidation:**

  The effects of changes in scope of consolidation are determined:
  - for acquisitions during the period, deducting from sales during the period the sum of sales completed in that period by entities acquired as from their inclusion in the scope of consolidation;
  - for acquisitions in the preceding period, deducting from sales during the period the sum of sales completed in the months during which the acquired entities were not consolidated in the preceding period;
  - for disposals in the period, adding to the sales in the period the sum of sales completed by the entities disposed of in the preceding period, during the months in which these entities are no longer consolidated in the current period;
  - for disposals in the preceding period, adding to the sales in the period the sales completed during the preceding period by the entities disposed of.

(1) Alternative Performance Measures (APM) that are not defined by accounting standards are indicated in the financial lexicon with the pictogram.

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