

6.2 Parent company financial statements

6.2.1 Parent company financial statements of bioMérieux SA for the years ended December 31, 2017 and 2018

Balance sheet

Assets

<i>In millions of euros</i>	Notes	Net Dec 31, 2018	Net Dec. 31, 2017
Fixed assets			
• Intangible assets	3.1	191.7	190.3
• Property, plant and equipment	3.2	247.8	231.6
• Investments and related receivables	3.3	731.4	491.9
• Other non-current financial assets	3.3	10.3	2.6
TOTAL		1,181.2	916.4
Current assets			
• Inventories and work-in progress	4	161.5	148.0
• Trade receivables	5	360.4	320.6
• Other operating receivables	5	32.8	37.4
• Non-operating receivables		31.1	50.6
• Cash and cash pooling	6	225.8	432.7
TOTAL		811.6	989.2
Deferred charges spread over several years		0.6	0.7
Bond redemption premiums		0.6	0.9
Unrealised foreign exchange losses	7	4.3	3.9
TOTAL ASSETS		1,998.3	1,911.1

Shareholders' equity and liabilities

<i>In millions of euros</i>	Notes	Dec. 31, 2018	Dec. 31, 2017
Equity			
• Share capital		12.0	12.0
• Additional paid-in capital		63.5	63.5
• Reserves		843.9	774.9
• Statutory provisions and grants		60.0	59.0
• Net income for the year		75.1	109.2
TOTAL	8	1,054.5	1,018.6
Impairment	9	63.1	62.2
Liabilities			
• Borrowings and debt	10	548.9	514.4
• Trade payables	11	163.9	159.9
• Other operating payables	11	144.4	134.6
• Non-operating payables		22.8	20.7
TOTAL		880.0	829.6
Unrealised foreign exchange gains	7	0.7	0.7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,998.3	1,911.1

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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 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 Capital increase of ABG Stella

bioMérieux SA subscribed to the capital increase of ABG Stella in 2018 for €342 million (US\$400 million).

2.2 Capital increase of bioMérieux China

The Company also subscribed to the capital increase of bioMérieux China in September 2018 for an amount of €23.5 million (US\$27.5 million) to enable bioMérieux China to increase its share capital in bioMérieux Shanghai to participate in the financing of the acquisition of Hybiome.

2.3 Significant subsequent events

There was no significant subsequent event.

Note 3 Fixed assets

3.1 Intangible assets

3.1.1 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 stand-alone 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 stand-alone 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 a loss of value is observed.

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.



3.1.2 Change

Breakdown <i>In millions of euros</i>	Gross value	Accumulated depreciation and impairment	Carrying amount Dec. 31, 2018	Net value 12/31/2017
R&D expenses	17.2	16.1	1.1	2.0
Software	82.7	64.1	18.6	17.5
Goodwill and intangible business assets	142.4 ^(a)		142.4	143.2
Assets under construction	13.1 ^(b)		13.1	6.4
Other	53.8 ^(c)	37.3 ^(d)	16.5	21.2
Total	309.2	117.5	191.7	190.3

(a) Including acquired goodwill linked to the assignment of merger losses: €130.4 million.

(b) Including the distribution rights of Suzhou Hybiome Biomedical Engineering Co. Ltd: €7.5 million.

(c) Including technologies and customer relationships following the assignment of merger losses: €35.7 million.

(d) Including amortisation of the technologies and customer relations linked to the assignment of merger losses: €19.4 million.

Change <i>In millions of euros</i>	Gross value	Depreciation and impairment	Net value
December 31, 2017	313.0	122.7	190.3
Acquisitions/Increases	19.2	14.7	4.5
Disposals/Decreases	(23.0)	(19.9)	(3.1)
December 31, 2018	309.2	117.5	191.7

The increase in the gross value of intangible assets over the year primarily corresponds to the software acquired and the development cost of IT solutions for €11.4 million as well as the acquisition of the international distribution rights of the products of Suzhou Hybiome Biomedical Engineering Co. Ltd for €7.5 million (RMB 60 million).

The decrease in the gross value of intangible assets over the year primarily corresponds to scrapped patents, royalties and brands for €17.9 million, including €12.9 million related to expired patents and to

disposals of software and development costs for IT solutions for €3.5 million.

The increase in amortisation and impairment during the financial year results from the amortisation of software for €8 million, merger losses for €4.6 million and amortisation and impairment of research & development expenses previously capitalised by AES Chemunex for €1.8 million. These research & development expenses are being amortised over a period of five years.

Technical merger losses are allocated as follows:

<i>In millions of euros</i>	Gross value	Accumulated depreciation	Carrying amount
AES Chemunex			
Goodwill	111.0		111.0
Technology	12.5	7.0	5.5
Customer relationships	5.4	2.2	3.2
Total	128.9	9.2	119.7
Argene			
Goodwill	19.4		19.4
Technology	12.8	6.8	6.0
Total	32.2	6.8	25.4
CEERAM			
Technology	2.4	0.8	1.6
Total	2.4	0.8	1.6
Advencis			
Technology	2.6	2.6	
Total	2.6	2.6	
Total	166.1	19.4	146.7

3.2 Property, plant and equipment

3.2.1 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
Finishing 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

The useful lives of items of property, plant and equipment are reviewed periodically. In 2018, this review led the Company to extend the depreciation periods on some instruments from durations of between three and ten years to durations of between five and ten years. The impact of this change is a reduction in the depreciation expense for instruments of around €1.9 million.

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.

3.2.2 Change

BREAKDOWN <i>In millions of euros</i>	Gross value	Accumulated depreciation and impairment	Carrying amount Dec 31, 2018	Net value Dec 31, 2017
Land and land improvements	18.8	0.9	17.9	17.8
Buildings	255.4	156.6	98.8	98.8
Machinery and equipment	211.2	153.1	58.1	58.0
Capitalised instruments	49.6	33.3	16.3	13.5
Other assets	44.9	33.8	11.1	11.1
Fixed assets in progress	45.6		45.6	32.3
Total	625.5	377.7	247.8	231.6

Change <i>In millions of euros</i>	Gross value	Depreciation and impairment	Net value
December 31, 2017	582.8	351.2	231.6
Acquisitions/Increases	49.9	33.4	16.5
Disposals/Decreases	(7.2)	(6.9)	(0.3)
December 31, 2018	625.5	377.7	247.8

The main investments for the financial year concern the construction, equipment and fixtures and fittings for the Campus de Craponne for €11 million.

