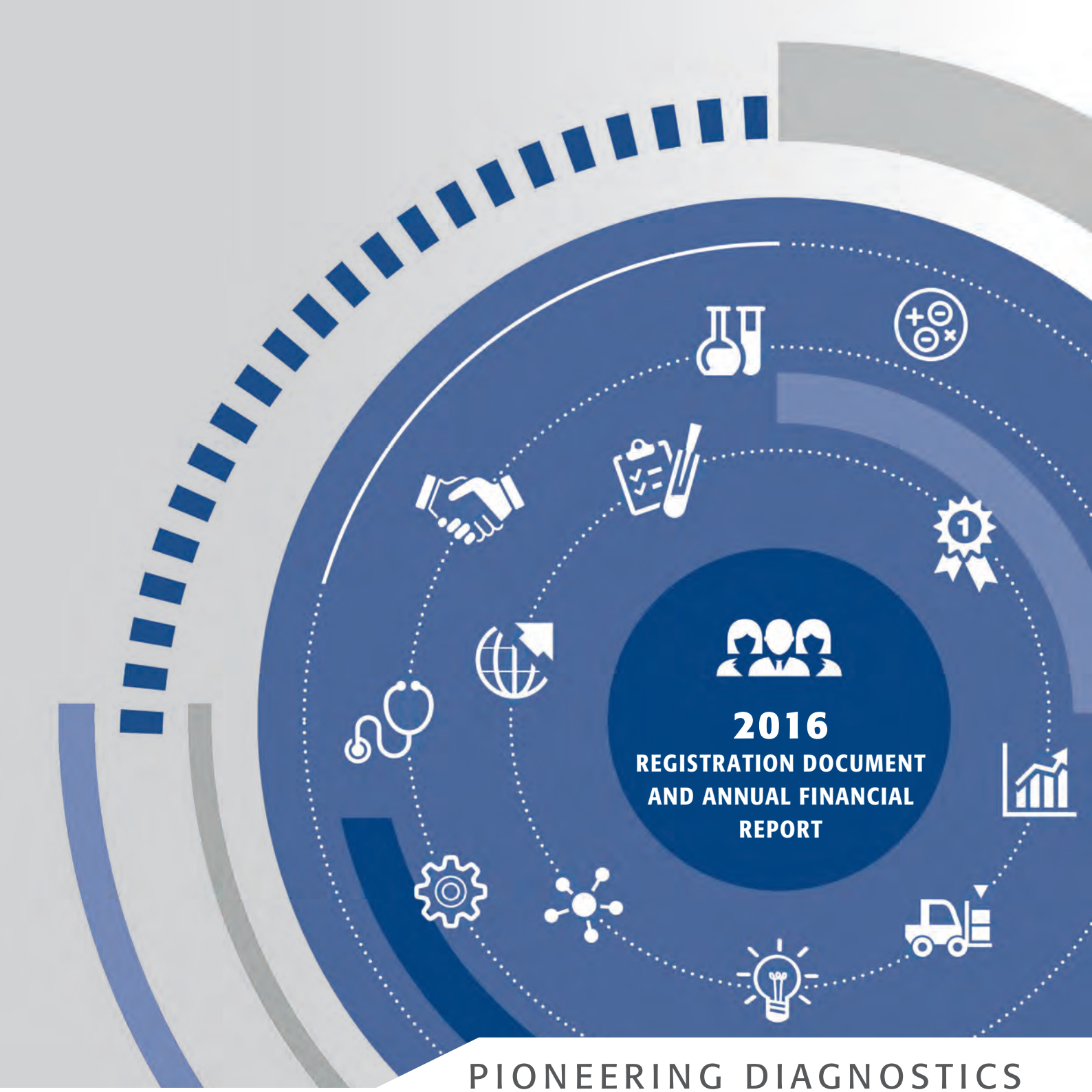


2016
REGISTRATION DOCUMENT AND ANNUAL FINANCIAL REPORT

PIONEERING DIAGNOSTICS

BIOMÉRIEUX

CONTENTS

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

AFR

REFERENCE DOCUMENT **2016**

including the Annual Financial Report

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

Registered office: Marcy l'Étoile (69280)

Registered in Lyon, France under number
673 620 399

The French version of this Registration Document (document de référence) was filed with the French financial markets authority (Autorité des marchés financiers – AMF) on March 15, 2017 in accordance with article 212-13 of the AMF's General Regulation

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

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

BIOMÉRIEUX, A FAMILY COMMITMENT TO THE FIGHT AGAINST INFECTIOUS DISEASES

bioMérieux is a family-owned company created in 1963. Its expertise and its commitment to expand the frontiers of knowledge in biology are grounded in an entrepreneurial adventure that has been ongoing for more than one century.

bioMérieux is first and foremost a human and scientific adventure that began more than 50 years ago, yet its roots reach back to the tradition of Louis Pasteur and the fight against infectious diseases. In 1897, Marcel Mérieux, who had studied with Pasteur, founded a laboratory in Lyon where he developed the first anti-tetanus sera. He called it Institut Mérieux, and from the outset began to lay the groundwork for a bio-industrial edifice that would leave its mark on vaccinology and the diagnosis of infectious diseases worldwide.

Under the direction of his son, Dr. Charles Mérieux, and later his grandson, Alain Mérieux, Institut Mérieux grew to become world leader in human and veterinary vaccines. The Institute gave rise to companies that rank today as major players in public health, such as Sanofi Pasteur and Merial. In 1994, Alain Mérieux shifted his focus from the vaccines activity to concentrate on the family holding and its diagnostics and immunotherapy businesses, including bioMérieux. Alexandre Mérieux, the great-grandson of Marcel, has taken over the management of bioMérieux since 2014.

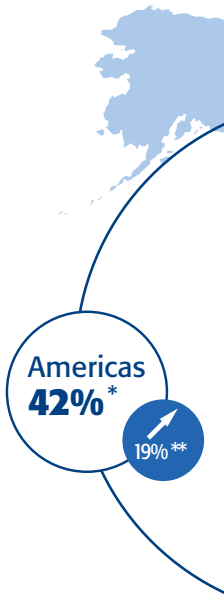
AN INSTITUT MÉRIEUX COMPANY

bioMérieux is 59% owned by Institut Mérieux. Within the scope of a global, long-term vision, Institut Mérieux contributes its experience in industrial biology to improving medicine and public health across the globe. To fight against infectious diseases and cancers, it designs and develops new approaches in the fields of diagnostics, immunotherapy, food safety, and nutrition.

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

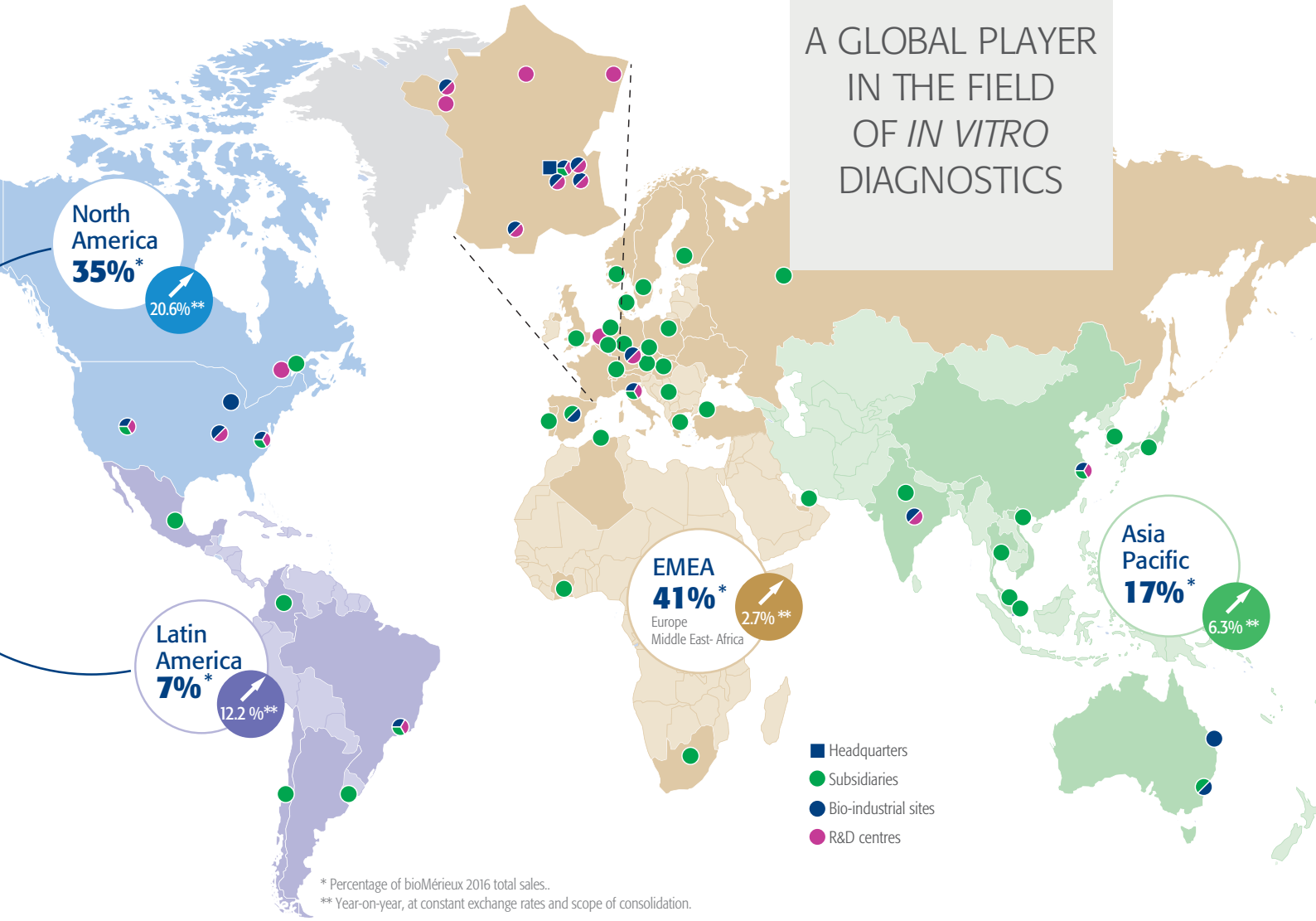
Institut Mérieux employs over 15,000 people worldwide.

It is present in over 40 countries.



Nearly 10,000 employees; bioMérieux is present in more than 150 countries through 42 subsidiaries and a network of distributors; 90% of international sales; 19 bio-industrial sites and 20 R&D centres worldwide

A GLOBAL PLAYER IN THE FIELD OF *IN VITRO* DIAGNOSTICS



* Percentage of bioMérieux 2016 total sales..
** Year-on-year, at constant exchange rates and scope of consolidation.

THE CRUCIAL ROLE OF DIAGNOSTICS IN SERVING PUBLIC HEALTH

As an essential link in the healthcare chain, diagnostics are a fundamental source of medical, economic and social value. Between 60% and 70% of healthcare decisions are based on diagnostic test results[1]. bioMérieux, a major player of *in vitro* diagnostics and world leader in clinical microbiology and industrial microbiological control, contributes to the quality of patient care and the safety of consumers.

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

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

50 YEARS OF MERGERS/ACQUISITIONS (M&A) AND PARTNERSHIPS

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

1986
API Systems, France

1988
VITEK (McDonnel Douglas), US

2001
Organon Teknika, Netherlands

2004
Initial public offering

2004
Bacterial Barcodes, US

2007
Biomedics, Spain
BTF, Australia

API® | **VITEK®** | **VIDAS®** | **BacT/ALERT®** | **DiversiLAB®**

For improved patient care

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

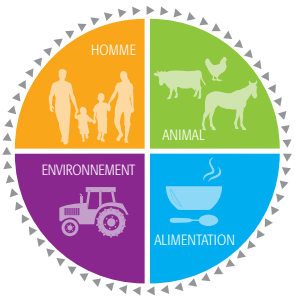
- For screening in the context of the prevention of certain diseases.
- For early diagnosis, that is, at the early stages of a disease when symptoms are still very mild.
- For diagnosis and prognosis, particularly in the case of infectious diseases, in order to identify the causative pathogen and the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

How diagnostics benefit healthcare systems

Spending on medical biology represents only between 2% and 3% of healthcare expenditures(2) This cost is limited when weighed against the medical value of diagnostics and the savings it can generate – both by reducing over-prescription of treatments and by shortening the onset of care and the length of hospital stays. Diagnostics is also a valuable instrument of healthcare policy, in particular for epidemiological monitoring and control.

Microbiology applications in industrial production

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



Veterinary applications: a continuum from animals to humans

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

(1) The Lewin Group: "The value of diagnostics, innovation, adoption and diffusion into health care", 2005.
(2) French Directorate of Research, Studies, Evaluation and Statistics (DREES) and Court of Auditors, 2011.

2010
Meikang Biotech, China
Shanghai Zenka Biotechnology, China

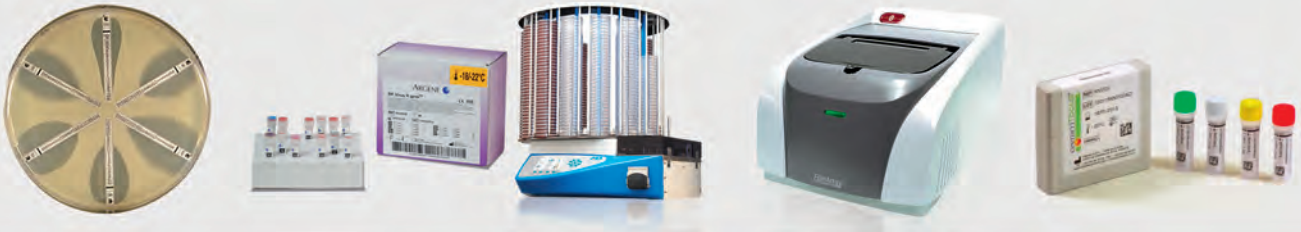
2011
AES, France
ARGENE, France

2012
RAS, India

2014
BioFire, US
CEERAM, Advencis, France

2016
Applied Maths, Belgium
Hyglos, Germany

Etest® **CHEMUNEX®** **AES Blue Line™** **FilmArray®** **CEERAM®**



ADDRESSING MAJOR PUBLIC HEALTH CHALLENGES

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

ANTIMICROBIAL RESISTANCE
A global health emergency

Every 45 seconds, a person dies from an infection caused by bacteria which have become resistant to antibiotics(3). Diagnostic tests contribute to reducing the improper use of antibiotics and help ensure they remain effective for the treatment of bacterial infections in humans and in animals.

Taking a global health approach, the Company develops innovative solutions for clinical diagnostics, industrial microbiological control – particularly in the agri-food sector, environmental monitoring, and veterinary diagnostics. bioMérieux's offer is the most comprehensive on the market, providing solutions for microbial identification, resistance detection and aid in the diagnosis of bacterial infection.

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

Sepsis affects around 27 million people each year. Reaching a diagnosis as rapidly as possible is critical for patient outcomes. The survival rate is 60% when patients receive the correct treatment within two hours of being diagnosed. The rate drops to 30% if it is administered four hours later(4).

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

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

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

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

(3) Based on the 700,000 deaths caused annually by antimicrobial resistance according to "Antimicrobial Resistance: Tackling a crisis for the health and wealth of nations", Jim O'Neill, December 2014.
(4) Kumar et al., Crit Care Med 2006, vol. 34: pp. 1589-1596.

A strategy based on three key technologies for *in vitro* diagnosis:

MICROBIOLOGY

Two leadership positions in both clinical and industrial applications

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

IMMUNOASSAYS

Specialised player in high medical value tests

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

MOLECULAR BIOLOGY

Pioneer in the syndromic diagnosis of infectious diseases

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

PROVIDING CARE IN EMERGENCY SITUATIONS
Improved patient management

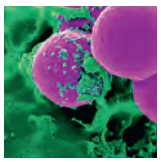
In emergency rooms, healthcare professionals need to initiate patient care as quickly and efficiently as possible. Tests with high medical value for the diagnosis of bacterial infections and severe sepsis, myocardial infarction and pulmonary embolism provide rapid results to clinicians and contribute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

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

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

PROTECTION OF CONSUMER HEALTH
Microbiological control for industrial customers

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



MANAGING THE RISK OF EPIDEMICS DUE TO EMERGING PATHOGENS
Providing an appropriate response in the countries concerned

bioMérieux pays close attention to the emergence of new disease-causing organisms. Thanks to a dedicated international team, the Company is prepared to provide the earliest possible response to these threats to public health. This is how, for example, bioMérieux developed the first standardised and automated assay for the diagnosis of the Ebola virus.

