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

	Attributable to owners of the parent										Non-controlling interests
In millions of euros	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).

Cash investments in SICAV money-market funds are as follows:

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).

	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

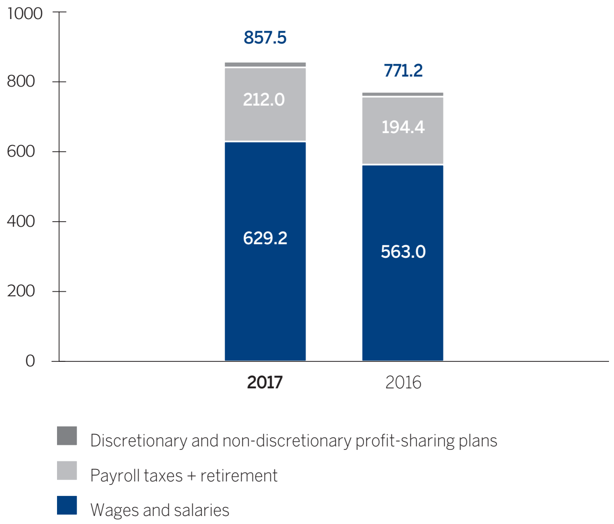
There is no stock option plan within the Group.

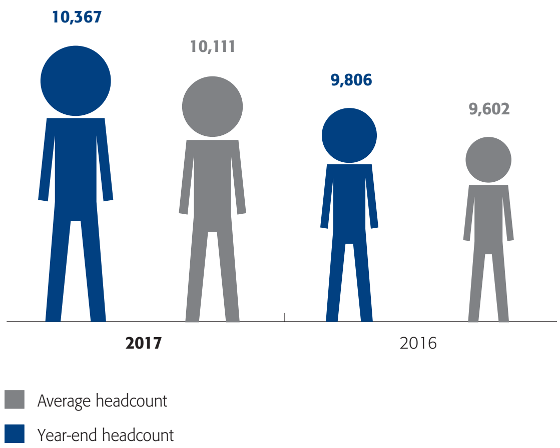
Note 18 Other operating income and expenses

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:

In millions of euros	December 31, 2017						
	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	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
	December 31, 2016						
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 <1 year	Expiration date 2017 1 to 5 years	Market value 2017 [(a)]
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		
	<1 year	1 to 5 years	Market value 2016 [(a)]
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. NO 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%.

- 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