3.3 Financial assets

3.3.1 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.

3.3.2 Change

Breakdown <i>In millions of euros</i>	Gross value	Depreciation and impairment	Carrying amount Dec. 31, 2018	Carrying amount Dec. 31, 2017
Investments	715.1	94.1	621.0	258.6
Other financial assets	19.9	11.6	8.3	1.8
Related receivables	110.4		110.4	233.3
Other	2.1	0.1	2.0	0.8
Total	847.5	105.8	741.7	494.5

Change <i>In millions of euros</i>	Gross value	Depreciation and impairment	Net value
December 31, 2017	591.3	96.8	494.5
Acquisitions/Increases	384.2	13.0	371.2
Disposals/Decreases	(128.0)	(4.0)	(124.0)
December 31, 2018	847.5	105.8	741.7

During the 2018 financial year, bioMérieux SA subscribed to the capital increases of three subsidiaries: ABG Stella for €342 million (US\$400 million), bioMérieux China for €23.5 million (US\$27.5 million) and bioMérieux Brazil for €3 million (BRL 13.5 million).

In 2018, bioMérieux SA acquired stakes in the capital of Sino French Innovation Fund II and Innovaprep of €5 million and €0.4 million respectively. The Company also subscribed to a convertible bond issued by Banyan Biomarkers Inc. for €0.5 million. bioMérieux SA already holds a 19.7% stake in this company.

The subsidiary bioMérieux Kenya Limited was created in January 2018. At December 31, 2018, the capital of €0.1 million had not yet been paid.

The Company also contributed its GENEURO shares, recorded at a value of €0.1 million in the financial statements, to GNEH for an amount of €4.2 million, receiving GNEH shares of equal value in return.

Capital gains of €4.1 million were thus generated during the year (see Note 17).

In 2017, bioMérieux SA had granted the Indian subsidiary RAS a loan of 570 million Indian rupees (€8.1 million). In 2018, this loan incurred an additional drawdown of €110 million Indian rupees (€1.4 million). The loan is repayable at par in 2028.

In 2015, the Company had granted a credit line to its subsidiary BioFire Diagnostics to finance the construction of its new industrial and administrative site in Salt Lake City, for a maximum amount of US\$95 million. A repayment of US\$85.7 million (€72.3 million) took place during the financial year. At December 31, 2018, the loan had been fully repaid.

The drops in securities and related receivables in 2018 also take into account 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 2018, the balance of this loan stood at US\$134.3 million (€98.3 million).

The increase in the impairment of non-current financial assets corresponds primarily to impairments recognised on the securities of bioMérieux distribution subsidiaries.

3.3.3 List of subsidiaries and investments

See table below.

	Share capital	Equity other than share capital	Share of ownership in %	Carrying amount of shares held before impairment losses	Carrying amount of shares held after impairment losses	Loans and advances granted by the Company and not repaid	Sales total of last financial year	Net profit or net loss of last financial year	Dividends received by the Company during the financial year	Notes	
	(Currencies in millions)	(Currencies in millions)		(In millions of euros)	(In millions of euros)	(In millions of euros)	(Currencies in millions)	(Currencies in millions)	(In millions of euros)		
A - SUBSIDIARIES (up to 5% owned by bioMérieux)											
AB bioMérieux	SEK	0.2	95.7	100.0%	74.2	12.0	0.0	49.3	0.5	1/1/2018-12/31/18	
ABG Stella	USD	0.0	860.8	100.0%	397.5	397.5	0.0	0.0	0.2	1/1/2018-12/31/18	
bioMérieux West Africa	CFA	50.0	188.1	100.0%	0.1	0.1	0.0	15.9	0.0	1/1/2018-12/31/18	
bioMérieux Germany	EUR	3.5	17.3	100.0%	3.8	3.8	9.0	1.0	0.0	1/1/2018-12/31/18	
bioMérieux Algeria	DZD	58.0	35.4	100.0%	0.6	0.6	0.0	25.1	9.2	1/1/2018-12/31/18	
bioMérieux Argentina	ARS	6.1	71.2	99.1%	5.4	1.5	0.0	478.8	20.0	1/1/2018-12/31/18	
bioMérieux Austria	EUR	0.1	1.3	100.0%	0.1	0.1	0.0	16.5	0.7	1/1/2018-12/31/18	
bioMérieux Colombia	COP	0.5	21.5	100.0%	2.2	2.2	0.0	71.2	4.8	1/1/2018-12/31/18	
bioMérieux Brazil	BRL	136.8	(89.1)	100.0%	49.7	23.9	0.0	147.8	(25.6)	1/1/2018-12/31/18	
bioMérieux Belgium	EUR	0.3	2.8	100.0%	0.3	0.3	0.0	28.3	0.7	1/1/2018-12/31/18	
bioMérieux Bénelux BV	EUR	0.0	8.4	100.0%	0.1	0.1	0.0	107.6	1.3	1/1/2018-12/31/18	
bioMérieux Chile	CLP	1,686.6	4,652.0	100.0%	3.1	3.1	0.0	17,350.6	496.6	1/1/2018-12/31/18	
bioMérieux China	HKD	408.9	147.7	100.0%	48.1	48.1	3.3	222.1	3.4	1/1/2018-12/31/18	
bioMérieux Korea	KRW	1,000.0	10,069.9	100.0%	0.7	0.7	0.0	54,516.4	1,691.0	1/1/2018-12/31/18	
bioMérieux Denmark	DKK	0.5	8.3	100.0%	0.5	0.5	2.6	59.3	3.0	1/1/2018-12/31/18	
bioMérieux Spain	EUR	0.2	30.5	100.0%	0.6	0.6	0.0	82.5	4.7	1/1/2018-12/31/18	
bioMérieux Finland	EUR	0.0	0.6	100.0%	0.1	0.1	0.0	7.3	0.1	1/1/2018-12/31/18	
bioMérieux Greece	EUR	2.0	4.5	100.0%	4.1	4.1	0.0	12.5	0.8	1/1/2018-12/31/18	
bioMérieux Hungary	HUF	3.0	301.3	100.0%	0.0	0.0	0.6	1,814.3	150.0	1/1/2018-12/31/18	
bioMérieux HK Investment LTD	HKD	68.8	11.8	100.0%	6.1	6.1	0.0	0.0	0.9	1/1/2018-12/31/18	
bioMérieux India	INR	66.0	1,308.8	99.9%	2.9	2.9	0.0	4,750.1	174.9	1/1/2018-12/31/18	
bioMérieux Italy	EUR	9.0	33.0	100.0%	12.8	12.8	0.0	125.1	5.3	1/1/2018-12/31/18	
bioMérieux Japan	JPY	0.5	0.5	100.0%	15.4	15.4	0.0	6.0	0.2	1/1/2018-12/31/18	
bioMérieux Kenya	KES	18.3	0.8	100.0%	0.1	0.1	0.0	0.0	0.8	0.0	Subsidiary created 1/2018
bioMérieux Malaysia	MYR	0.1	0.2	100.0%	0.0	0.0	0.1	0.0	0.1	0.0	1/1/2018-12/31/18
bioMérieux Middle East	AED	0.1	1.2	100.0%	0.0	0.0	0.9	0.0	0.3	0.0	1/1/2018-12/31/18
bioMérieux Norway	NOK	2.8	3.7	100.0%	0.3	0.3	0.0	45.6	3.6	0.1	1/1/2018-12/31/18
bioMérieux Poland	PLN	0.4	26.2	100.0%	1.5	1.5	0.0	109.5	7.0	3.1	1/1/2018-12/31/18
bioMérieux Portugal	EUR	1.6	6.2	100.0%	2.0	2.0	0.0	17.3	0.1	0.0	1/1/2018-12/31/18
bioMérieux Czech Republic	CZK	0.2	13.7	100.0%	0.0	0.0	1.8	855.6	3.9	0.0	1/1/2018-12/31/18
bioMérieux Russia	RUB	55.7	169.6	100.0%	1.3	1.3	0.0	1,175.6	50.7	0.3	1/1/2018-12/31/18
bioMérieux South Africa	ZAR	50.0	69.7	100.0%	5.4	5.4	0.0	366.5	27.3	0.7	1/1/2018-12/31/18
bioMérieux Sweden	SEK	0.5	11.4	100.0%	0.2	0.2	0.0	221.5	5.8	0.4	1/1/2018-12/31/18
bioMérieux Switzerland	CHF	0.4	3.5	100.0%	0.6	0.6	0.0	35.8	2.2	1.8	1/1/2018-12/31/18