A HUMANISTIC CORPORATE OUTLOOK

The commitment to improve global public health by fighting against infectious diseases brings with it a unique responsibility, upheld by all the Institut Mérieux companies. As an extension of its public health mission, bioMérieux has always been mindful of the importance of its social responsibility. The initiatives undertaken to address this responsibility are rooted in a pioneering corporate culture that, since the Company's beginnings, has been guided by a humanistic outlook.

MÉRIEUX UNIVERSITY, A POWERFUL TRAINING LEVER

Mérieux University was created by Institut Mérieux in 2012 for employee training. Open to all employees of the companies that are part of Institut Mérieux, Mérieux University ensures the transmission of a strong, clear entrepreneurial culture and helps build bridges within the Group. This university is organized around four regional hubs based in France, China, the United States and Brazil to support employees' professional development, encourage innovation, promote the expression of talent and contribute to employee engagement.

In a constantly changing industry, employee training represents a strategic investment and a priority for bioMérieux.

FIGHTING INFECTIOUS DISEASES THROUGH FOUNDATIONS

Within the framework of its sponsorship activity, bioMérieux supports the work of the Fondation Mérieux and the Fondation Christophe and Rodolphe Mérieux.

These two independent family foundations focus on the fight against infectious diseases that affect developing countries by building local capacities, particularly in clinical biology.

OUR EMPLOYEES: OUR PRIORITY

The Company owes its success first and foremost to its employees. bioMérieux places great importance on ensuring that the working environment fosters their career development while respecting the balance between their professional and personal lives. Each employee is also expected to behave ethically and with integrity within the Company and in relations with external partners.

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

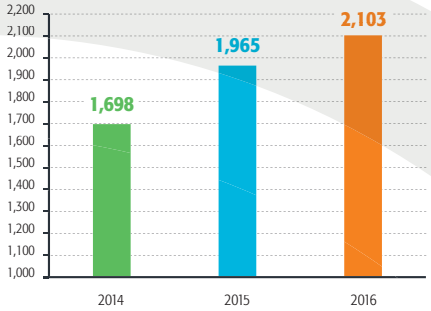
Women represent 48% of the workforce

Women hold 48% of Company's management positions

20 hours
of training (annually) per employee on average worldwide

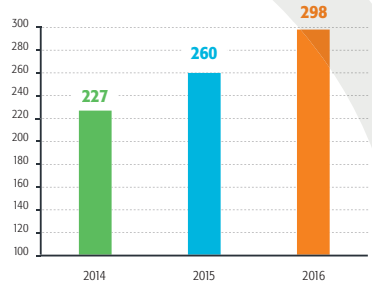
2016 KEY FIGURES

Sales
(in millions of euros)



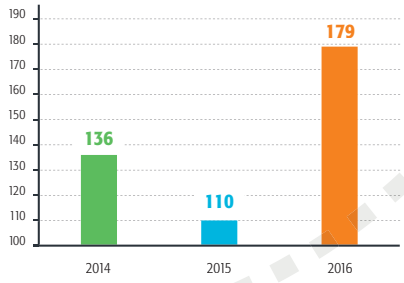
Sales amounted to €2,103 million in 2016, versus €1,965 million in 2015, an increase of 9.6% at constant exchange rates and scope of consolidation.

Contributive operating income before non-recurring items*
(in millions of euros)



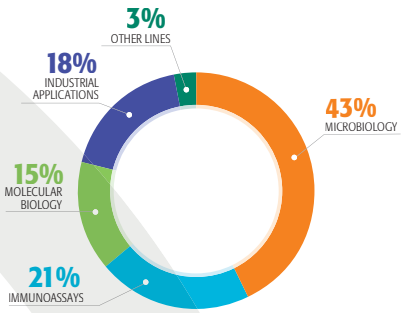
The contributive operating income before non-recurring items was driven by organic sales growth. It was up 14.5% compared to 2015, to reach €298 million, or 14.2% of sales

Net income for the year
(in millions of euros)



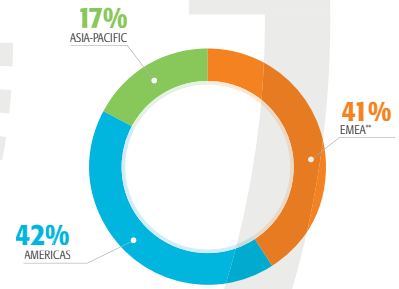
Net income of consolidated companies for the year amounted to €179 million, up 62% compared to 2015. It represented 8.5% of sales. In 2015, net income of consolidated companies was penalised notably by the non-recurring expenses recognised on bioTheranostics.

Breakdown of sales
by application



Approximately 60% of sales were generated in clinical and industrial microbiology, two areas where bioMérieux is the world leader. In 2016, sales growth in molecular biology (15% of sales in 2016 compared to 12% in 2015) was driven by the success of the FilmArray® line.
Supported by the commercial dynamics of the VIDAS® range, immunoassays represented 21% of sales.

Breakdown of sales
by geographic region

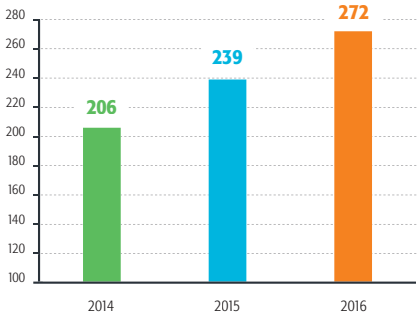


The Group's growth was chiefly driven by strong sales in the Americas region (representing 42% of sales in 2016 compared to 39% in 2015), especially in the FilmArray® line. Americas are now the first region for the Group in terms of sales contribution.

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

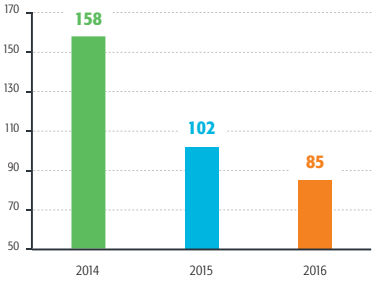
*** Europe, Middle East, Africa.*

R&D expenses
(in millions of euros)



Continuing its innovation efforts, the Group invested €272 million in research and development in 2016, or 12.9% of sales. This increase reflects the intensification of activities associated with the FilmArray® line.

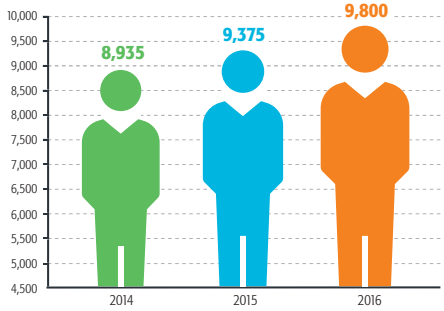
Free cash flow*
(in millions of euros)



Free cash flow generation amounted to €85 million in 2016, versus €102 million in 2015. As in 2015, the increase due to the contributive operating income before non-recurring items was more than offset by significant capital expenditure programs that are being completed.

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

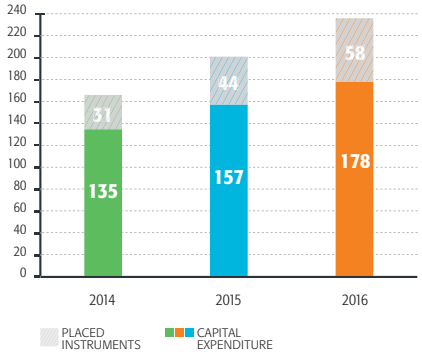
Workforce at December 31*



Changes in the workforce in 2016 reflect the strengthening of BioFire Diagnostics' industrial and commercial teams to support the growth of the FilmArray® line.

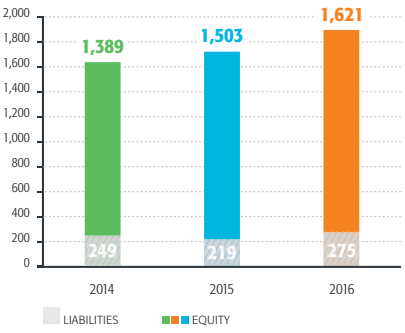
* Full-time equivalent.in

Investments
(in millions of euros)



The capital expenditures made over the year amounted to €236 million, the results of the industrial investment strategy intended mainly to increase capacity and productivity of the production facilities. The total capital expenditures for the year represented 11.2% of sales.

Changes in the financial position
(in millions of euros)



Net debt stood at €275 million at the end of the year. Representing only 17% of equity, this leaves a high degree of flexibility to promote the Group's strategic ambitions.


Brian

1 bioMérieux, pioneering diagnostics to serve public health

1.1 History and development of bioMérieux

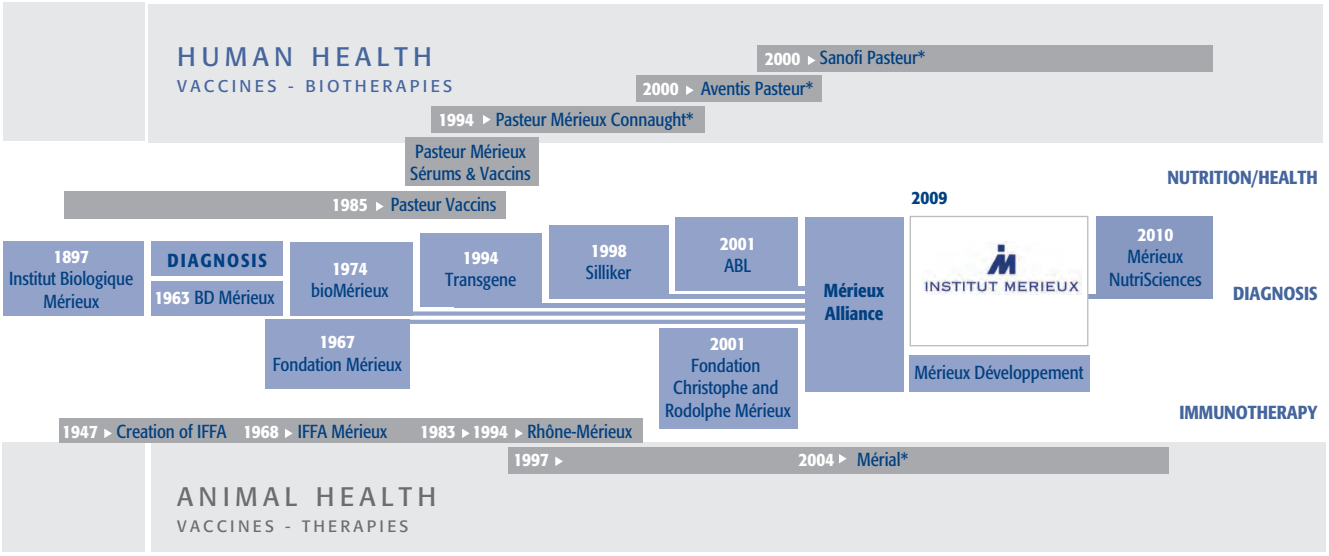
1.1.1 bioMérieux and the Institut Mérieux

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

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

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

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



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

1.1.2 Development of bioMérieux

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

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

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

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

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

1.2 Business overview of bioMérieux's activities

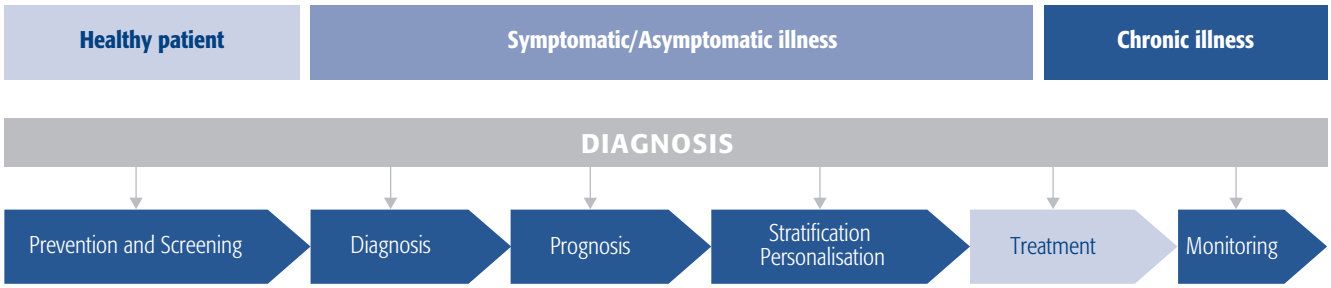
1.2.1 The *in vitro* diagnostic industry

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

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

1.2.1.1 General description

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



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

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

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

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

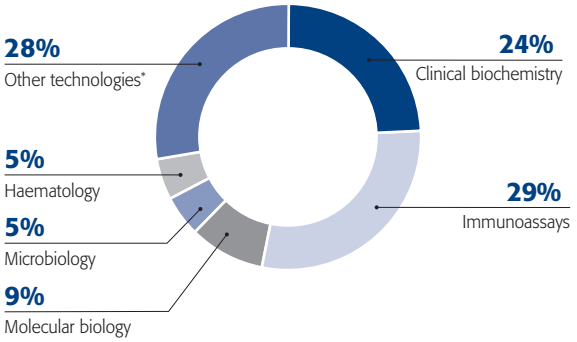
- the significant proportion of *in vitro* diagnostics sales accounted for by reagent sales, because of the "closed" nature of most systems, which function only with reagents developed and marketed by the manufacturers of these systems (captive market);
- the obligation to offer customers a wide selection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

1.2.1.2 A market determined by technologies

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

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

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



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

Source: EAC estimates on behalf of bioMérieux based on data from the 3rd quarter of 2016.

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

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

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

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

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

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

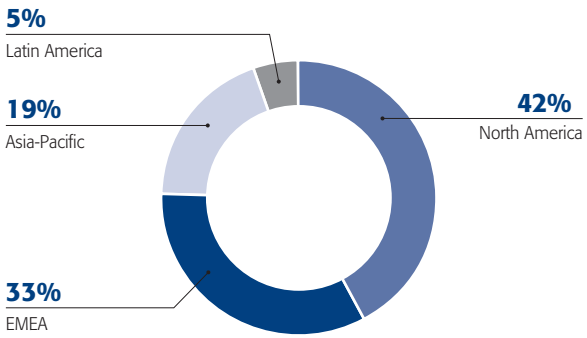
Driven by new technologies and scientific advances, the medical value of *in vitro* diagnostics is increasingly recognised, and *in vitro* diagnostic tests play an increasingly decisive role in the treatment process. By providing earlier, more reliable, and more precise diagnoses and better monitoring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

1.2.1.3 A global market

The global market for *in vitro* diagnostics was estimated in 2016 at €52 billion (US$58 billion) for clinical applications and approximately €2.3 billion (US$2.5 billion) for industrial applications. Approximately 80% of the worldwide *in vitro* diagnostic market for clinical applications is concentrated in mature countries (mainly North America, Europe and Japan). The breakdown of the Company's sales by geographical area and by application is presented in section 5.2.1.

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

A 2016 estimate of the geographical breakdown of the clinical *in vitro* diagnostic market:



Source: EAC estimates on behalf of bioMérieux based on data from the 3rd quarter of 2016.