	Share capital	Equity other than share capital	Share of ownership in %	Carrying amount of shares held before impairment losses	Carrying amount of shares held after impairment losses	Loans and advances granted by the Company and not repaid	Sales total of last financial year	Net profit or net loss of last financial year	Dividends received by the Company during the financial year	Notes	
	(Currencies in millions)	(Currencies in millions)		(In millions of euros)	(In millions of euros)	(In millions of euros)	(Currencies in millions)	(Currencies in millions)	(In millions of euros)		
bioMérieux Thailand	THB	35.0	56.0	100.0%	0.9	0.9	0.0	467.5	15.1	0.2	1/1/2018-12/31/18
bioMérieux Turkey	TRY	3.3	62.9	100.0%	2.7	2.7	0.0	117.8	10.7	0.0	1/1/2018-12/31/18
bioMérieux UK	GBP	0.0	12.5	100.0%	1.2	1.2	0.0	56.1	5.1	2.2	1/1/2018-12/31/18
bioMérieux Vietnam	VND	6.3	1.6	100.0%	0.2	0.2	0.0	0.0	0.6	0.0	1/1/2018-12/31/18
bioMérieux Serbia	RSD	1.2	10.3	100.0%	0.0	0.0	0.0	0.0	2.1	0.0	1/1/2018-12/31/18
bioMérieux Singapore	SGD	0.1	4.0	100.0%	0.1	0.1	1.4	12.1	0.5	0.0	1/1/2018-12/31/18
AES Canada	CAD	0.0	-0.1	100.0%	0.0	0.0	0.5	0.4	(0.3)	0.0	1/1/2018-12/31/18
BTF	AUD	4.1	13.5	100.0%	13.6	13.6	0.0	26.3	10.6	4.9	1/1/2018-12/31/18
Quercus Scientific NV	EUR	3.9	4.4	100.0%	19.9	19.9	0.0	0.0	0.0	0.5	1/1/2018-12/31/18
Total subsidiaries					678.6	586.7					
B - INVESTMENTS (5%-50% owned by bioMérieux)											
GNEH	EUR	0.0	0.0	18.9%	4.2	3.2	0.0	0.0	0.0	0.0	Company created in 2018
Banyan Biomarkers Inc.	USD	6.1	0.0	19.4%	6.4	6.4	0.0	4.8	(4.8)	0.0	7/1/2017-6/30/18
Knome Tafkak	USD	31.3	(31.2)	0.0%	7.3	0.0	0.0	0.0	0.0	0.0	1/17-12/17 Unaudited
Labtech system LTD	AUD	30.9	(1.7)	4.9%	1.3	0.5	0.0	6.0	(2.7)	0.0	7/1/2017-6/30/18
Lumed Inc.	CAD	0.8	(0.7)	9.8%	0.3	0.3	0.0	0.2	(0.4)	0.0	2/17-1/18 Unaudited
Mérieux Université	EUR	1.7	(1.0)	40.0%	1.6	0.4	0.0	0.0	0.4	0.0	1/1/2018-12/31/18
Quanterix	USD	0.0	65.9	9.3%	17.9	17.9	0.0	22.9	(27.0)	0.0	1/1/2017-12/31/17
Qvella	CAD	54.8	(20.6)	5.8%	6.0	6.0	0.0	0.3	(3.9)	0.0	1/1/2017-12/31/17
Total equity investments					45.0	34.8					
C – OTHER SECURITIES											
Amorçage Technologique Investissement	EUR	30.5	(8.8)	2.5%	0.8	0.8	0.0	0.0	(1.1)	0.0	1/1/2017-12/31/17
Avesthagen	INR	76.1	(1,042.4)	3.5%	1.4	0.0	0.0	0.8	(1.3)	0.0	4/1/2017-3/31/18
Dynavax	USD	1.2	198.4	0.0%	0.7	0.1	0.0	0.3	(95.2)	0.0	1/1/2017-12/31/17
Innovaprep	USD	0.0	0.0	3.5%	0.4	0.4	0.0	0.0	0.0	0.0	Company created in 2018
LyonBiopôle	EUR	1.0	(1.1)	0.0%	0.3	0.0	0.0	1.2	0.0	0.0	1/1/2017-12/31/17
My Cartis	EUR	29.6	(20.4)	1.6%	1.2	0.0	0.0	0.6	(9.2)	0.0	1/1/2017-12/31/17
Sino French (Innovations) Fund II	EUR	0.0	0.0	3.3%	5.0	5.0	0.0	0.0	0.0	0.0	Company created in 2018
Supernova 2	EUR	7.4	(0.9)	1.3%	1.0	1.0	0.0	0.0	(0.9)	0.0	6/21/2017-12/31/17
Théra conseil	EUR	0.5	0.3	0.8%	0.0	0.0	0.0	5.3	0.2	0.0	1/1/2017-12/31/17
Total other securities					10.8	7.3					
GRAND TOTAL					734.5	628.8					

Note 4 Inventories

4.1 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.

4.2 Change

Inventories <i>In millions of euros</i>	Dec. 31, 2018	Dec. 31, 2017
Raw materials	39.9	35.2
Work-in-progress	26.9	27.2
Finished products and goods held for resale	104.8	95.5
Total gross value	171.6^(a)	157.9
Impairment losses	(10.1)	(9.9)
Total carrying amount	161.5	148.0

(a) Including gross value of instruments and the related spare parts: 23.7% compared to 27.9% in 2017.



Note 5 Trade and operating receivables

5.1 Accounting principles

Receivables are recognised at face value. An impairment loss is recognised when the receivables present a risk of non-recovery.

5.2 Change

Trade receivables <i>In millions of euros</i>	Dec. 31, 2018	Dec. 31, 2017
Gross trade receivables	367.4	325.2
Impairment losses	(7.0)	(4.6)
Carrying amount	360.4	320.6

Other operating receivables <i>In millions of euros</i>	Dec. 31, 2018	Dec. 31, 2017
Advances and downpayments	8.5	8.5
Prepaid expenses	4.5 ^(a)	6.2
Other operating receivables	19.8 ^(b)	22.7
Total gross value	32.8	37.4

(a) Prepaid expenses primarily consist of purchases of external charges.

(b) Including a VAT receivable for €13.5 million.

Maturities of trade and other receivables <i>Carrying amount in millions of euros</i>	Dec. 31, 2018	Dec. 31, 2017
Trade receivables	360.4	320.5
Due in less than one year	360.4	320.3
Due in more than one year		0.2
Other operating receivables	32.8	37.4
Due in less than one year	32.6	35.9
Due in more than one year	0.2	1.4

Note 7 Translation adjustments

7.1 Accounting principles

In application of regulation ANC 2015-05, 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 in foreign currencies are converted based on their exchange rate on the closing date of the financial year. 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.

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. Translations adjustments concerning cash pooling are recognised as income as well as hedging instruments symmetrically to the hedged item.

7.2 Unrealised foreign exchange losses

<i>In millions of euros</i>	Dec 31, 2018	Dec 31, 2017
On operating items	3.3	2.8
On borrowings and financial receivables	1.0	1.1
Total	4.3	3.9

Unrealised gains on currency hedges are recorded as at December 31, 2018 for an amount of €0.1 million, as a deduction from unrealised losses on sales flows, compared to €1.2 million as at December 31, 2017.

7.3 Unrealised foreign exchange gains

<i>In millions of euros</i>	Dec 31, 2018	Dec 31, 2017
On operating items	0.7	0.7
Total	0.7	0.7

Note 8 Equity and share grant plans

8.1 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, without specific allocation to a plan.

8.2 Change in shareholders' equity

The Company's share capital amounted to €12,029,370 at December 31, 2018 and was divided into 118,361,220 shares with a total of 195,851,895 voting rights (of which 78,060,118 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. No rights or securities with a dilutive impact on capital were outstanding at December 31, 2018.

At December 31, 2018, the Company held:

- 27,156 treasury shares under a liquidity agreement with an independent investment service provider. During 2018, the Company purchased 740,394 and sold 718,155 of its own shares;
- 542,287 treasury shares were purchased as part of a hedging programme for the various share grant plans. During 2018, the Company purchased 370,000 shares and awarded 15,000 and delivered 41,870 shares under the 2016 and 2017 OPUS plans.

Change in shareholders' equity <i>In millions of euro</i>	Share capital	Additional paid-in capital	Reserves & Retained Earnings	Regulated provisions	Grants	Total
Equity at december 31, 2017	12.0	63.5	884.1	58.9	0.1	1,018.6
Attributable net income for the period			75.1			75.1
Dividends paid			(40.2)			(40.2)
Changes in statutory provisions				1.0		1.0
Equity at december 31, 2018	12.0	63.5	919.0	59.9	0.1	1,054.5

The following table presents the Company's share grant plans:

Number of shares	Year in which plan opened				2018
	2014	2015	2016	2017	
Initial number of options granted	15,000	53,100	402,300	40,116	169,685
Forfeited shares		4,500	25,200	502	
Number of shares remitted in 2018	15,000				
Number of shares to be remitted as of Dec. 31, 2017		48,600	377,100	39,614	169,685

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 2014 and 2018, 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.

Furthermore, the vesting of performance shares is contingent on the achievement of objectives based on operating income, the generation of free cash flow, or on the achievement of specific objectives. 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 2018, after taking into account the rebilling of free shares, a net expense of €8.8 million was recognised as operating income (compared to a net expense of €15.2 million the previous year), particularly as a result of the over 23% drop in the December average price of bioMérieux shares used in estimating the provision.