1.2.1.4 Market trends and growth prospects

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

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

- In developed countries, demographic and lifestyle changes favour a rapid, but also preventative and predictive, diagnosis:
  - the ageing of the population, particularly in developed countries, is becoming a reality, and life expectancy is continuing to increase. For example, it is estimated that a third of the population in Western Europe will be over 60 in 2050 (source: European Diagnostic Manufacturers Association – EDMA) and that this will lead to an increase in chronic diseases and age-related disorders, such as cardiovascular diseases, neurodegenerative diseases, respiratory infections and certain cancers;
  - lifestyles (inactivity, stress, etc.) and new eating habits contribute to the development of diseases such as diabetes and food allergies.
- In emerging countries, there is vigorous demand for improved healthcare and public health systems due to:
  - rapid population growth and urbanisation, recent pollution problems, and changing lifestyle and eating habits, which foster the development of infectious and chronic diseases;
  - rising living standards, the introduction of ambitious health reforms and new or renovated infrastructure, which are also stimulating an increase in demand, particularly for widely accessible medicines. Furthermore, health expenditure only represents 5% to 9% of Gross Domestic Product (compared to approximately 17% in the United States and about 10% in Western Europe, according to OECDStat statistics), giving these countries a degree of flexibility for future investment in healthcare systems.
- The emergence or reemergence of disease-causing organisms imposes the need to develop new diagnostic tests:
  - disease-causing organisms are appearing, emerging, reemerging and spreading worldwide. For example, the World Health Organization (WHO) advised that two recent epidemics were a Public Health Emergency of International Concern (PHEIC): the Ebola epidemic in 2014, which had the highest mortality rate since the virus was discovered in 1976, and the Zika outbreak since February 2016, which has been associated with a rise in cases of microcephaly among newborns whose mothers were infected during pregnancy;
  - antibiotic-resistant bacteria and viruses resistant to antiviral agents are emerging and creating a need for better management of treatment solutions. In 2014, the WHO published its first report on global antimicrobial resistance, including resistance to antibiotics, noting that this serious threat was no longer a prediction, but a reality in every region in the world and that everyone, irrespective of age or country, was at risk. Since 2015, several national or international initiatives had been put in place (United States, China, France and the United Nations). bioMérieux participated in a dedicated forum at the White House, for example, that emphasised the importance of heightened monitoring of new resistant bacteria and the need for rapid tests to ensure that antibiotics are prescribed only when truly needed;
  - the proliferation of healthcare-associated infections, has led to the need to detect carriers of multi-resistant bacteria before they become self-contaminating or infect other patients. The significant cost of treating these infections (estimated at €7 billion per year in Europe, according to EDMA) encourages the use of tests to screen for the carriers of bacteria so that appropriate hygiene measures can be introduced. Furthermore, an actual or suspected hospital contamination requires conducting epidemiological studies to understand how the disease-causing organism was transmitted and to implement appropriate hygiene measures to contain and stop its dissemination.
- Reducing health expenditure is an economic necessity:
  - the continuing economic difficulties experienced by developed countries are leading governments to optimise and even reduce their health spending. Diagnosis accounts for approximately 2% to 3% of healthcare spending, but is used in most treatment decisions, and provides better care for patients: because of its effectiveness at every stage of an illness, it can make a significant contribution to healthcare spending optimization;
  - reimbursement for medical care is increasingly organised by pathology and not by examination. In this context, hospitals bear the cost of patient treatment and monitoring, which gives them an incentive to conduct diagnostic tests to select the most appropriate treatment and avoid hospitalisation wherever possible.

- *In vitro* diagnostic is medically important to the healthcare process through its incorporation into 4P (preventative, predictive, personalised and participative) medicine:
  - progress in medical know-how leading to the discovery of innovative new biomarkers that can result in the development of *in vitro* diagnostic tests improving patient care;
  - technological developments, especially those relating to analysis techniques for proteins and genetic sequences, extend the scope of *in vitro* diagnostics to cardiac diseases, cancers, and autoimmune and neurodegenerative diseases;
  - the development of theranostics, which combines diagnostic tests with treatment decisions, helps the physician to choose the most appropriate treatment and avoid those that are ineffective;
  - bio-informatics and Big Data could change *in vitro* diagnostics by gradually eliminating the border between the services offered by medical laboratories and the solutions marketed by *in vitro* diagnostics companies, as well as by giving laboratories access to more precise data so that patients can benefit from better informed clinical decisions.
- The structure of laboratories is evolving:
  - new technologies are contributing to the development of new diagnostic systems, improving the medical value of each diagnosis along with laboratory workflows and efficiency;
  - a growing shortage of qualified personnel, greater consolidation among laboratories and the need to standardise analyses and improve operational efficiency, particularly in clinical microbiology, have led to the automation of laboratories and increased needs for services such as training, maintenance, accreditation assistance, laboratory productivity optimization;
  - the development of molecular biology is leading to faster and more accurate new diagnoses (see section 1.2.1.2). Expertise in this area has resulted in the development of easier to use integrated platforms;
  - demand is increasing in hospitals, particularly in the emergency and intensive care departments, for diagnostic solutions leading to the faster selection of treatment for patients and resulting in Point of Care tests and decentralised analyses. bioMérieux estimates that only 40% of American hospital laboratories are adequately equipped to conduct molecular biology tests;
  - advances in communication technologies are impacting *in vitro* diagnostics, as devices must now increasingly be connected to Laboratory Information Systems. In addition, with new generation connected tools, results can be communicated quickly *via* smartphone to medical PROFESSIONALS and, in certain cases and for certain applications, to patients themselves. More and more, patients want to play an active role in their own healthcare and health decisions, creating a need for better access to medical information and to faster, more precise and easier to understand analysis results;
  - healthcare reform in the United States is leading to extending medical coverage to people, who did not have adequate healthcare coverage. The number of doctors' visits and the prescription of diagnostic tests should therefore rise. Faced with this increased activity, laboratories may have to become more automated in order to optimise their organisation and productivity. However, the results of the 2016 American presidential election could lead to this reform being reviewed.
- Demand in industrial applications is boosted by structural factors:
  - there are more and more quality control obligations in food, pharmaceutical and cosmetics applications;
  - food, pharmaceutical and cosmetics corporations are looking to protect their trademarks and reputations while also being able to improve test automation, enabling the faster release of production batches and thereby encouraging the development of technologies such as cytometry;
  - changing eating habits (such as increasing meat consumption in emerging countries) are stimulating demand in the food industry;
  - the development of new "on demand" personalised medicine or short series treatments is stimulating demand in the biopharmaceutical industry due to the need for more regular and quicker checks;
  - veterinary laboratories are increasingly having to deal with microbial resistance in animals and diagnose infertility and emerging animal diseases in livestock, at a time when new regulations are restricting the use of antibiotics on farms;
  - emerging markets want to protect their consumers and export their own food production. As a result, they are strengthening their food safety testing requirements;
  - end consumers are demanding increasingly higher standards when it comes to the quality of the food, pharmaceuticals and cosmetics that they buy.

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

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

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

Growth on the *in vitro* diagnostic market, excluding blood sugar tests, remained between 4% and 5% in 2016, at constant exchange rates, but the Company remains confident that this market will continue to rise in the medium term.

1.2.1.5 Principal players

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

The *in vitro* diagnostic market remains highly concentrated. In 2016, several mergers and acquisitions significantly changed the competitive landscape of the sector:

- in early 2016, Abbott announced that it was acquiring US-based Alere for US$5.8 billion;
- in September 2016, Danaher announced the acquisition of the American company Cepheid, specialised in molecular biology, for about US$4 billion.

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

Based on its 2016 sales, the Company ranks itself in 8th place(1) in the *in vitro* diagnostic market. This ranking reflects its specialised positioning: it is not present in diabetes testing and has little activity in clinical chemistry testing.

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

1.2.2.1 General presentation and areas of expertise

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

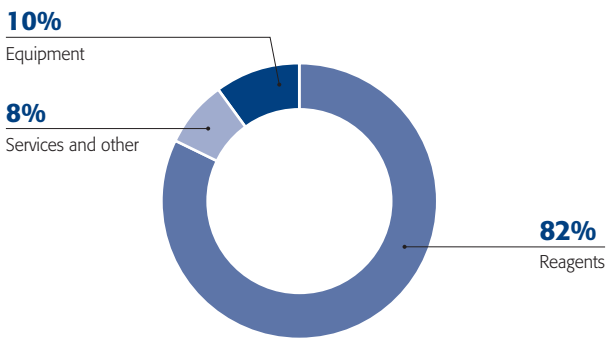
- in clinical applications, these systems can, from a biological sample (blood, saliva, urine, etc.), be used to diagnose infectious diseases, cardiovascular pathologies and certain cancers. Clinical applications account for 80% of the Company's sales. bioMérieux is a specialist, ranking 8th worldwide in *in vitro* diagnostic, but number 1 in clinical microbiology. The historic and priority activity of the Group is focused on diagnosis of infectious diseases: bacterial (such as staphylococcus), parasitic (such as toxoplasmosis) and viral infections (such as HIV). In 2016, the diagnosis of infectious diseases represented nearly 90% of sales;
- in the industrial field: these systems enable microbiological analyses of manufacturing and of its environment, chiefly in the food, pharmaceutical, cosmetics and veterinary sectors. Industrial applications account for 18% of the Company's sales. bioMérieux is the world leader in this field. Since 2011, bioMérieux has been making its expertise in microbiology available to professionals in animal health, notably with the aim of contributing to the fight against microbial resistance, epizootics and emerging zoonoses. This forms part of the "One Health" approach promoted by international organisations (see section 3.2.1) and based on the principle of a continuum from animal to man in the transmission of infectious agents and resistance to antibiotics.

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

The Group's diagnostic systems consist of several elements:

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

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



Most of the Company's sales come from reagent sales, which accounted for 82% of its sales in 2016. The Group mainly markets closed systems, which enable only the use of reagents developed specifically for these instruments.

Thus, 80% of reagent sales in 2016 were related to closed systems; the rest related to manual products and open systems.

(1) Estimate from bioMérieux on February 28, 2017, in the absence of the publication of sales for the 4th quarter for Alere Inc.

Instruments are either sold (10% of consolidated sales in 2016), or provided to customers for use on their premises under an agreement to purchase a minimum volume of reagents and disposables, on terms designed to cover the depreciation and the financing of the instrument. If the customer fails to fulfil its obligations, the Company is contractually entitled to repossess the instrument. In certain markets, instruments may also be leased to customers. As of December 31, 2016, the installed base amounted to approximately 86,900 instruments, of which 80% correspond to sold instruments.

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

Instruments that are sold or provided to customers are accompanied by services which include the installation and servicing of the instrument, as well as user training. The Company will continue to grow this business. Including R&D-related revenue of €6.4 million, billable services accounted for 8% of the Company's sales in 2016.

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

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

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

1.2.2.2 Addressing the challenges of public health

Antimicrobial resistance: a worldwide emergency

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

The fight against sepsis: early diagnosis in the front line

About 27 million people around the world are affected each year by sepsis. Making a diagnosis as quickly as possible is crucial for patients. The rate of survival is 60% when they receive the right treatment two hours after being accepted for treatment. It drops to 30% if it is given four hours later. bioMérieux has the most complete product range on the market for diagnosing sepsis, comprising tests covering immunoassays, bacteriology and molecular biology, based both on the response of the host, with the VIDAS® B•R•A•H•M•S PCT™ test and on the detection, identification and characterisation of the disease-causing organism, notably with the BacT/ALERT®, VITEK® and FilmArray® ranges.

Management of the risk of epidemics related to emerging disease-causing organism: provide an appropriate response in the countries concerned

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

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

1.2.2.3 Competition

Clinical market

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

- In clinical microbiology, as estimated internally and by an independent consultant specialised in *in vitro* diagnostics, the Company's market share is around 40%, putting it in the leading position worldwide. This market is estimated at about €2.6 billion and enjoys annual growth of 3% to 5% at constant exchange rates. Other significant players in this market include Becton Dickinson, Danaher and Thermo Fisher. In automated microbiology, new technologies are emerging, such as mass spectrometry, which is also marketed by Bruker, and competition has heightened since Becton Dickinson's takeover of Kiestra. Also, start-ups offering identification technologies and/or rapid antibiotic susceptibility tests are emerging (Accelerate Diagnostics, T2 Biosystems).

- In immunoassays, the major pharmaceutical groups and diversified companies (Roche, Abbott, Siemens and Danaher) are dominant. Among specialised players, the main competitors include Bio-Rad and DiaSorin. According to internal estimates, the Company has a market share of around 3%. It is strengthening its position through its most recent VIDAS® instrument VIDAS® 3, its offering of high medical value tests and its presence in emerging countries.
- In molecular biology, the market leader is Roche. The other significant players in the market are Hologic, Qiagen, Becton Dickinson, Grifols, Abbott and Siemens, with bioMérieux holding around 9% of this market. The Company made a major strategic move in this market in 2014 with the acquisition of the US company BioFire, whose FilmArray® system sets a new standard in the diagnosis of infectious diseases. This diagnostic approach is still rather unusual and the Company considers that it is leading its development and adoption, while competitors are beginning to emerge, such as Luminex, which acquired Nanosphere in 2016, or Genmark Diagnostics. Furthermore, it occupies an important position in the field of extraction and intends to maintain its position through the launch of eMAG®, the new generation of its automated system NucliSENS® easyMAG®.

Industrial market

In the industrial market, which remains relatively fragmented, the Company ranks itself world number one, with a market share, based on internal estimates, of around 20% in 2016. The other significant players are Merck Millipore, 3M, Thermo Fisher, Becton Dickinson and a number of smaller companies in niche segments.

1.2.2.4 Group customers

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

In France, which accounted for 9% of the Group's sales in 2016, there is a mixed private/public healthcare structure. As a guide, private laboratories accounted for 35% of sales in 2016, whereas public hospitals accounted for 32% of the Company's sales. Industrial customers accounted for 32% of sales in 2016.

In the United States, which is the Group's largest market, public and private hospitals accounted for 61% of sales in 2016 and commercial laboratories accounted for 15%. In addition, around 3% of sales were generated by other customers in clinical applications, including POLs. Industrial clients represented 21% of sales.

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

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

The Group's ten leading customers accounted for around 7% of its sales in 2016. The largest customer accounted for approximately 1.5% of sales.

1.2.2.5 Distribution network

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

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

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

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

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

1.2.2.6 Suppliers and purchasing policy

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

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

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

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

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

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

1.2.3 Group products

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

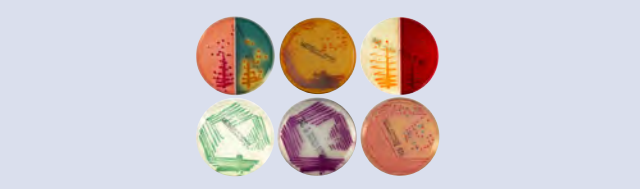
The Company's ten leading products accounted for 30% of sales in 2016.

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

1.2.3.1 Microbiology

This technology involves culturing biological samples in a medium allowing any bacteria present to grow, in order to identify the bacteria and test their susceptibility to antibiotics.

Culture media



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

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

Over the last five years, bioMérieux has launched more than 10 new chromogenic media:

- chromID® *C. difficile*, the first chromogenic medium for isolating and identifying *Clostridium difficile* in only 24 hours. *C. difficile* is a bacteria responsible for healthcare-associated epidemics, some of which are extremely serious and associated with high mortality. chromID® *C. difficile* forms part of the global solution for diagnosing infections with *C. difficile* also comprising VIDAS® *C. difficile* GDH and VIDAS® *C. difficile* Toxin A & B;
- with the chromID® Elite media, numerous improvements have been made, notably including better differentiation between pathogenic species, quicker and more convenient reading of results and improved sensitivity and specificity parameters for specific bacteria:
  - chromID® CPS® Elite for isolation, enumeration and direct or presumed identification of organisms responsible for urinary infections,
  - chromID® Salmonella Elite for quicker detection of strains of *Salmonella* in clinical samples of stools,
  - chromID® *S. aureus* Elite particularly adapted to searching for "small-colony" variants of Staphylococcus in patients suffering from cystic fibrosis;
- combining its expertise in bacterial identification and its expertise in resistance to antibiotics, the Company has developed tools for screening for resistant bacteria responsible for healthcare-associated infections and hospital epidemics. chromID® CARBA, chromID® CARBA SMART, chromID® OXA-48 have become standards for screening for "super bacteria", resistant to carbapenems;

- chromID® MRSA, dedicated to screening for MRSA, was joined by chromID® MRSA SMART, which saves a day in obtaining the result. At the same time, this medium obtained FDA authorisation for use of the medium with samples of skin, sores, soft tissue and with blood culture bottles.

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

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

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

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

Solution for quantitative microbiological quality control: BioBall®

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

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

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

Based on its API® and ATB™ product lines, the Company has developed the semi-automated ATB™ New, an instrument designed for use in emerging countries which includes identification and antibiotic susceptibility test strips that comply with CLSI® (Clinical and Laboratory Standards Institute) standards, as well as software for analysing results. This solution was launched in China during the second half of 2016.

In 2014, bioMérieux launched RAPIDEC® CARBA NP to add to its offering in the fight against antibiotic resistance. This new manual test is easy to use, notably with chromID® CARBA media, gives reliable results, and is the first solution to offer rapid, cost-effective detection of carbapenemase production by Gram-negative bacteria. It is particularly useful for patient treatment and limiting the transmission of resistance. RAPIDEC® CARBA NP therefore responds to the basic need to manage transmissible bacterial infection, making it simpler and more effective from a medical standpoint.

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

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

Manual measurement of an antibiotic's Minimum Inhibitory Concentration (MIC): the Etest® product line

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

The agar media needed to measure an antibiotic's minimum inhibitory concentration have been developed and/or approved to facilitate Etest use®.

A new Etest® strip combining two antibiotics (Ceftolozane-Tazobactam) was launched in December 2016 on the European market: Etest® Ceftolozane/Tazobactam (C/T 256). This new strip provides a quick and reliable solution to determine the minimum inhibitory concentration (MIC) of the antibiotics ceftolozane and tazobactam for anaerobic gram-negative bacteria, enterobacteria and *Pseudomonas aeruginosa*. This Etest® solution provides significant added medical value for the clinician and the patient: having a diagnostic solution that enables the right antibiotic to be administered, with the correct dose and at the right time, is an important factor in fighting the development of resistance, a real challenge in the field of public health.

(1) *ICAAC: Interscience Conference on Antimicrobial Agents and Chemotherapy. ICC: International Congress of Chemotherapy.*

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

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

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

The Company subsequently launched:

- in 2004, VITEK® 2 Compact: an instrument featuring a new colorimetric reading mode and new expert systems, which, due to its smaller size, is aimed at small and mid-sized laboratories running between 30 and 60 tests per day;
- in 2007, VITEK® 2 Compact 15, for laboratories running 15 to 30 tests per day;

- in 2008, two operating software improvements to integrate new antibiotics and to update more rapidly and frequently regulatory interpretation tables, as well as to allow the use of the new ANC card to identify anaerobic microorganisms and corynebacteria;
- in 2009, VILINK™, an IT solution allowing VITEK® 2 users to benefit from remote assistance for incident resolution and maintenance through a fast and secure connection.

bioMérieux is regularly improving its menu of identification and antibiotic susceptibility tests. In 2016, the Company received FDA approval to market the new antibiotic susceptibility test cards VITEK® 2, testing the following molecules: Caspofungine and Micafungine for yeasts, Ertapenem, Cefepime, Cefotaxime and Ceftriaxone for gram-negative bacteria.

The VITEK® 2 system with its AES™ and Etest® expert analysis system can fulfil the requirements of clinicians by helping them in their antibiotic prescriptions. Meanwhile, the epidemiological surveillance software VigiGuard™ allows for the study and monitoring of the evolution of resistance in every clinical department, and proposes antibiotic therapy protocols that are adapted to microbial ecology.

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

The MALDI-TOF mass spectrometry solution: VITEK® MS

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

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

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

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

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

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

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

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

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

Blood culture: the BacT/ALERT® line

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

In 2014, bioMérieux announced the CE marking of the new generation BacT/ALERT® system, BacT/ALERT® VIRTUO™. This unique, innovative automated blood culture system for detecting disease-causing microorganisms has extended the BacT/ALERT® range of solutions. It uses precision robotics to automatically load and unload reagents, which means that any lab staff member can load bottles at any time. The system reduces hands-on time for increased lab efficiency. BacT/ALERT® VIRTUO™ offers faster time to detection than the current BacT/ALERT® system thanks to the inclusion of high fidelity optics and a new detection algorithm that reduces detection time by four hours on average.

In July 2016, bioMérieux announced the CE marking of a new version of its automated blood culture system BacT/ALERT® VIRTUO™, with enhanced functionality, and the filing of a 510(k) to the FDA.

The new generation of blood culture systems BacT/ALERT® VIRTUO™ can connect up to three additional incubation units to a BacT/ALERT® VIRTUO™ control module, thus creating an integrated configuration. This modular configuration offers incubation capacity of between 428 and 1,712 positions, enabling significant volumes to be managed of up to 100,000 blood culture bottles per year, *via* a single entry point for an optimised workflow. The blood culture bottles are automatically transferred in the system, enabling better use of the capacity of the instrument and increased productivity. This new version can provide a real-time measurement of the volume of blood in each blood culture bottle, to make sure that the quantity of blood sampled is compliant with the recommendations and practices of each organisation.

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

As of end-2016, BacT/ALERT® VIRTUO™ was available in more than 35 countries in Europe, the Middle East and Asia-Pacific that recognise CE marking. The regulatory registration process for BacT/ALERT® VIRTUO™ is under way in other countries, notably the United States and China.

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

In industrial applications, the BacT/ALERT® 3D range is used for monitoring the sterility of biopharmaceutical products, for the microbiological testing of beverages and for controlling the quality of blood products, especially platelets, for which BacT/ALERT® is the most widely used detection method in the world. In 2016, bioMérieux was chosen by the National Health Service Blood and Transplant (NHSBT) in the UK to provide a solution for screening for bacterial contamination in platelet donations.

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

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

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

- PREVI™ Color Gram, an automated Gram staining system (an original equipment manufacturer agreement with the ELITech Group);
- RAL STAINER, an automated mycobacterial staining system for the diagnosis of tuberculosis (distribution agreement with the company RAL);
- UF-1000i/500i, an automated urinary screening system based on fluorescence flow cytometry (distribution agreement with the Japanese company Sysmex);
- PREVI™ Isola, an automatic Petri dish streaker (in partnership with the Australian company Labtech). bioMérieux signed an agreement with Labtech to discontinue marketing of PREVI™ Isola, which was effective July 30, 2016.

bioMérieux and Copan, a leading manufacturer of innovative pre-analytic solutions, signed a strategic partnership in clinical microbiology laboratory automation and operational efficiency. Since the beginning of 2015, bioMérieux has been Copan's exclusive distributor in France and a co-exclusive distributor in Germany and the United Kingdom for Copan's WASP® and WASPLab™ systems. Its marketing rights were gradually extended, to different key countries such as China, Australia, South Africa and certain laboratories in the United States. Also, in April 2016, bioMérieux and Copan signed a partnership for the distribution of swabs and their associated transport environment, eSwab™, for use prior to the microbiological analysis phases. Lastly, the two companies plan to collaborate, in particular, to develop innovative clinical microbiological diagnostic solutions.

The WASP® is a truly revolutionary instrument for liquid sample processing for microbiology. The WASP® provides a comprehensive system that encompasses all aspects of automated specimen processing: decapping and capping of sample containers, Gram slide preparation, planting and streaking of environments ready in the dish, enrichment broth inoculation and Kirby-Bauer set-up and disk application for implementing antibiotic susceptibility tests.

Designed to transform the work of laboratory managers and technologists, the WASPLab™ system moves current laboratories to the digital microbiology era through high resolution culture plate images, improving speed, interpretation, reliability and accessibility of results.

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

Launched in 2010, MYLA® is innovative middleware for microbiological use, which provides a consolidated interface and which can optimise laboratory flows and manage information.

MYLA® is based on a Web browser with a single interface for the laboratory's information system, and consolidates data generated by microbial identification and antibiotic susceptibility tests (ID/AST: VITEK®) and blood cultures (BacT/ALERT® 3D and BacT/ALERT® VIRTUO™).

Using a single interface to manage information helps to optimise the care and monitoring of patients in healthcare units. Network connectivity allows users to access MYLA® remotely.

To enhance laboratory efficiency, VILINK™ provides for the remote monitoring and optimisation of bioMérieux diagnostic devices, with the collection of diagnostic data, troubleshooting and application updates.

Enumeration of microorganisms (quality indicators): Tempo®

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

Since then, the Company has developed a complete menu of tests, also called Tempo® cards, which include the following tests:

- Tempo® EC (*Escherichia coli*);
- Tempo® CC (enumeration of coliforms);
- Tempo® TC (total coliforms);
- Tempo® EB *(enterobacteriacae)*;
- Tempo® YM (yeast and mould);
- Tempo® STA *(staphylococcus)*;
- Tempo® LAB (lactic bacteria);
- Tempo® AC (bacterial flora);
- Tempo® TVC (total aerobic flora);
- Tempo® BC (*Bacillus cereus*).

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

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

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

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

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

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

The bioMérieux AES offering includes the Labguard® system for the monitoring of temperatures and environmental parameters in laboratories and production premises.

Automated and intelligent incubator: EviSight™ Compact

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

EviSight™ Compact is being gradually distributed throughout the whole world, starting with France, then the United Kingdom, Germany, Austria, Switzerland, Italy, Benelux, the United States, Canada and India.

Rapid microbiology instruments using cytometry

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

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

The range includes the instruments ScanRDI® and D-Count®:

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

1.2.3.2 Immunoassays

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

The VIDAS® product line

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

Launched in 1991, VIDAS® has been very successful. It is recognised for its quality and reliability. In a study of automated immunoassay analysers, the College of American Pathologists(1) concluded that VIDAS® has the world's largest installed base in immunoassay laboratories. As of December 31, 2016, approximately 34,500 VIDAS®, mini VIDAS® and VIDAS® 3 systems had been installed, including 29,500 in clinical laboratories.

The new generation VIDAS® 3 has extended the range and added important new functions, notably greater automation and heightened traceability. VIDAS® 3 can carry out up to 36 tests per hour and uses the same reagents as the other VIDAS® instruments. VIDAS® 3 was CE-marked in 2013. It obtained China SFDA approval in the first half of 2014 and FDA clearance in the summer of 2015.

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

The Company positions VIDAS® on emerging markets and high medical value tests. The VIDAS® menu includes eight high medical value tests:

- the VIDAS® B•R•A•H•M•S PCT™ test to measure procalcitonin (PCT), a biological marker recognised as the leading test for the early detection of sepsis among seriously ill patients. The test helps doctors to make an early determination of whether an infection is bacterial or viral and provides information on the severity of a patient's condition in order to determine the appropriate treatment. CE-marked and approved by the FDA in 2007, VIDAS® B•R•A•H•M•S PCT™ has become bioMérieux's best-selling parameter with sales of about €170 million in 2016. During 2016, the intensification of competition was confirmed in the United States (see section 2.1.3), and bioMérieux obtained FDA clearance for the repeated dosage of procalcitonine for four days after the initial diagnosis of sepsis. The Company is continuing its developments to obtain the necessary authorisations to expand its claims (see section 5.6.1.2), and intends to continue to enhance its VIDAS® tests menu, which has great medical value for emergency applications such as markers for traumatic brain injuries, for which it obtained the development and marketing rights from Banyan Biomarkers in January 2017;
- the VIDAS® D-Dimer Exclusion™ tests to exclude the diagnosis of deep vein thrombosis and pulmonary embolism. A new, more rapid version obtained FDA approval in 2012;
- the VIDAS® Troponin I Ultra test was replaced in late 2015 by the VIDAS® High Sensitive Troponin I test, which complies with international cardiology recommendations as an aid in the diagnosis of Myocardial Infarction (MI) and as an aid to the risk stratification of patients with symptoms suggestive of Acute Coronary Syndrome (ACS);
- the VIDAS® NT-proBNP test to measure NT-proBNP, a quantitative marker of cardiac function. It provides objective information that proves useful in the differential diagnosis of heart failure (respiratory diseases or pulmonary embolism, for example). In 2013, the Company developed a second generation VIDAS® NT-proBNP II test;
- the VIDAS® Galectin-3 test for the monitoring of chronic heart failure;
- the VIDAS® EBV test launched in 2009 and designed to detect the Epstein-Barr Virus (EBV), responsible for 80% of cases of Infectious Mononucleosis (IM);
- the VIDAS® *C. difficile* GDH test for the automated detection of GDH, a specific enzyme produced by *C. difficile*. It is the only FDA-cleared automated immunoassay test for GDH detection;
- VIDAS® AMH(2) was launched in mid-2016. Anti-Müllerian hormone (AMH) testing assesses the ovarian follicle reserve in women represents a significant advance in the treatment of female infertility. In addition, AMH can play a role in the diagnosis of ovarian dysfunction (caused for example by polycystic ovary syndrome). This new test enhances the existing range of VIDAS® women's health solutions which is reconized by customers.

In industrial applications, the VIDAS® menu offers 16 tests for the detection of pathogenic agents. It includes reagents based on recombinant phage protein technology developed by Hyglos GmbH and acquired by bioMérieux

(1) College of American Pathologists: automated immunoassay analyzers (June 2009).
(2) Information on the availability of the product: www.biomerieux-diagnostics.com/vidas-amh-countries-list.

in 2016, such as the reagent VIDAS® UP, for the detection of *Escherichia coli* O157 (including H7), the bacteria responsible for numerous cases of food poisoning and which can in some cases lead to death, VIDAS® SPT for detecting *Salmonella* in food, and VIDAS® UP *Listeria* for detecting the *Listeria* bacteria, which commonly causes infections originating from food.

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

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

Rapid tests

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

These lines include tests such as:

- bioNexia® Strep A, a CE-marked test that helps diagnose group A *Streptococcus*, the bacteria responsible for illnesses such as tonsillitis and pharyngitis. bioNexia® Strep A rapid tests allow clinicians to detect the presence or absence of the bacteria in five minutes and therefore prescribe antibiotics only when necessary, minimising the spread of infection, the risks of complications and the over-prescription of antibiotics;
- VIKIA® HIV-1/2 assay for the detection of HIV 1 and 2 antibodies in the case of HIV infections, which was pre-qualified by the WHO. Prequalification guarantees users that VIKIA® HIV-1/2 complies with effective public health standards, notably in limited resource settings, and gives the rapid test access to the international tender market.

bioMérieux supplements its current line of 12 rapid tests with 2 new parameters marketed in 2016. These tests help with the treatment of patients suffering from viral gastroenteritis. The rapid identification of viral gastroenteritis is essential to avoid the needless prescription of antibiotics and the implementation of infection-control measures in order to limit epidemics:

- bioNexia® Rota-Adeno, which is available in Europe, can detect and differentiate the Rotavirus and Adenovirus antigens from stool samples in 10 minutes;
- bioMérieux obtained CE marking for bioNexia® Noro/Rota-Adeno. This rapid test can detect and differentiate the Norovirus, Rotavirus and Adenovirus antigens from stool samples in 10 minutes.

1.2.3.3 Molecular biology

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

Molecular biology laboratory automation and extraction range offering

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

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

eMAG® builds on the quality, robustness and ease of use that have made the NucliSENS® easyMAG® platform so successful. The new eMAG® features automation from the primary sample tube, greater traceability and higher throughput, in addition to an unparalleled degree of flexibility, not previously available on an automated system for the extraction of nucleic acids. Extraction is the first step of molecular biology testing, making it possible to obtain purified nucleic acids that will subsequently be amplified and detected. The efficiency of the extraction of nucleic acids from a sample therefore has a decisive impact on the quality of a diagnostic test's final result.

The new eMAG® system may be used with a broad variety of biological samples: whole blood, plasma, serum, stool, respiratory samples and cerebrospinal fluid. With the new eMAG® system, it is possible to obtain excellent quality purified nucleic acids using a standardized extraction protocol. eMAG® can extract 48 samples in 90 minutes directly from a primary sample, and handles all sample types in a single series. The enhanced flexibility and traceability of this automated, high throughput platform allow laboratories to monitor patients as soon as this becomes necessary, regardless of the sample type. eMAG® is CE-marked and commercially available in Europe and in the United States. A program to gradually launch the system in other countries will be rolled out in 2017.

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

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

In 2015, a new version of the NucliSENtral® middleware was launched. This contributes to optimising workflows within molecular biology laboratories using ARGENE® tests and the automated sample preparation systems (easyMAG®, eMAG® and eSTREAM™) from the Company.

The ARGENE product line®

The tests offered by the ARGENE® range are used to screen and monitor immunocompromised patients on transplant waiting lists. They use PCR technology to detect cytomegalovirus, Epstein Barr Virus, adenovirus, enterovirus, infectious respiratory pathogens and the herpes virus.

The product line is regularly enhanced. In 2015, the Company launched the ARGENE® MERS-HCoV r-gene® test, a new RUO ("Research Use Only") kit intended for laboratories working on preparing a tool for the diagnosis of the emerging coronavirus MERS CoV, responsible for the Middle East Respiratory Syndrome. This molecular solution can detect and screen for this pathogen, which has a mortality rate of 36% in humans.