In view of the 542,287 treasury shares held at December 31, 2018 to hedge the free share grant plans, the Company will have to buy back 92,712 additional shares for €5.3 million based on the price at December 31, 2018.



8.3 Changes in statutory provisions

Statutory provisions <i>In millions of euros</i>	Accelerated amortisation	Provisions for price increases	Total
December 31, 2017	57.5	1.4	58.9
Additions	12.1	0.7	12.8
Reversals	(11.6)	(0.2)	(11.8)
December 31, 2018	58.0	1.9	59.9

Note 9 Provisions for contingencies and losses

9.1 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.

9.2 Change

Impairment <i>In millions of euros</i>	Other employee benefits	Product warranties ^(b)	Other impairment ^(c)	Total
December 31, 2017	27.9	1.0	33.3	62.2
<i>Additions</i>		0.8	16.9	17.7
<i>Reversals (utilisations)</i>	(7.7)	(1.0)	(7.6)	(16.3)
<i>Reversals (surplus)</i>			(0.5)	(0.5)
Net additions (reversals)	(7.7)	(0.2)	8.8	0.9
December 31, 2018	20.2	0.8	42.1	63.1

(a) Provisions for other employee benefits comprise retirement benefits, long-service awards and bonuses and mutual health insurance benefits. Reversals for the year were primarily due to the payment of €5 million made to the pension fund.

(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 free share grants of €25.9 million, provisions for commercial claims and litigation of €6 million, a provision for unrealised foreign exchanges losses of €4.3 million, other provisions for charges of €3.7 million, and provisions covering losses on termination of sales contracts of €2 million.

9.3 Provisions for pensions and other post-employment benefits

9.3.1 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.

9.3.2 Change

Obligations in respect of pensions and other post-employment benefits are calculated using actuarial methods based on the following assumptions:

	Retirement benefits		Long-service awards	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Salary increase rate	2.0%	2.0%	1.6%	2.0%
Discount rate	2.00%	1.75%	2.00%	1.75%
Employee mobility rate ^(a)	0% to 5%	0% to 5%	0% to 5%	0% to 5%
Average duration	13	14	9	9

(a) Depending on the age and status of the employee (managerial/non-managerial grade).

At December 31, 2018, the Company recognised provisions for retirement benefits of €6.8 million, compared to €13 million at December 31, 2017. In 2018, the Company paid €5 million to the retirement benefits hedging fund. This hedging fund stood at €24.7 million at December 31, 2018.

The provision for long-service awards amounts to €13.3 million, compared to €14.8 million at December 31, 2017.

9.4 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 10 Net debt

10.1 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.

<i>In millions of euros</i>	Dec. 31, 2018	Dec. 31, 2017
Net income	75.1	109.2
Depreciation, amortisation and provisions, net	60.6	60.8
Gains and losses on Corporate actions	(3.0)	0.4
Merger premium/loss	(1.2)	3.7
Cash flow from operating activities	131.5	174.1
Increase in inventories	(13.7)	(8.5)
Increase of requirements in accounts receivable	(41.3) ^(a)	(27.3)
Change in trade payables and other operating working capital	17.6 ^(b)	7.3
Operating working capital requirement	(37.4)	(28.5)
Change in receivables, net of tax	19.5 ^(c)	(3.6)
Total change in working capital requirement	(17.9)	(32.1)
Net cash generated from operating activities	113.6	142.1
Capital expenditure	(69.0)	(60.6)
Disposals of fixed assets	8.6	8.5
Change in net trade payables	2.4	(4.6)
Equity acquisitions, subscriptions to capital increases	(373.0) ^(d)	(47.9) ^(e)
Net change in advances and loans to subsidiaries	123.4 ^(f)	62.1 ^(e)
Net change in other non-current financial assets	(7.1)	(0.1)
Net cash flow from (used in) investment activities	(314.7)	(42.8)
Dividends paid	(40.2)	(39.4)
Regulation 2015-05 – Allocation to retained earnings		0.6
Net cash used in shareholders' equity	(40.2)	(38.8)
Change in net debt (excluding exchange rate impact)	(241.3)	60.4
Breakdown of change in net debt		
Net debt at beginning of year	81.7	116.5
Net debt from the merger	(1.2)	2.9
Impact of changes in exchange rates on net debt	1.3	22.8
Change in net debt:	241.3	(60.4)
• Committed debt	21.8	(22.1)
• Cash and bank overdrafts	219.5	(38.3)
Net debt at end of year	323.1	81.7

(a) Including amounts owed by Group customers (+€24.4 million) and by export customers (+€18.3 million).

(b) Including accrued payroll and other taxes (+€11.4 million), trade payables (+€3.4 million) and other receivables and operating payables (+€3.3 million).

(c) Including repayments obtained for the research tax credit (+€14.3 million) and for the 3% tax on dividends (+€6.6 million).

(d) Including the capital increases of the subsidiaries ABG Stella (-€342 million), bioMérieux China (-€23.5 million), bioMérieux Brazil (-€3 million), and transfer value of the Geneuro shares to GNEH (-€4.2 million).

(e) 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).

(f) Including the repayment of the BioFire loan (+€72.3 million), the bioMérieux Inc. loan (+€49.2 million), the bioMérieux Gmbh loan (+€3.2 million) and an additional loan to bioMérieux India (-€1.4 million).

(g) Including the repayment of the bioMérieux Inc. loan (+€50.1 million), the bioMérieux Brazil loan (+€12.6 million), the BioFire loan (+€3.6 million) and an additional loan to bioMérieux India (-€8.4 million).

10.2 Debt refinancing

bioMérieux SA has a syndicated credit facility for an amount of €500 million following the renegotiation of January 2017. The initial maturity of this loan is January 22, 2022 and may be extended twice for a duration of one additional year. Two extensions were exercised in 2018, deferring the maturity date to January 2024. This credit facility did not incur any drawdowns during 2018.

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, 2018.

bioMérieux SA had €35 million in outstanding commercial paper at December 31, 2018 (€15 million at December 31, 2017).