Syndromic diagnosis of infectious diseases: FilmArray®

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

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

FilmArray®, with its fully integrated technology, is the market leader for multiplex molecular biology tests, providing results in one hour for the clinical diagnosis of infectious diseases.

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

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

The FilmArray® line includes several platforms:

- FilmArray® 2.0: this compact, higher throughput instrument can process up to 176 samples per day. The solution accommodates up to 8 FilmArray® 2.0 units operated by a single computer and is capable of connecting to Laboratory Information Systems;
- FilmArray® Torch: this very compact, high-throughput system is modular and scalable by design. The 2-module base configured FilmArray® Torch is capable of testing up to 44 patient samples per day, while the 12-module, fully configured FilmArray® Torch is capable of testing up to 264 patient samples per day. In 2016, FilmArray® received the Medical Biology Trophy, the Jury Prize at the "Journées Internationales de Biologie", which confirms the technological breathrough provided by this system.
- FilmArray® EZ: this configuration, based on a single FilmArray® 2.0 system, offers a simplified user interface and provides reports that facilitate reading the results. It received 510(k) accreditation and CLIA (Clinical Laboratory Improvement Amendments) waiver from the FDA, which permits use of the test outside traditional clinical laboratories in sites such as physician offices and urgent care centers. This new offer is available to the American market only for the use of the RP EZ panel.

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

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

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

1.2.3.4 Companion diagnostics

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

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

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

bioMérieux and GlaxoSmithKline (GSK) worked together under the terms of a partnership agreement to develop a THxID™-BRAF molecular biology test intended for the qualitative and simultaneous detection of BRAF mutations in late stage metastatic melanoma patient samples. In 2013, the tool received pre-market approval from the FDA for commercialisation in the United States. In March 2015, GSK transferred its oncology portfolio to Novartis and bioMérieux pursued the partnership agreement with Novartis. The therapy and the associated THxID™-BRAF test were approved by the FDA in November 2015, and in 2016 by the Japanese authorities.

Also, the agreement signed with Novartis in 2014 relative to the use of this same bioMérieux test THxID™-BRAF as a companion test to 2 other targeted therapies in the process of development and intended for the treatment of melanoma, was transferred to Array BioPharma, which acquired the rights relative to these two therapies.

In 2013, bioMérieux signed an exclusive agreement with Gilead Sciences Inc., a biopharmaceutical company focusing on innovative therapeutics for unmet medical needs, to co-develop an assay that may be a potential companion diagnostic of a Gilead drug candidate, currently under development.

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

- Etest® is used during the clinical development of anti-infectives. It is then the first method used to determine antibiotic susceptibility during the launch of a new molecule, facilitating its rapid adoption and prescription by clinicians to improve patient care;

(1) Source HAS: Haute Autorité de Santé.

- The new anti-infective agent can then be incorporated into the VITEK® 2 cards to automate the determination of the Minimum Inhibitory Concentration (MIC). Automating the process in this way allows the molecule to be adopted and prescribed a few years after its launch.

1.2.3.5 Services and solutions

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

Services for laboratory organisation

bioMérieux is a pioneer in adapting LeanSigma® methods to microbiology laboratories' specific needs. It offers consultancy services to identify and recommend ways to improve organisational structure and processes, with a view to:

- reducing waste;
- enhancing efficiency and the optimal use of existing resources;
- cutting costs and optimising quality;
- re-focusing staff on high value-added tasks;
- efficient change management, with the ultimate aim of obtaining the commitment, satisfaction and motivation of staff in laboratories.

This offer enables customers to try out a tangible transformation in the areas that they choose to improve.

Training and education

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

At the end of 2016, the e-learning range was composed of 12 modules (each including training and evaluation) and covers all of bioMérieux's main lines, notably VITEK®, BacT/ALERT® and VIDAS®.

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

Quality and compliance (accreditation assistance)

In order to support laboratories in the quality and accreditation process, bioMérieux offers method evaluation solutions to validate its products for routine use, in view of obtaining laboratory accreditation. With the same aim in mind, the Company continues to extend Labguard® – its environment surveillance solution for monitoring temperatures and environmental parameters in the laboratory – to new regions.

Software solutions to interpret complex biological data

Building on more than 20 years of expertise, Applied Maths – acquired by bioMérieux in late December 2015 – develops and commercialises BioNumerics universal software for microbiology applications, including in bacteriology, virology and mycology. The highly reliable BioNumerics software platform offers excellent connectivity and the ability to manage large amounts of information from various sources: information on phenotypes, molecular PCR, genetic sequences, spectrometric profiles, genome mapping, metadata, etc. Applied Maths serves more than 2,000 customers worldwide, especially in Europe and the United States. Its solutions are used by leading public health organisations, academic research institutions, industrial groups and hospitals (see section 1.1.2).

Streamlining the commercial offering

bioMérieux performs a continuous process of evaluation of its portfolio aiming to rationalise its commercial offering, notably with, at the end of 2015, the discontinuation of the microplates immunoassays activity and, in 2016, the discontinuation of the Allergie VIDAS® line.

1.3 bioMérieux's strategy

1.3.1 Key strengths

The Group's principal strengths are:

- a family majority shareholder, whose scientific, industrial and commercial vision has translated into continuous sales growth and consistently satisfactory results, while successfully positioning the Company in the technologies of the future;
- a high level of expertise in the diagnosis of infectious diseases, based on over 50 years of experience in biology, which is also relevant for new areas such as industrial applications and cardiac diseases;
- a broad and balanced geographic footprint supported by a global distribution network that maximises marketing opportunities for its products and a longstanding presence in emerging countries, enabling the Group to seize market growth opportunities;
- around 60% of its sales generated in two sectors where (based on its knowledge of the market) it holds the leading position: clinical microbiology and industrial applications;

  - a world-leading position in clinical microbiology, an extremely broad product range that can fulfil the needs of any size microbiology laboratory, one of the most complete collections of bacteria in existence, and unique expertise in bacteria and bacterial resistance mechanisms;
  - a highly-respected pioneering and leading position in industrial applications, where the Company has the widest product range, and strong market positions;
- an enhanced molecular biology portfolio, including the unique FilmArray® system for a syndromic approach to the diagnosis of infectious diseases (upper respiratory tract infections, sepsis, gastrointestinal infections, meningitis and encephalitis), and the ARGENE® range of virology tests for immunocompromised patients;
- an installed base of approximately 86,900 instruments, primarily composed of closed systems, which only use reagents developed specifically for these instruments and sold by bioMérieux; this installed base requires a services activities organisation which groups a team of maintenance engineers and application engineers, who intervene on the ground or remotely;
- an innovation drive behind the medical value of diagnostics and laboratory organisation, backed by heavy investment in R&D which, based on a percentage of Group sales, is greater than that of its competitors. This drive leads to the regular release of new and innovative products and, combined with an efficient system to track new technologies, facilitates the identification and selection of the most promising advances, particularly in the area of diagnosis of infectious diseases;
- a genuine capacity to make targeted acquisitions and establish strategic partnerships and expertise in integrating acquired companies and forming commercial and operational synergies.

1.3.2 Strategy and priority policies

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

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

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

- to consolidate its leadership in clinical and industrial microbiology. It is therefore continuing to innovate in these two areas. In order to meet market expectations, bioMérieux is rounding out its current ranges with new automation solutions;
- grow its molecular biology business: with the FilmArray® system, it aims to become the major player in the syndromic approach to infectious diseases and to pursue the development of its comprehensive automation solution (eMAG®, eSTREAM™ and Applied Biosystems thermocyclers®);
- optimise its position in immunoassays, where it is a focused player. It intends to leverage its VIDAS® franchise, using the launch of the most recent generation VIDAS® 3 platform, the marketing of new parameters, its expertise in high medical value parameters, and the success of VIDAS® in emerging countries. The strategic agreements concluded in this field should also enable it to strengthen its position as a speciality player in immunoassays.

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

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

It has defined a strategic roadmap with the following priorities:

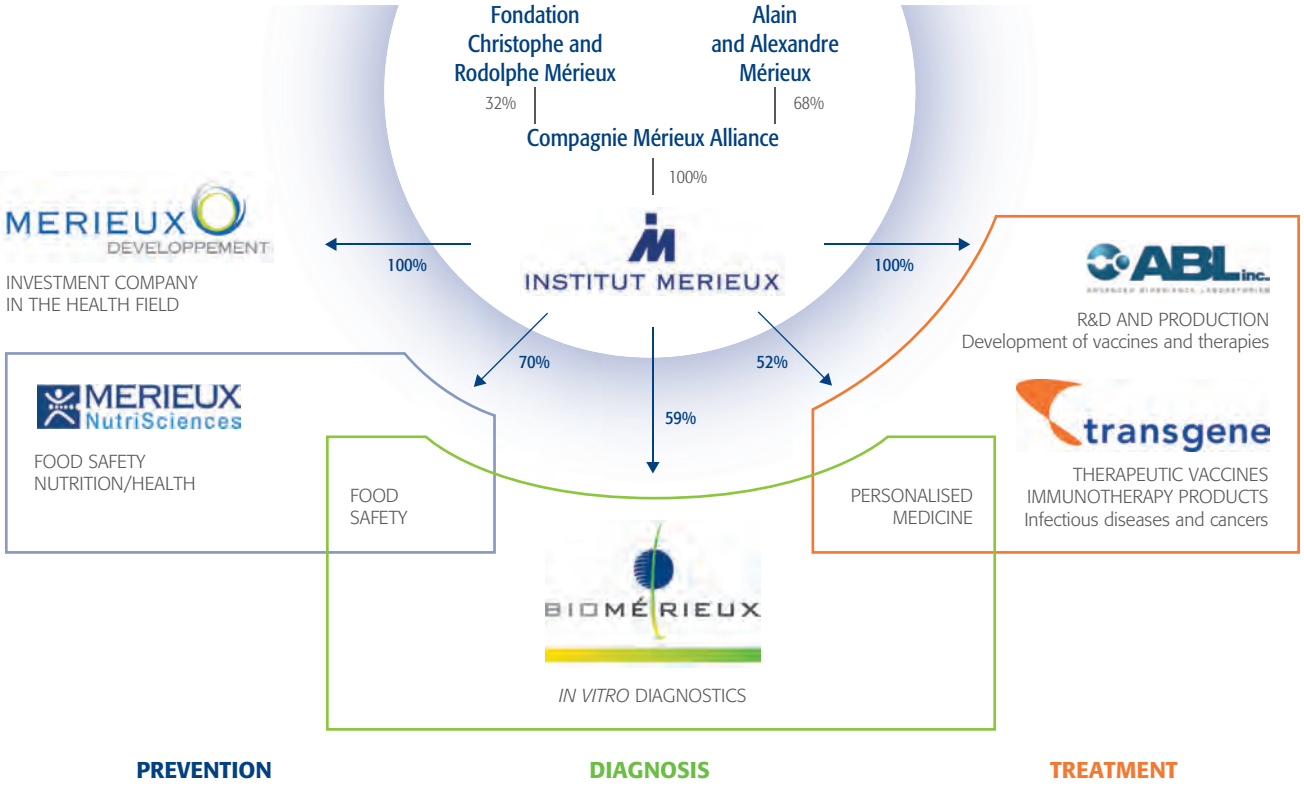
- driving growth in its key markets: bioMérieux wants to consolidate its leadership positions in clinical and industrial microbiology and strengthen its franchises in high medical value tests and in molecular biology extraction;
- anchoring its growth even more solidly in the launch of innovative solutions: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

1.4 Organisational structure

1.4.1 Organisational structure of the Institut Mérieux Group

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

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



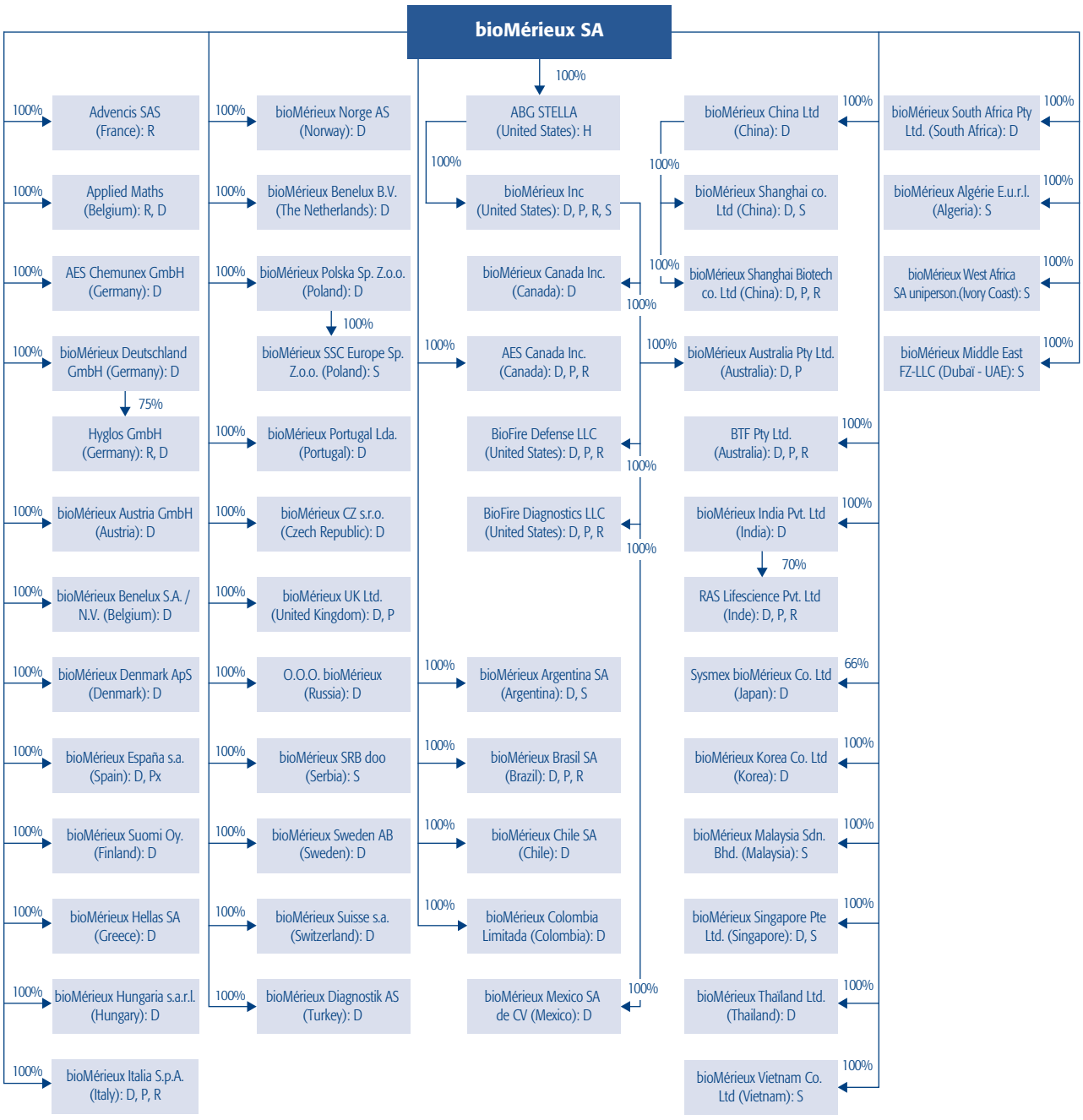
Ownership interests are rounded up to the nearest whole percentage.

1.4.2 Subsidiaries, branches and equity investments

1.4.2.1 Legal organisational structure of the bioMérieux Group at December 31, 2016

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

Also, Note 3.3.3 in section 6.2.2 gives the list of subsidiaries.



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

1.4.2.2 Other information concerning subsidiaries and acquisitions of equity interests

Acquisitions of equity interests during 2016

In 2016, bioMérieux Deutschland acquired 75.1% of the Hyglos company, including 3.6% from Institut Mérieux (See Note 1.1.1. of section 6.2.1).

Since January 2016, bioMérieux SA, through its subsidiary ABG Stella Acquisition Inc., holds less than 17% of bioTheranostics' capital (See Note 1.3.1. of section 6.1.2).

On March 31, 2016, bioMérieux SA sold all of its shares in Adiagène to its partner FINALAB (See Note 1.1.3. of section 6.1.2).

On December 9, 2016, bioMérieux SA sold all of its shares in the company, Shanghai bioMérieux bio-engineering, to its partner KEHUA (See Note 1.1.4 of section 6.1.2)

New subsidiaries

bioMérieux did not create any subsidiaries in 2016.

Branches and representative offices

bioMérieux does not hold any subsidiaries directly. In 2016, it opened a representative office in the Philippines, adding to those in Egypt and Saudi Arabia.

Equity investments

Note 3.3.3 in section 6.2.2 and Note 32 in section 6.1.2 give the list of equity investments.

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

1.5 Quality systems and applicable regulations

1.5.1 Quality management systems

The Global Quality Department created in 2014 implements a robust quality management system while remaining fully independent of operations.

The Company is particularly attentive to compliance with quality standards and regulatory questions, and has set up, within the Global Quality Department, a Global Quality System and Regulatory Compliance Department, as described in section 4.2.2.3. It is assisted by a Quality Assurance Department involved in all phases of product development and at each stage of production, distribution and marketing.

The distribution subsidiaries are mostly certified ISO 9001.

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

1.5.2 Regulatory requirements

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

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

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

1.5.2.1 Clinical *in vitro* diagnostics

Clinical *in vitro* diagnostics are subject to national or international regulations. Countries fall into one of two categories: countries with their own regulatory regimes or that use other countries' existing regimes, and countries without specific regulatory regimes.

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

Regulations applicable in the main countries

European Union

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

Based on the risk level and the alternative options offered under the regulation, a manufacturer chooses the appropriate procedure to follow. Currently, about

95% of the Group's products are marketed under the sole manufacturer's responsibility following self-evaluation to determine whether they are compliant (CE marking). As a result, there is no regulatory certification period following this declaration.

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

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

In accordance with this procedure, the Regulatory Affairs Department prepares a technical dossier prior to the launch of any new product including all information necessary to determine whether the product meets the requirements set forth in the regulations. The dossier is then submitted for approval to one of the Group's Regulatory Affairs managers. The marketing committee verifies that the approved technical dossier is available.

A revision of this directive is currently being prepared (see section 2.1.12); effective in 2021, the new regulations aim to strengthen the supervision of putting *in vitro* diagnostic tests onto the market: they will reduce self-declaration of products and enable more checks by the health authorities before and after bringing products to market. The new regulations, which should be published in the first half of 2017, are applicable without national transposition and give companies in the sector a notice period of five years to apply them. The new directive co-exists with the current directive during the transition period.

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

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

United States

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

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

Japan

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

China

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

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

A growing number of countries have their own procedures for releasing *in vitro* diagnostics products on the market. Some countries accept gradual compliance for products already available for sale, while others require full and immediate compliance with their new market launch procedures.

Monitoring systems and audits

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

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

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

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

In 2016, the Craponne site was re-inspected by the ANSM following the letter of injunction received in 2014. This inspection led to the injunction being lifted in July 2016.

In September 2015, the monitoring procedures were inspected by the ANSM on the Marcy l'Etoile site. In February 2016, the final report from the ANSM stated that bioMérieux had provided "satisfactory" or "acceptable" responses to the inspectors' questions and demonstrated its ability to manage its operations in compliance with applicable regulations.

The FDA organises regular inspections at the Group's manufacturing sites, notably:

- Durham site (United States): in December 2015, the FDA carried out a new inspection and examined the actions that bioMérieux had pledged to implement. The FDA referenced no observations or concerns regarding corrective actions related to bioMérieux's previous 483 and warning letter commitments and determined that there were no repeat observations as regards the 2012 letter. Following the inspection, the FDA issued new observations, to which bioMérieux provided a timely response;
- Salt Lake City sites (United States): the FDA inspected the BioFire Diagnostics and BioFire Defense sites in March 2016 and made no comments.

1.5.2.2 Industrial microbiological control

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

1.5.3 Management and monitoring of customer complaints

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

1.5.3.1 Complaint processing

Complaints are processed on three levels:

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

1.5.3.2 Quality management in the regions

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

1.5.3.3 Global Quality System and Regulatory Compliance

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

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

1.6 Research & development, patents and licenses

1.6.1 Research & Development

1.6.1.1 Investment policy

The Group's R&D expenses, which amounted to €272 million or 12.9% of sales in 2016 (compared with €239 million in 2015 and €206 million in 2014), focus on technologies that are developed internally or in partnership with other companies or academic research institutes, or under licenses acquired by the Company.

Research and development activities have two key aims: to enhance laboratory efficiency and to improve the medical value of diagnostic tests.

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

1.6.1.2 Corporate structure

R&D activities are organised as follows:

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

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

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

Research and development activities are supported by nearly 1,500 employees at 20 R&D centres.

The Group's policy is to locate R&D activity in the area where the related product line is (or will be) manufactured whenever this is possible. The following table breaks down the Group's R&D activities at December 31, 2016, by geographical area:

Site	Reagents	Systems	Informatics
St Louis (Missouri, United States)	Automated microbiology (VITEK®)	Microbiology (VITEK®, BacT/ALERT®, VITEK® MS, BacT/ALERT® VIRTUO™)	Bio-informatics Microbiology
Durham (North Carolina, United States)	Microbiology (blood culture) BacT/ALERT®		
Salt Lake City (Utah, United States) – site of BioFire Diagnostics	Molecular biology (FilmArray®)	Molecular biology (FilmArray®)	
Salt Lake City (Utah, United States) – site of BioFire Defense	Molecular biology for the US Department of Defense	Molecular biology for the US Department of Defense and industrial applications	
Marcy l'Etoile (France)	Immunoassays (VIDAS®) Rapid immunoassays Biomarkers	New technologies, laboratory automation	
Craponne, La Balme (France)	Microbiology (culture media), Etest®, Tempo®	New technologies, laboratory automation	Bio-informatics Microbiology
Grenoble and Verniolle (France)	Molecular biology (easyMAG®, FilmArray® and ARGENE ®)	Molecular biology Microsystems	Bio-informatics
Combourg, Kerr Lahn, Ivry (France)	Microbiology (culture media); cytometry reagents	Industrial applications: Laboratory automation/sample preparation Counting Flow cytometry	
Mutzig (France) site of Advencis		Incubator for microbial detection in industrial applications	
Chapelle sur Erdre (France) site of CEERAM*	Molecular virology for food applications		
Laval (Canada)		Molecular biology for industrial applications	
Florence (Italy)		Immunoassays (VIDAS® product line) Industrial microbiology (Tempo®) Molecular biology (NucliSENS easyMAG®)	
Rio de Janeiro (Brazil)	Centre of excellence for tropical diseases		
Shanghai (China)	Rapid immunoassays Tests for cancer detection		
Hyderabad (India)	Molecular biology tests		
Bernried (Germany) site of Hyglos	Detection of endotoxins in pharmaceutical products		
Sint-Martens-Latem (Belgium) Applied Maths site			Bio-informatics

* *CEERAM was taken over by bioMérieux on September 30, 2016. The activities were transferred to the Grenoble site.*

Adiagene was sold during 2016; therefore the Saint-Brieuc site which hosted the activities of this company no longer belongs to bioMérieux.

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

1.6.1.3 Clinical applications R&D

Strategy

Innovation has always been a prime focus for bioMérieux, whose R&D programmes aim to:

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

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

Projects

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

In microbiology

- continued development of the new-generation BacT/ALERT® VIRTUO™ blood culture product line and the first entirely-automated system;

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

In immunoassays

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

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

In molecular biology, the main work covers:

- improvement of the FilmArray® platform and the enhancement of its menu by new panels. A number of developments are in progress, including the panel for the diagnosis of lower respiratory tract infections (pneumonia);
- expansion of the ARGENE® test range, particularly for immunocompromised patients;
- the new generation eMAG® extraction system, launched in the second half of 2016;
- menu customisation of RAS Life Sciences Pyt Ltd in order to commercialise a menu of molecular biology tests, primarily in India, and in emerging countries in the medium term.

Agreements

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

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

The most significant existing agreements on clinical applications are:

- the agreement with Illumina to co-develop a next-generation sequencing (NGS) solution for the epidemiological monitoring of bacterial infections;
- the global agreement with Astute Medical to develop and market the VIDAS® NephroCheck® Test, an assay to assess the risk of developing Acute Kidney Injury (AKI);
- the worldwide agreement signed with Banyan Biomarkers to develop and market markers for traumatic brain injuries on the VIDAS® platform (see section 5.6.1.1);
- the contract awarded to BioFire Defense by the US Department of Defense (DoD) for the technological development of the Next Generation Diagnostics System (NGDS).

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

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

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

bioMérieux has also, since 2006, been involved in the ADNA programme, coordinated by Institut Mérieux. This programme ended in December 2016.

bioMérieux is also a partner in the diagnostics and technology platforms of BIOASTER, a technological research institute focused on infectious diseases which was certified by the French government in June 2011 and which became operational in 2013. In 2016, bioMérieux announced its participation in the REALISM research programme (REAnimation Low Immune Status Markers) in partnership with the Ecole Supérieure de Physique et de Chimie Industrielle de la ville de Paris (ESPCI), GSK, les Hospices Civils de Lyon (HCL) and Sanofi. Carried out within BIOASTER and the joint HCL-bioMérieux research laboratory, this project is intended to identify and validate new biomarkers to improve the treatment of patients with a high risk of sepsis.

1.6.1.4 Industrial applications R&D

Strategy

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

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

The unit provides solutions for:

- the food and water industry;
- the biopharmaceutical industry;
- the cosmetics industry;
- Veterinary diagnostic laboratories.

Projects

In the food industry

- continuation of the development of the GENE-UP® molecular biology platform and associated reagents;
- development of new tests for the VIDAS® and microbiology product lines.

In the cosmetics industry

- development of Tempo® Challenge Tests reagents on the Tempo® platform.

In the biopharmaceutical industry

- development of tests to detect endotoxins following the acquisition of Hyglos GmbH;
- development of EviSight™ Compact equipment for the incubation and detection of bacteria colonies, based on technology developed by Advencis;
- development of new culture media and sterility tests.

In the veterinary industry

- development of new test cards for the VITEK® 2 Vet platform;
- development of new VIDAS® tests for fertility analysis.

For clinical and industrial applications

- development of new MASTERCLAVE® culture media preparators.

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

1.6.2.1 Intellectual property

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

Proprietary patents

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

Manufacturing know-how, installed bases of closed systems and the number of menu parameters developed during the patent protection period generally mean that firms in this sector are less exposed when patents expire than pharmaceutical companies that have to deal with the arrival of generic drugs on the market.

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

The Company continues to deploy its intellectual property policy. It actively protects its research findings *via* patents (between 30 and 40 new patent applications per year) and monitors its competitors for any infringements of its patents. At December 31, 2016, the Group owned 529 patent families, the majority of which are in force in Europe, the United States, and China. At the same date, the Group held 351 patents granted in the United States and 224 patents granted in Europe.

Patent policy consists of filing a priority application (generally in France or in the United States) and applying for an extension within one year under the patent cooperation treaty (PCT) which has a single procedure for filing a patent in the 151 countries that are party to the treaty (at December 31, 2016). The final choice of countries for patent extension is made at the end of the PCT procedure, *i.e.*, about 30 months after the initial filing. As a general rule, patents are extended in countries representing the biggest markets, namely the United States, Europe (France, Germany, England, Italy and Spain in particular), Japan and China.

Licences granted by third parties

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

Licenses granted by the Company

The Company has granted the following licenses to third parties:

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

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

Trademarks

The Company owns the "bioMérieux" institutional trademark, which is registered in most countries both as a word trademark and as a word and device trademark. The use of the name "Mérieux" is controlled by Institut Mérieux for all of the entities within its control and it has granted the Company the right to use the bioMérieux name for the purpose of carrying out its businesses.

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

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

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

The portfolio includes 244 trademark families and these have been registered in most countries.

Domain names

The Company owns more than 237 recorded domain names, including those consisting of the name "bioMérieux" and over 90 different extensions.

1.6.2.2 Dependence on patents, licenses and other factors

Dependence on patents and licenses

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

- PCT license granted by Thermo Fisher along with the supply of raw materials, to develop and sell VIDAS® tests for the screening of procalcitonin as a marker of severe bacterial infections (renewed in October 2012 for the duration of all B•R•A•H•M•S PCT patents);
- NT-proBNP license granted by Roche Diagnostics to develop and market VIDAS® tests for the detection of NT-proBNP, a marker of congestive heart failure and acute coronary syndrome (patents covering raw materials expiring in 2024);
- license granted by Spectral to develop and market the VIDAS® Troponin I Ultra tests, in particular (patents expire in 2018);
- license granted by Sigris to market the easyMAG® product line (license expires end-2016);
- molecular marker license granted by PHRI Properties, Inc. to develop and sell the ADIAFOOD® product line in particular (patents expire in 2024 at the latest);
- PCR technology licenses granted by F. Hoffmann-La Roche Ltd. and Roche Molecular Systems, Inc. to develop and sell the ARGENE® test products (patents covering the technology currently in use or being developed, expiring in 2017 at the latest);
- PCR technology licenses granted by the University of Utah Research Foundation to develop and sell products in the FilmArray® line (patents expire in 2025 at the latest);
- licenses concerning technologies implemented as part of tests sold exclusively to the US government (BioFire Defense).

The Company also receives income from its patent portfolio (see sections 1.6.2.1 and 5.2.2.1).

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

1.7 Property, plant and equipment

1.7.1 Real estate

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

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

1.7.2 Production

Manufacturing processes play a critical role in the *in vitro* diagnostics industry due to constraints related to the nature of the products. At end-2016, the Group operated 19 manufacturing sites organised by product line.

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

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

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

1.7.2.1 Europe – Middle East – Africa

France

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

Located near Lyon, the Marcy l'Etoile site has housed the Group's headquarters since the beginning. The property, fully owned by the Company (and acquired through property leasing for the Campus de l'Etoile), covers a total area of 187,000 sq.m (including 53,000 sq.m of built usable floor space) and accommodates reagent manufacturing sites (VIDAS® reagents, immunoassays, clinical biochemistry) and R&D teams. Approximately 1,500 employees work in General Management, central and support functions, training, manufacturing and R&D.

- **Craponne site**

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

A project to expand this site is in progress.

- **La Balme site**

Located between Grenoble and Lyon, the La Balme site covers an area of 119,000 sq.m, of which the Company fully owns 19,000 sq.m of built usable floor space. The site employs over 400 people in R&D in microbiology, instruments and software and in the manufacture of API®, ATB™, Tempo® and Etest® reagent lines.

- **Grenoble site**

Some of the Group's research and manufacturing operations in the molecular biology field (excluding instrument production) are located at this fully owned site. The buildings, constructed on a plot of land of more than 31,500 sq.m, located in the Grenoble Polygone Scientifique research district opposite the headquarters of the French Atomic Energy Commission ("CEA"), consist of 9,300 sq.m of usable floor space. The site currently employs about 200 people.

- **Combourg site**

Located in Brittany, the Combourg site covers a total area of 43,000 sq.m (including 12,000 sq.m of built usable floor space). The site specialises in food applications and includes reagent manufacturing sites (culture media and cytometry reagents), control laboratories, equipment manufacturing (laboratory automation systems and cytometry), the culture media R&D laboratory, the supply chain and support functions (IS, reagent hotline). About 200 people work at the site.

- **Verniolle site**

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

- **Site at La Chapelle-sur-Erdre (formerly CEERAM)** (1)

This leased facility is located near Nantes and is dedicated to R&D and the production of molecular virology reagents for food and environmental applications.

Adiagene was sold during 2016; therefore the Saint-Brieuc site which hosted the activities of this company no longer belongs to bioMérieux.

(1) Company taken over by bioMérieux SA on September 30, 2016.

Western Europe

- **Florence site (Italy)**

This site, which is fully owned, groups all of bioMérieux's activities in Italy. bioMérieux Italy employs about 250 people, whose duties include the marketing of bioMérieux's products in Italy and the development and manufacture of VIDAS® (immunoassay), NucliSENS® easyMAG® (molecular biology), Tempo® and GENE-UP® instruments as from 2016 (industry) for all bioMérieux subsidiaries. This makes the Florence site the Group's second largest instrumentation centre. It covers an area of 10,000 sq.m, including 7,000 sq.m of built usable floor space on several levels.

- **Madrid site (Spain)**

This fully owned site employs about 100 people in the manufacture of microbiology products (Petri dishes).