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 fifth instalment was paid in October 2018 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 2017 for the period between July 2018 and July 2020.

10.3 Debt schedule

<i>In millions of euros</i>	Dec. 31, 2018	Dec. 31, 2017
Due beyond 5 years	5.5	
Due in 1 to 5 years	308.0 ^(a)	311.2
Total debt beyond 1 year	313.5	311.2
Due within 1 year	235.4 ^(b)	203.2
Total borrowings	548.9	514.4
Short-term investments	(53.9) ^(c)	(83.2)
Cash at bank and in hand, and financial instruments	(171.9) ^(d)	(349.4)
Net debt	323.1	81.7

(a) Including the €300 million bond issue.

(b) Including cash pooling for €196.8 million, compared to €136.8 million at December 31, 2017.

(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 €43.6 million, compared to €219.6 million at December 31, 2017.



Note 11 Trade and operating payables

Trade and other operating payables <i>In millions of euros</i>	Dec. 31, 2018	Dec. 31, 2017
Trade payables	163.9	159.9
Accrued payroll and other taxes	130.3	118.9
Deferred income	3.4 ^(a)	5.6
Other	10.8	10.1
Other operating payables	144.4	134.6

(a) Including a lease and maintenance agreement for €2.9 million and the sale of reagents and instruments for €0.4 million.

Trade and other operating payables <i>In millions of euros</i>	Dec. 31, 2018	Dec. 31, 2017
Trade payables		
Due within one year	163.9	159.9
TOTAL	163.9	159.9
Other operating payables		
Due within one year	144.4	125.3
Due beyond one year		9.3
TOTAL	144.4	134.6

Note 12 Accrued expenses and income

Accrued expenses and income <i>In millions of euros</i>	Dec. 31, 2018	Dec. 31, 2017
Miscellaneous borrowings	2.5	3.0
Trade payables	52.4	72.4
Accrued payroll and other taxes	115.1	106.6
Other operating payables	8.6	7.3
Other non-operating payables	14.9 ^(a)	10.8 ^(b)
Total accrued expenses	193.5	200.1
TOTAL ACCRUED INCOME	27.5^(c)	15.8

(a) Including €4.7 million of Sino-French Innovation Fund 2 securities balance.

(b) Including €0.9 million of ATI Supernova 2 securities balance.

(c) Including unbilled customer payables (€24.2 million compared to €11.8 million at December 31, 2017) and accrued interest on loans to subsidiaries (€2 million compared to €2.2 million at December 31, 2017).

Note 13 Sales

13.1 Accounting principles

Revenue from product sales (reagents and instruments) and related services (technical support, training, shipping costs, etc.) are recorded under revenue in the consolidated 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.

13.2 Change

Breakdown of sales <i>In millions of euros</i>	France	Export	Total Dec. 31, 2018	Total Dec. 31, 2017
Sales of goods for resale	14.0	114.4	128.4	130.7
Sold production (goods)	161.9	698.2	860.1	832.9
Sold production (services)	20.6	179.7	200.3	173.9
Total	196.5	992.3	1,188.8	1,137.6

Sales by geographic area <i>In millions of euros</i>	Dec 31, 2018	Dec 31, 2017
France & Dom Tom	200.8	197.6
Europe, Africa, Middle East	479.5	458.1
South America	40.4	44.8
North America	154.9	162.7
Asia-Pacific	159.8	145.5
Other related activities not broken down	153.4	128.9
Total	1,188.8	1,137.6

Note 14 Research and 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, 2018 amounted to €121 million, compared to €119.2 million the previous year.



Note 15 Personnel costs and employee benefits

15.1 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 2018, 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 million.

CICE tax credits in respect of compensation paid in 2017 amounted to €4.6 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.

15.2 Change

Personnel costs <i>In millions of euros</i>	Dec. 31, 2018 12 months	Dec. 31, 2017 12 months
Wages and salaries	192.9	184.0
Discretionary profit-sharing	17.2	13.6
Payroll taxes	103.4	90.4
Total	313.5	288.0
AVERAGE HEADCOUNT	3,649	3,554
HEADCOUNT AT YEAR-END	3,679	3,597

In accordance with the law, no non-discretionary profit-shares could be granted to employees out of net income for 2018.

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 2018 consisted of directors' fees of €0.04 million, and fixed and variable compensation of €7.8 million.

Breakdown of headcount <i>In FTE</i>	Dec. 31, 2018 12 months	Dec. 31, 2017 12 months
Average headcount		
Managers	1,790	1,703
Supervisors	63	61
Employees	27	25
Technicians	1,181	1,175
Blue-collar workers	588	591
Total	3,649	3,554
Headcount at year-end		
Managers	1,813	1,725
Supervisors	66	58
Employees	29	28
Technicians	1,177	1,188
Blue-collar workers	594	598
Total	3,679	3,597

Note 17 Non-recurring income

<i>In millions of euros</i>	Produits	Charges	Net Dec 31, 2018	Net Dec 31, 2017
Deconsolidations and disposals of fixed assets	8.6	5.7	2.9	(0.4)
Statutory provisions	11.8	12.8	(1.0)	(5.1)
Other non-recurring income and expenses	3.1	1.3	1.8	0.6
Total	23.5	19.8	3.7	(4.9)

Disposals of fixed assets take into account the €4.1 million in capital gains from the contribution of Geneuro shares to GNEH.

The company AES Chemunex GmbH was liquidated in 2018. This liquidation generated capital losses of €0.6 million in bioMérieux SA's financial statements at December 31, 2018.

Note 18 Corporate income tax

18.1 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 15.1).

Taxes on dividends were recognised in income tax expense (see Note 18.2 concerning accrued income recognised for 2017).

18.2 Change

Since January 1, 2005, bioMérieux SA had been the head of a tax consolidation group comprising bioMérieux S.A. and S.A.S bioMérieux International (formerly Stella).

On January 1, 2018, S.A.S bioMérieux International left the tax consolidation group due to it being absorbed by bioMérieux SA on July 30, 2018, with retroactive tax effect to January 1, 2018.