1.7.2.2 Americas

North America

- **Durham site**

The Durham facility is located in North Carolina (United States) on 579,000 sq.m of land fully owned by the Company, with 21,000 sq.m of built usable floor space. The Group also leases premises nearby with nearly 10,000 sq.m of floor space. The site is currently home to bioMérieux Inc.'s registered office and employs over 1,100 people in R&D, the manufacture of microbiology reagents (BacT/ALERT®), customer services and support functions.

Since 2014, the Company has been setting up a new blood culture bottle production line, which should come into service in mid-2017.

- **St Louis site**

The fully owned St. Louis site in Missouri (United States) covers an area of 98,000 sq.m, with 46,000 sq.m of built usable floor space. Operations at this site are currently centred on R&D and the manufacture of microbiology instruments (VITEK®, BacT/ALERT® and PREVI™ Isola product lines) and reagents (VITEK® cards). Around 700 people currently work at the site.

- **Lombard site**

Located near Chicago (Illinois, United States), this site houses facilities for the manufacture and sale of culture media for US industrial customers. The 5,850 sq.m site is leased and employs around 100 people.

- **Salt Lake City sites**
  - BioFire Diagnostics has several buildings on the campus of the University of Utah (Utah Research Park), mainly fully owned. Covering a total area of 38,000 sq.m, these sites are dedicated to R&D and the production of the FilmArray® system (instruments and reagents) and house the administrative and marketing functions for BioFire Diagnostics. At end-December 2016, BioFire Diagnostics employed more than 1,000 people.
  - To meet the expectations of BioFire's biodefense customers in the United States, BioFire Defense was created. All of the Defense business' (approximately 200 employees), programmes and equipment have been transferred to a separate, secure facility in Salt Lake City.

Latin America

- **Site at Jacarepagua (Rio) in Brazil**

This site covers an area of 42,000 sq.m including 5,400 sq.m of built usable floor space. It is fully owned and employs about 130 persons. It hosts activities covering the production of reagents, ready-to-use media for microbiology and industrial applications, sales, distribution and R&D. The site also houses other company functions (marketing, administrative, etc.).

1.7.2.3 Asia-Pacific

China

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

The Pudong (Shanghai) site is specialised in the manufacture of rapid culture media tests. It extends over 20,000 sq.m, including 14,300 sq.m of buildings grouping production, the commercial functions and R&D. bioMérieux Shanghai Co. Ltd is also established on this site, which currently employs nearly 280 persons.

Australia

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

India

- **Hyderabad**

This site, a result of bioMérieux's acquisition of a 70% interest in India's RAS Lifesciences Pyt. Ltd, covers about 3,000 sq.m and employs some 30 people in the production of molecular biology tests.

1.7.3 Logistics / Supply Chain

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

The logistics/supply chain function groups the following functions:

- forecast management and demand planning;
- supply and storage of materials and components necessary for production;
- storage, transport and distribution of finished products.

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

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

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

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

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

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

The Company has continued to adapt its supply chain to the concerns of the different regions in which it operates and to revamp its customer service around three main priorities: market segmentation, a regional breakdown in line with the new corporate structure and policy consistency.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2 Risk factors

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

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

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

2.1 Risks relative to the activities

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

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

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

As an example:

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

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

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

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

As an example:

- the launch of new products may require more operational or capital expenditure than anticipated by the Company on R&D, production, marketing, sales force and commercial support, instrument placement and maintenance, medical education and customer training;
- the products may be accepted by laboratories and the medical community after a longer period than expected, delaying the positive impact on the Company's sales growth and profitability;
- it may be too costly or too difficult to manufacture certain new instruments or reagents on a large scale or to obtain the supplies necessary for their manufacture and marketing;
- the products and systems developed by the Company could be faulty and this could delay their marketing, affect their commercial success or give rise to additional expenses for the Company in order to remedy the faults and/or compensate customers.

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

Risk management: the Company pays particular attention to the selection, progress and cost monitoring of its R&D projects. The R&D activities are organised around teams dedicated to clinical, industrial, molecular biology and data analytics projects.

The Board of Directors created the Innovation and Technological Breakthroughs Committee in 2015. The role of this committee is to anticipate the emergence of revolutionary technologies and assess the associated risks and their impacts for the Company. This committee also drives analyses of changes in the Company's technological, medical and market environment and the measures that could be taken by bioMérieux to address such changes. The Portfolio and Strategic Planning Department ensures that the overall strategy is aligned with the project portfolio and helps define R&D projects together with the Units. The Company also has an Innovation Department headed by the Chief Innovation Officer and assisted by the Chief Medical Officer in order to develop its portfolio of biotechnologies by fully leveraging their medical added value.

2.1.2 Risks related to the emergence of rival technologies

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

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

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

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

Risk management: the Company has a Technological Watch Department that tracks emerging technologies and anticipates their potential and speed of take-up by laboratories. It has an Innovation Department whose role is to identify new technologies and assess the most relevant from a technical, strategic, medical and commercial point of view. It has set up a "Data Analytics" Department, the aim of which is to provide customers and patients with innovative solutions based on the collection, processing and interpretation of data. Its business is rounded out by acquisitions *e.g.*, acquisition in 2015 of Applied Maths which has a specialised bioinformatics tool for microbiology rolled out to a wide customer base and by an enhanced service offering, in particular with bioMérieux Performance Solutions™. In sequencing, the Company signed an agreement with Illumina in 2014, leading to the marketing and sale of bioMérieux EpiSeq™ which offers solutions for epidemiology and for managing healthcare-associated infections. The collaboration is a first step that could enable bioMérieux to identify opportunities and fields of application that sequencing can bring to infectious disease diagnostics. In 2015, the Board of Directors created the Innovation and Technological Breakthroughs Committee which looks to anticipate the emergence of revolutionary technologies and assess the associated risks and their impacts for the Company. It also analyses the Company's strategies and seeks to promote new technologies.

2.1.3 Risks related to competition

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

According to its estimates, the Company ranks 8th in terms of sales on the global *in vitro* diagnostic market. This market is rapidly evolving and competition is intensifying among the different players, particularly in certain markets, such as POCT, where the Company does not yet have a large market share.

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

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

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

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

Moreover, the Company's business depends on certain products whose growth could be impacted by the development of rival offers. In particular, the VIDAS® B•R•A•H•M•S PCT™ test (see section 1.2.3.2) is bioMérieux's best-selling parameter, with strongly-growing sales reaching €169 million in 2016. As expected, competitor companies have recently obtained their authorisation to bring equivalent tests to the American market. At the same time, the Company is working to extend the diagnostic indications of this marker and to enhance its menu of VIDAS® tests, which have high medical value for emergency applications.

Risk management: the Company has a team dedicated to monitoring the competition, an Innovation Department and a Board of Directors' Committee in charge of Innovation and Technological Breakthroughs. Its Clinical unit, with the assistance of the Chief Medical Officer, develops clinical trials to extend the scope of its tests to other applications. Lastly, it has a Business Development Department in contact with companies in the sector who may hold innovative technologies enabling the Company to enhance its product line, notably through licence agreements.

2.1.4 Risks related to international business

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

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

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

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

As an example:

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

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

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

2.1.5 Risks related to prices and reimbursements

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

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

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

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

In the United States, healthcare reform under the Patient Protection and Affordable Care Act has had a significant impact on the US healthcare market: this reform helps provide health cover for more people; however, healthcare reimbursements are decreasing. These factors are leading the healthcare system to identify areas where it can improve efficiency and reduce costs. The impact on the Company is limited, representing both opportunities for sales of more

automated systems and the risk of downward pressure on prices. Also, the results of the 2016 American presidential election could lead to the review of the Affordable Care Act, with consequences that are still difficult to evaluate. The Company's clinical products that are sold in the US are liable for the Medical Device Excise Tax. This tax will not be levied in 2016 and 2017 pursuant to the December 2015 moratorium.

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

2.1.6 Risks related to changes in the economic environment

2.1.6.1 Economic environment

The Company's business may be affected by a deterioration in the global economic environment and/or more moderate growth than expected in the *in vitro* diagnostic market. For example, some emerging economies have become strained, their local currencies have depreciated against the euro and their local prices are highly inflated.

Protectionist measures or regulatory barriers may be introduced in these countries, particularly in order to promote the emergence of local competitors.

The Company may be unable to devise an appropriate sales policy and its growth in these countries would be slower than expected. Alternatively, it may have to recognise exchange losses on its reported sales (in euros), which would affect its operating income before non-recurring items, as an often limited proportion of the Group's expenses are in the billing currency for its products and services in these countries.

2.1.6.2 Customer consolidation

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

2.1.6.3 Increasing pressure on prices

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

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

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

Risk management: the Company endeavours to increase its prices every year. It has a diverse range of products, technologies and customers, along with a balanced geographical footprint. Its innovation efforts should enable it to regularly launch new products on the market in order to meet changing market needs. bioMérieux's range of services could be a means of staving off increased pressure on prices.

2.1.7 Risks related to the business development strategy

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

The Company may be unable to:

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

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

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

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

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

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

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

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

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

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

The companies, which often develop products upstream (see Note 3.3.3 in section 6.2.2), tend to be exposed to greater risks than the Company. If they experience difficulties, bioMérieux might have to write down the value of the stocks it holds.

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

2.1.8 Risks related to dependence on partners

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

For example, the Company collaborates with partners for the development of certain products (such as the ultra-sensitive immunoassays system with Quanterix), to manufacture certain products and to market its products in certain territories. In Japan, for example, the Company's products are distributed by a 66% joint venture co-owned by Sysmex, and in China the Company sells its products through distributors. In the United States, the reagents it produces or buys from other Group companies to sell on the market are stocked and sold by a third party.

These partnerships may, in the event of strategic differences between the parties, prove more complex than anticipated and this may delay the associated product launches, put a stop to projects, affect the production or marketing of the Group's products and affect its sales and operating income. Any incident affecting these third parties or cessation of their activity would affect the Company's activity and its operating income.

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

2.1.9 Risk related to dependence on certain employees

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

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

2.1.10 Risks related to dependence on certain suppliers

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

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

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

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

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

procurement solutions. In addition, certain suppliers' quality defects could negatively impact the Group's products, despite all of the Group's efforts to control quality.

Risk management: the Company has set up a Global Purchasing Department and maps the risks associated with its key suppliers. This department looks to secure supplies by maintaining close relationships with strategic suppliers and using as many suppliers as possible, and by endeavouring to enter into long-term agreements and holding buffer inventories. It also looks to involve its suppliers in a sustainable growth strategy.

2.1.11 Risks related to the location of industrial facilities

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

2.1.11.1 "Single-site" process

The Company operates 19 manufacturing sites, each primarily dedicated to a single product line and technology, based on the principle of "one site-one product line". As a result, with the exception of ready-to-use media, key product lines are each manufactured at a single dedicated site that is generally close to the R&D, marketing and customer support teams in charge of these products. Duplicating production of these product lines at other sites would require significant technological, regulatory and financial investment in terms of time spent and resources used.

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

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

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

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

Risk management: a contingency plan is already in place at the main sites, and the Company is working to extend these plans to all of its facilities. This risk is covered by the Company's insurance policy (see section 2.5).

2.1.11.2 Risks related to the transfer of production and logistics activities

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

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

2.1.11.3 Risks related to capital expenditure

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

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

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

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

2.1.12 Risks related to the regulatory environment

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

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

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

The launch of *in vitro* diagnostic solutions is subject to the Company obtaining regulatory clearance. Securing the regulatory clearance or certification needed to market a new product may take several months or, in some countries, one to two years, and requires significant financial resources.

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

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

The costs necessary to bring the products into compliance are recognised as expenses each year and no provisions specific to the RoHS and REACH regulations were recorded in the accounts of the Company on December 31, 2016.

Furthermore, a regulation concerning the unique identification of *in vitro* medical diagnostic devices is gradually coming into force. As the deadlines are reached, the Company is gradually making the changes necessary to fulfil these new regulatory requirements: changes in the labelling of products, developments in the quality management system, synchronisation of product information in the FDA's unique database and improving traceability throughout the supply chain.

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

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

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

Risk management: the Company strives to reduce this risk by rigorously inspecting production output (see section 1.5.2) and by monitoring regulatory compliance through the Quality Management System Department in all countries in which the Group operates (see sections 4.2.2.3 and 1.5.1). In addition, a number of standards or benchmarks (including ISO) are in force within the Group. These are described in section 1.5.1. The Company sets up specific project teams to reach the level of compliance expected at the various deadlines set by these new regulations. These teams set priorities, define the compliance action plan and ensure the viability of the solutions selected for current products and for future developments.

In addition, the Group complies with the EU WEEE directive on waste electrical and electronic equipment, and as such sets aside provisions to cover the removal of equipment from customer sites located within the European Union and the safe removal of heavy metals in some equipment. These provisions totalled approximately €893,000 at December 31, 2016.

2.1.13 Risks related to information system failure

The Company's operations could be affected by the failure of its information system.

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

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

The Company incurs attacks from cyber criminals.

With the development of cybercrime, the security of information systems is an important issue for the Company, notably in matters of protection of its data, particularly concerning its R&D and production know-how, its customers, employees and patients. A cyber attack could affect the development of new products or manufacturing sites, and it could affect the Company's rights and competitive advantages.

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

The development of social media and mobile phone technologies comes with new risks.

The use of social media websites and mobile phone technologies, particularly to promote products or certain Group events, merits special attention. Negative comments could tarnish the Company's image. Furthermore, employees and partners of bioMérieux could, *via* their personal accounts, use social media and mobile technology inappropriately, notably by disseminating sensitive and/or confidential information, which could harm the interests of the Company.

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

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

2.2 Industrial and environmental risks

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

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

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

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

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

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

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

Risk management: a Health, Safety and Environment Department operating at Group level develops a harmonised and proactive approach aimed at preventing harm to individuals, property and the environment (see sections 4.2.2.3 and 3.3.2). The department looks to ensure that employees are aware of and comply with applicable regulations.

2.3 Regulatory and legal risks

2.3.1 Risks related to product liability

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

The Company could be held liable if a diagnostic error resulting from the defective performance of one of its products leads to unsuitable treatment of a patient or the marketing of contaminated products. Even if diagnostic products are designed, manufactured and delivered in compliance with the quality standards (described in section 4.2.2.3) and it is common practice to perform a series of additional tests to reduce the risk of error for the most serious diseases, this risk cannot be totally eliminated.

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

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

Risk management: the Legal Affairs and Intellectual Property Department ensures compliance with applicable legal and regulatory requirements in its

dealings with all of its partners (see section 4.2.2.3). The department has put in place insurance protecting it against legal risks. This includes a civil liability policy in respect of products, people and business losses (see section 2.5).

2.3.2 Risks related to intellectual property

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

At December 31, 2016, the Company owned 529 patent families, 244 brand families and 237 domain names. It has also obtained licences for a number of patents or trademarks for the products it uses or develops.

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

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

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

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

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

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

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

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

2.3.3 Risks related to managing the protection of personal data

Within the scope of its activities, the Company has access to personal data concerning patients. The confidentiality of personal data is protected through particularly strict regulations in the United States and Europe. In addition, systems marketed by the Company process patient data on a daily basis and the Company must ensure that the confidentiality of this data is maintained. The Company may fail to comply with these regulations or it may fail to protect patient data, which could result in administrative, civil and criminal sanctions.

Risk management: the Company has a data privacy manager who reports to the Global Compliance Officer. The data privacy manager supervises all current activities relating to the preparation, implementation and enforcement of Company policy in terms of protection of privacy in compliance with applicable international laws and regulations.

2.3.4 Fraud risk

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

Risk management: to minimise the risk of fraud, the Company has put in place internal controls designed to prevent and identify fraud and ensure that procedures are duly applied. These include regular internal and external audits (see section 4.2.2.3). The Company has set up a process for centralising information concerning attempted fraud and for managing corrective and preventive actions, notably for managing the risk of cybercrime (see section 2.1.13) and educating employees about the methods commonly used by fraudsters.

2.3.5 Risks related to claims and litigation

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

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

bioMérieux, like other industrialists, was summoned before the Tribunal de Grande Instance de Paris by 45 patients to obtain compensations linked to anxiety allegedly "generated by a lack of reliability of serodiagnostic tests" for Lyme disease.

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

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

2.4 Market risks and financial risks

2.4.1 Borrowing risks

See Note 27.1 in section 6.1.2.

2.4.2 Exchange rate risks

See Note 27.1 in section 6.1.2.