At December 31, 2018, the Company recognised various tax credits totalling €24.4 million, including a research tax credit for an estimated €17.9 million. These various tax credits accumulated since 2017 represented the majority of non-operating receivables at December 31, 2018, and have a maturity of less than 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 recognised accrued income of €5.9 million and interest on arrears of €0.7 million at December 31, 2017. This amount was fully received in 2018.

An additional 15% contribution for companies that generate revenue in excess of €1 billion was recognised for 2017 for a total of €2.9 million. This exceptional contribution was not renewed for the 2018 financial year.

Income net of Corporate income tax totalled €0.6 million in 2018, compared to €2.3 million the previous year.

18.2.1 Breakdown of Corporate income tax

<i>In millions of euros</i>	Before tax	Tax ^(a)	Dec. 31, 2018 After tax	Dec 31, 2017
Recurring income	70.8	0.1	70.9	106.6
Non-recurring income	3.7		3.7	(2.1)
Prior-year tax adjustment and other		0.5	0.5	4.8
Net income for the year	74.5	0.6	75.1	109.2

(a) CICE tax credits for €4 million are recognised in personnel costs and not in income tax.

18.2.2 Net income for the year excluding valuation allowances

<i>In millions of euros</i>	Dec. 31, 2018	12/31/2017
Net income for the year	75.1	109.2
Income tax	0.6	2.3
Net income before tax	74.5	106.9
Accelerated depreciation, amortisation and statutory provisions	(1.0)	(5.1)
Total valuation allowances	(1.0)	(5.1)
Net income before tax and excluding valuation allowances	75.5	112.0
Income tax	0.6	2.3
Income tax on valuation allowances at 34.43% in 2018 and 39.43% in 2017	0.3	2.0
Net tax benefit (expense)	0.3	0.3
Net income for the year excluding valuation allowances	75.8	112.3

18.2.3 Change in deferred taxes

<i>In millions of euros</i>	Dec. 31, 2018 34.43% rate	Dec. 31, 2017 34.43% rate
Accelerated depreciation, amortisation and statutory provisions	20.6	20.3
Total deferred tax liabilities	20.6	20.3
Non-deductible provisions and expenses	(6.9)	(11.5)
Unrealised foreign exchange gains	(0.2)	(0.2)
Total deferred tax assets	(7.1)	(11.8)
TOTAL DEFERRED TAX BENEFIT OR EXPENSE	13.5	8.5

Note 19 Hedging instruments

19.1 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.

19.2 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, 31).

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, 2018 are recognised in the balance sheet whenever they are in a hedging relationship with receivables or payables.

Hedges in effect at December 31, 2018 were as follows:

- forward sales of €38.7 million to hedge trade receivables;
- forward sales of €10.4 million to hedge financial receivables;
- forward purchases of €155.9 million to hedge borrowings.

Furthermore, currency hedges were set up to cover the budget positions of the 2019 financial year. The net amount of these hedges is €228 million.

The market value at December 31, 2018 of all the budget hedges represents an unrealised loss of €2.1 million.

At December 31, 2018, the Company had no hedges covering the earnings of foreign subsidiaries.

The market value at December 31, 2018 of financial hedges represents an unrealised loss of €0.9 million.



The table below shows the currencies in which revenue is generated:

<i>In millions of euros</i>	Dec 31, 2018		Dec 31, 2017	
	12 months	%	12 months	%
Euro	673.8	57%	631.9	56%
Other				
US dollar	193.0	16%	206.3	18%
Chinese Yuan	69.4	6%	57.8	5%
Pound sterling	32.7	3%	34.2	3%
Czech koruna	31.7	3%	19.8	2%
Indian rupee	30.2	3%	26.6	2%
Swiss franc	20.8	2%	20.7	2%
Swedish krona	18.5	2%	17.0	1%
South African rand	15.8	1%	9.4	1%
Turkish lira	10.5	1%	13.3	1%
Brazilian real	6.9	1%	13.1	1%
Other currencies	85.4	7%	87.6	8%
Total	1,188.8	100%	1,137.6	100%

19.3 Rate risk

19.3.1 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 accounting for interest rate derivatives, is at a fixed rate until maturity 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, 2018, 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.

19.3.2 Hedging instruments

At December 31, 2018, the interest rate risk hedging portfolio comprised interest rate swaps with no sensitivity to rate risk since €150 million in fixed rate payer swaps established in April 2017 cancelled the impact of the variable rate payer swaps of €150 million until their maturity in 2020.

The market value of these rate swaps amounted to a €4.5 million.

19.4 Exchange rate and interest rate risk

19.4.1 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.

19.4.2 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 2018, the outstanding nominal amount of cross currency swaps stood at US\$134.3 million. The market value of these instruments amounted to a negative €18.3 million.

Note 20 Of f-balance sheet commitments

20.1 Financial commitments

20.1.1 Commitments given

<i>In millions of euros</i>	Dec 31, 2018	Dec 31, 2017
Endorsements and guarantees	200.6 ^(a)	95.0
Finance lease and rent commitments	37.8	42.2
Total	238.4	137.2

(a) Of which related parties for €199.8 million.

In 2018, bioMérieux SA stood surety for the RMB 655 million (€83 million) loan taken by bioMérieux Shanghai as part of the financing of the acquisition in 2018 of the majority of the shares making up the share capital of Suzhou Hybiome Biomedical Engineering Co. Ltd.

Lease financing In millions of euros	Gross	Royalties		Amortisation and depreciation	
		financial year	cumulative	financial year	cumulative
Land	2.3	0.2	0.4		
Buildings	42.1	3.7	8.4	2.5	5.6
Total	44.4	3.9	8.8	2.5	5.6

Lease financing In millions of euros	Outstanding royalties			Residual value
	< 1 year	1-5 years	> 5 years	Total
Land	0.2	0.8	0.9	1.9
Buildings	3.4	13.9	17.1	34.4
Total	3.6	14.7	18.0	36.3

20.1.2 Commitments received

<i>In millions of euros</i>	Dec 31, 2018	Dec 31, 2017
Credit facilities with a banking syndicate	500.0	500.0
Total	500.0	500.0

20.2 Research & development commitments

At December 31, 2018, commitments given in respect of various research agreements amounted to €5 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 and updated to €54.5 million. The liquidating assessment was carried out in 2017. At December 31, 2018, 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). If the products resulting from this research are commercially successful, bioMérieux SA will have to pay back these grants according to a payment schedule based on the revenue generated from these products, and will also have to pay a share of profits until 2029 (3.4% of revenue earned on the relevant products).

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.

20.3 Commitments relating to equity investments

bioMérieux SA granted a commitment to Amorçage Technologique Investissement (ATI) to submit further competitive bids in an amount of €0.2 million.

Note 21 Related parties

21.1 Affiliated companies: balance sheet items

<i>In millions of euros</i>	Dec 31, 2018	Dec 31, 2017
TOTAL NON-CURRENT FINANCIAL ASSETS	826.3	585.4
TOTAL RECEIVABLES	253.4	221.1
Total cash at bank and in hand^(a)	43.6	219.7
Operating payables	84.4	83.5
Borrowings ^(b)	196.8	136.8
TOTAL PAYABLES	281.2	220.3

(a) Advances to subsidiaries for cash pooling.

(b) Advances from subsidiaries for cash pooling.

21.2 Affiliated companies: financial income and expenses

<i>In millions of euros</i>	Dec. 31, 2018 12 months	Dec. 31, 2017 12 months
Net impairment of investments	(8.7)	(5.9)
Financial expenses	(27.7)	(11.6)
Dividends received	25.3	26.0
Financial income	43.6	38.8
TOTAL	32.5	47.3

Financial income includes exchange gains following the revaluation of the cash pooling (€28.1 million), as well as interest on loans to subsidiaries and cash pooling (€11.9 million) of which €7 million of interest on the bioMérieux Inc. loan, €0.5 million for the interest on the BioFire loan and €4.1 million for interest for the cash pool. Financial income also includes reversals of provisions for foreign exchanges

losses on long-term loans for €1.1 million and the merger premium with SAS International for €1.2 million.

Financial expenses recorded foreign exchanges losses on cash pooling (€20.1 million) and the repayment of the BioFire loan (€2.9 million), unrealised exchange losses on long-term loans (€1 million for the loan granted to RAS), as well as interest on cash pooling (€2.1 million).

21.3 Related party transactions

The Institut Mérieux, which held 58.9% of bioMérieux SA at December 31, 2018, performed research and services at bioMérieux SA for a total of €7.6 million for the year, from which €2.6 million were rebilled to bioMérieux Inc. and €1.1 million to BioFire. bioMérieux SA rebilled €0.5 million to Institut Mérieux for expenses paid on its behalf.

The Company rebilled €3.6 million worth of services and reagent sales to entities of the Mérieux NutriSciences Corporation Group, in which Institut Mérieux holds a majority interest.

Théra Conseil, which is 99.2%-owned by Institut Mérieux, billed bioMérieux SA €1.9 million for services in respect of 2018.

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 paid €4.3 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 €1.7 million in other services.

bioMérieux SA billed the Mérieux Développement SAS €0.1 million for expenses incurred on its behalf.

ABL Inc., in which Institut Mérieux indirectly holds the entire share capital, billed bioMérieux SA for raw materials in 2018 in an amount of €1 million. The other companies of the ABL group billed bioMérieux SA €0.2 million for research expenses and fees. Conversely, bioMérieux SA rebilled them €0.1 million for instruments and reagents.

The LyonBiopôle competitiveness cluster billed bioMérieux SA €0.1 million for services in 2018.

The companies of the Pierre Fabre group were billed €0.5 million for services and reagent sales.

BIOASTER billed bioMérieux SA €1.2 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.

Biofortis billed €0.2 million in research and services expenses to bioMérieux SA.

Lastly, Quanterix billed €0.2 million to bioMérieux SA for services and the provision of raw materials.

6.2.3 Analysis of the results and other financial information

6.2.3.1 Revenue and financial position

Sales

During the year ended December 31, 2018, the Company's sales amounted to €1,189 million compared to €1,138 million for the previous year, representing a year-on-year increase of 4.5%.

The growth in sales was mainly attributable to the 1.1% rise in sales to subsidiaries in a context of global Group growth, as well as to the 10.1% increase in export sales (mainly to distributors). Domestic sales also rose 1.6%, boosted by the strong momentum of the molecular biology product ranges.

Gross operating income

Gross operating income came in at €153.8 million, i.e. 12.9% of sales. It dropped by €18.9 million (11%) compared to the previous financial year.

Despite the 4.5% growth in sales, gross operating income was impacted by the 8.8% increase in personnel costs, which was greater than sales growth, as well as by the 5.7% change in external charges.

Operating income

After depreciation, amortisation and provisions, operating income decreased by €11.5 million, dropping from €69.7 million in 2017 to €58.2 million at December 31, 2018.

This 16.5% decrease is primarily due to the reduction in gross operating income.

Net financial income

In 2018, net financial income came in at €12.6 million versus €42.1 million the previous year.

This change is primarily due to the €21.2 million reduction in exchange gains on financial transactions and the €3.6 million increase in the write-down of securities.

Recurring income

Net income before non-recurring items and tax totalled €70.8 million versus €111.8 million one year earlier.

Non-recurring income

The Company reported net non-recurring income of €3.7 million at December 31, 2018 versus a loss of €4.9 million at December 31, 2017. This difference is due to income from the disposal of securities in 2018 and the reduction in the regulated provisions that comprised the bulk of non-recurring income for 2017.

Net accelerated depreciation/amortisation expense amounted to €0.5 million, down from €4.9 million in 2017.

Income tax and tax credits

Income tax amounted to net income of €0.6 million, compared to €2.3 million at December 31, 2017.

The €20.1 million income tax expense (versus €22.5 million in 2017) is completely offset by tax credits, primarily the provisioned research tax credit of €17.9 million, which remained stable in relation to 2017.

Net income

Net income for the financial year came in at €75.1 million compared with €109.2 million the previous year, i.e. a year-on-year decrease of €34.1 million. It represented 6.3% of sales, compared to 9.6% of sales the previous year.