2.4.3 Credit risks

See Note 27.2 in section 6.1.2.

2.4.4 Liquidity risks

See Note 27.3 in section 6.1.2.

2.4.5 Counterparty risks

See Note 27.5 in section 6.1.2.

2.4.6 Interest rate risks

See Note 27.4 in section 6.1.2.

2.4.7 Pension risks

See Note 14.3 in section 6.1.2.

2.4.8 Share price volatility and liquidity risks

See Note 13.3 in section 6.1.2.

2.4.9 Risks related to investments in listed companies

The portfolio of listed assets held by the Company (Labtech, Dynavax Technologies and GeNeuro) is presented in Note 7.2 in section 6.1.2. The Company believes that it is not materially exposed to risks related to these investments due to the portfolio's low value.

2.5 Insurance and risk management

2.5.1 Insurance policy

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

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

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

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

2.5.2 Principal insurance policies

2.5.2.1 Civil liability

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

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

In addition to this umbrella coverage, specific policies have been purchased to cover the following risks: civil liability for environmental harm caused by the companies of the Group and civil liability incumbent upon the Group pursuant to the regulations on biomedical research (Huriet Act).

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

2.5.2.2 Property and casualty

The guarantees purchased include fire, machine breakage and computer damage in particular, as well as consequential operational losses.

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

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

2.5.2.3 Transport

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

2.5.2.4 Deductibles and premiums

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

2.6 Administrative, legal and arbitration procedures

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

In particular, the Company, like other laboratories, was summoned before the Tribunal de Grande Instance de Paris by 45 patients to obtain compensations linked to anxiety allegedly "generated by a lack of reliability of serodiagnostic tests" for Lyme disease.

3 Corporate Social Responsibility

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

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

3.1.1 An approach in line with the "bioMérieux spirit"

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

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

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

- in the social domain, through the collaborative and complementary actions of Fondation Mérieux and Fondation Christophe and Rodolphe Mérieux, and by the signing of the Global Compact in 2003;

Adherence to the Global Compact: a foundation stone for bioMérieux (see section 3.3.7.2)

Since 2003, bioMérieux has renewed its support for the Global Compact every year, an international initiative under the auspices of the United Nations, and is committed to respecting a code of ten principles related to human rights, working conditions, the environment and the fight against corruption. It formally publishes the progress made through the various actions undertaken in connection with the Compact's principles.

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

- in terms of labour relations, by the signing, in France, of several company-wide agreements, arising out of an active social dialogue. The experience gained in France is used to define the main lines of a labour relations policy that is implemented in all 42 subsidiaries, while respecting local cultures and legislation;
- the environment, with the defining in 2016 of targets for 2020, coupled with strong commitments from the Company;
- innovation in support of public health: about 13% of sales dedicated to R&D, in order to develop new solutions to meet future health challenges (antimicrobial resistance, new epidemics, health care accessible to all);

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

3.1.2 A commitment with three main priorities

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

The 2020 Health, Safety and Environment Vision defines, for the next five years, objectives in five main areas:

- Improving performance[(1)]: 10% reduction in energy consumption, 10% reduction of waste produced, 30% reduction of the frequency of lost-time occupational accidents, ISO 14001 and OHSAS 18001 certification for all industrial sites, ISO 50001 certification for the main French sites.
- Assessing the environmental impact of products and the materials associated with them at every stage of their life cycle, in order to take into account current best practice and to support an ambitious improvement plan.
- Expanding the commitment to subsidiaries and sites, as well as to Group employees in order to ensure the program's success.
- Introducing bioMérieux's HSE standards into its relationship with suppliers and supporting its implementation among logistics providers.
- Putting into place tools for employees to gather information, suggest improvements and efficiently implement the HSE policy.

(1) Reference year 2015.

Social domain

The healthcare sector is a social issue for current and future generations. Driven by its values, bioMérieux is highly committed to this issue. It is both aware of the stakes involved and has the means to address the public health challenges it faces as a world leader in microbiology:

- actions on the ground, through the Fondation Mérieux and the Fondation Christophe and Rodolphe Mérieux, to fight against infectious diseases through international collaborations or applied research in emerging countries (see section 3.1.4.3);
- coordination and education actions in the fight against antimicrobial resistance;
- contingency plans in case of the emergence of epidemics such as the Ebola virus.

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

Labour relations

bioMérieux's employees are its most important asset. This conviction is reflected in its labour relations policy, which is constantly evolving in order to best accompany employees through their professional careers. It is divided into three main phases:

- Initial training: 4.5% of bioMérieux's workforce in France are young people in work-study programs, providing them with their first professional experience. bioMérieux also maintains partnerships with colleges and universities in France's Rhône-Alpes region and funds scholarships.
- Professional life (see sections 3.3.5.1 and 3.3.5.2): a social dialogue, carried on over several years, has helped create a policy shared by the social partners and illustrated by the establishment of quality employee benefits (mutual health insurance, pensions, profit sharing, organisation of working hours, equal opportunities, integration of people with disabilities). To this is added an active policy of professional training, skills management, talent development and well-being at work.
- Retirement: employee savings plans with matching contributions from the Company (PERCO) or with a Time Savings Account (CET), also matched, help employees anticipate and prepare for retirement.

A number of plans are specific to France, but act as reference points for the labour relations policy that bioMérieux strives to apply to all of its employees throughout the world, taking into account local regulations and customs.

Environmental issues

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

A recognised CSR policy

Several extra-financial rating agencies have evaluated bioMérieux's CSR performance and have integrated it into their SRI indices (Socially Responsible Investments). This is the case of the Forum Ethibel (Ethibel Sustainability Index (ESI) Excellence Europe), which builds on the work of the rating agency Vigeo, EthiFinance (Gaia Index) and FTSE Russell (FTSE4Good Index).

3.1.3 Business Ethics and Compliance

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

3.1.3.1 Ethics and Compliance program

bioMérieux's Ethics and Compliance program (the Program), officially in place since 2011, places a strong emphasis on conducting business in compliance with all laws and regulations, as well as in line with the Company's own values and culture. bioMérieux expects its employees and partners to embrace and share these values.

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

In 2016, the Program's main priorities were to:

- enhance measures to prevent corruption;
- secure the distribution network;
- prevent conflicts of interest with healthcare professionals;
- understand and effectively apply export regulations;
- protect patient data.

Global Code of Conduct

The Company established its first Global Code of Conduct in 2009. It was then updated in 2012, translated into six languages and distributed to all employees, who have all attested to having read and understood it. To ensure widespread circulation:

- a training course on the Code's content is offered to all employees;
- the Code was uploaded to the Company's corporate website and Intranet;
- references to the Code and its content were introduced into classroom and online Ethics and Compliance training.

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

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

Anti-corruption principles

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

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

The Corruption Prevention Program is designed to:

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

Principles relating to the protection of personal data

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

Many countries have tightened regulations restricting the use and disclosure of personal data. These laws require companies to take steps to ensure the confidentiality, integrity and availability of this kind of data. bioMérieux must also anticipate new regulations that will apply in the future. This is particularly the case in Europe, with the new General Regulation on Data Protection, which will take effect in May 2018. Every employee accessing personal data will be trained and will adhere to the principles of this Regulation, and will only collect, use or disclose such information in compliance with bioMérieux's internal rules and national laws.

Principles relating to the protection of patient data

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

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

Training

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

In 2016, more than 8,500 employees across all subsidiaries received an online training course on the new bioMérieux Global Code of Conduct. In addition, as part of the program to raise awareness about protecting patient data, all new employees with potential access to this type of data took part in a dedicated online training course. Furthermore, two new courses on the AdvaMed ("Advanced Medical Technology Association") and MedTech Europe (European association of medical equipment suppliers) codes of conduct were also distributed to approximately 2,300 employees concerned. Finally, in 2016, all new hires were systematically given three compulsory courses (on the Global Code of Conduct, the fight against corruption and conflicts of interest).

3.1.3.2 Organisation

The Ethics and Compliance Department is organised into regions to mirror the Group's own organisational structure. In addition to the Global Compliance Officer, it comprises a Compliance Officer for each of the three regions, as well as a Global Data Privacy Officer and a Global Training Officer. bioMérieux's ethical principles extend to everywhere it operates. For this reason, teams of correspondents have been set up in each site and tasked with disseminating and applying the Program's ethical and compliance-related principles at the local level. These teams also ensure that the Group's internal directives and all local laws and procedures are applied.

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

bioMérieux has set up a network of data privacy representatives that covers all of its sites and subsidiaries. This network is responsible for serving as the interface between the Global Data Privacy Officer and the Units.

An Ethics and Compliance Committee, chaired by the Global Compliance Officer, is tasked with assisting the Ethics and Compliance team in the definition of the Program, its implementation and its relevance to the identified risks.

3.1.3.3 Whistle-blowing

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

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

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

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

3.1.4 Engagement with stakeholders

3.1.4.1 Regulatory authorities

National health authorities

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

Environmental authorities and occupational health and safety authorities

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

3.1.4.2 Relationships with the local host communities

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

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

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

  The "Apprenti'Bus": in 2016, the partnership with Sport dans la Ville was strengthened by bioMérieux's participation in the Apprenti'Bus program, whose purpose is to fight against inequality through actions supporting educational assistance and the professional integration of young people in disadvantaged areas. Workshops on reading, writing, communication and digital tools are offered to around a hundred children aged from 7 to 11. These are organised in a bus that travels through the 13 neighbourhoods in the Lyon area where Sport dans la Ville is active.

- In 2015, bioMérieux launched a partnership with the Institut Télémaque, whose mission is to support social mobility by sponsoring deserving young people who are eager to succeed in school. The Company financed, for the 2015-2016 school year, the support of 16 young people selected by the Institut Télémaque.

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

In 2015, bioMérieux signed a partnership agreement with EMLYON Business School in Lyon, France. Through this agreement, bioMérieux became one of the first companies to join EMLYON's Global Business Network of major international corporate partners. The Company is the expert partner for life sciences as part of EMLYON's new "IDEA Inside" educational approach. In the area of research, bioMérieux supports the development of work carried out within the Institut français de gouvernement des entreprises (IFGE), the EMLYON research centre and social laboratory dedicated to corporate governance issues. The partnership also includes the possibility of training for bioMérieux employees to help them enhance their skills, notably in relation to the digital transformation.

bioMérieux is also a founding member of the Fondation Université Grenoble Alpes, formerly the Fondation Université Joseph Fourier, created in 2014. Set up in September 2014, the foundation aims to support high-level research projects and promote equal opportunity. In 2016, bioMérieux funded five scholarships to help the top BioHealth Computing students continue their education in an international environment. This initiative is aligned with the Company's human resources policy to attract the talent and scientific profiles bioMérieux will need to address ongoing changes in its professions.

bioMérieux has been a partner of the INSA Lyon[1] Foundation since 2010. In 2016, this partnership enabled a group of students from INSA Lyon to take part in the international iGEM[2] 2016 competition that took place in Boston in October. On this occasion, they presented a project for the rapid diagnosis of sexually transmissible diseases, for which they won the best diagnostics project award. The Company also hosted 9 INSA interns in 2015 and 2016 and participated in the engineering school's careers conferences and Company Forum.

(1) Institut National des Sciences Appliquées.

(2) International Genetically Engineered Machine.

Long-term partnerships exist with ESTBB, a school in the Catholic University of Lyon's scientific cluster. Nearly 130 bioMérieux employees are former graduates and the Company welcomes young people as interns or on work-study programmes every year. A bioMérieux representative has also been part of the school's Development Council since 2008 – a forum for educational directors to collect professional opinions.

In the United States, bioMérieux is a partner of the North Carolina State University. It sponsors its BTEC (Biomanufacturing Training and Education Center) and awards study grants to two students each year. It also recruits a dozen interns and work-study participants each year from Saint Louis University, Missouri, and awards study grants to selected students.

3.1.4.3 Relationships with organisations promoting public health

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

3.2 Social responsibility

3.2.1 Fighting antimicrobial resistance

In line with the One Health global approach promoted by international organisations to ensure common action in human health, animal health and environmental management, bioMérieux is actively contributing to the fight against antimicrobial resistance, recognised as a major threat to public health by leading health organisations and as a global priority by the United Nations.

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

bioMérieux participates in many international and national summits on this issue. For example, in September 2016, bioMérieux, represented by Mark Miller, Chief Medical Officer at bioMérieux, stressed the importance of diagnostic tests in the fight against antibiotic resistance at a satellite session of the United Nations General Assembly. In November 2016, bioMérieux was invited by the FDA to participate in the commission dedicated to microbiology, during its advisory committee on medical devices. In this context, the Company presented the results of a study demonstrating the benefits of the widespread use of its VIDAS® B•R•A•H•M•S PCT™ test to contribute to the proper use of antibiotics, in order to preserve their effectiveness over the long term. bioMérieux obtained FDA approval for this usage on February 24, 2017 (see section 5.6.1.2).

As part of this drive, the Company has organised the bi-annual World HAI/Resistance Forum since 2007, bringing together world-renowned experts in the field of antimicrobial resistance and healthcare-associated infections. The last forum, which took place in June 2015, was entitled: "Antimicrobial Resistance: One world, one fight!". The preliminary results of the first bioMérieux-supported "Global Point Prevalence Survey" on the use of antibiotics and resistant bacteria in hospitals were presented at the forum. This unprecedentedly broad study was coordinated by Professor Hermann Goossens and Dr Ann Versporten of the University of Antwerp in Belgium. It helped collect data from more than 100,000 patients in 335 hospitals in 53 countries. The results obtained highlight the need to optimise prescription habits. This investigation quickly established itself as a major element in the measurement and monitoring of corrective actions and has resulted, in some countries, in national improvement programs. It also highlights the importance of the *in vitro* diagnostic, as well as the need to use more diagnostic tests and improve antibiotic prescribing practices in all countries. bioMérieux is committed to renew its support for this initiative in 2017.

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

In 2016, bioMérieux launched a website dedicated to microbial resistance, whose main objective is to educate and raise awareness about the proper use of antibiotics and the medical value of diagnosis in the fight against this threat.
www.antimicrobial-resistance.biomerieux.com

Finally, the Company also supports a number of initiatives to fight against microbial resistance in its host countries. bioMérieux participates every year in the "European Antibiotic Awareness Day", organised by the European Centre for Disease Prevention and Control (ECDC), and the "World Antibiotic Awareness Week" conducted by the WHO. In this context, bioMérieux is launching education and awareness-raising campaigns in regards to laboratories, clinicians, veterinarians and the general public to promote a more rational use of antibiotics.

3.2.2 Promoting access to diagnostic tests for everyone

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

Contributions, donations and sponsorships *In thousands of euros*	2016	2015	2014
Contributions	2,578	2,659	2,432
of which to the Mérieux Foundation	*191*	*473*	*444*
of which to the Christophe and Rodolphe Mérieux Foundation	*1,325*	*1,325*	*1,325*
Sponsorships, other donations, national heritage and acquisitions of living artists' works	260	334	225
TOTAL	**2,838**	**2,993**	**2,657**
As a % of net sales	*2.7*	*2.8*	*2.8*

3.2.2.1 Activities of the Foundations

Fondation Mérieux

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

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

The Mérieux Foundation's purpose is to promote research and international scientific cooperation in the area of infectious diseases and assist in the development of public health infrastructure.

Fondation Christophe and Rodolphe Mérieux

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

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

As part of its sponsorship activities, bioMérieux supports the actions of the Fondation Mérieux and the Fondation Christophe and Rodolphe Mérieux. These two independent family foundations fight against infectious diseases that affect developing countries by increasing their diagnostic capacities. The two Mérieux foundations received €1.4 million in 2016.

The foundations have projects in some thirty countries. bioMérieux's support has enabled the realisation of many projects helping vulnerable populations, including:

In Brazil: a new Charles Mérieux Infectiology Centre was inaugurated in Rio Branco in April 2016. This is an important step in the fight against viral hepatitis, a major public health problem in the Amazon. The 400 m^2 centre includes the Rodolphe Mérieux Laboratory, which has the only high biosafety level (P3) laboratory in the region. The centre will allow the implementation of training programs in human resources and the development of basic and clinical research in the region. The Rodolphe Mérieux Laboratory in Brazil joins a network of seven other Rodolphe Mérieux laboratories on three continents (Mali, Cambodia, Laos, Haiti, Madagascar, Lebanon and Bangladesh).

In Congo: the Christophe Mérieux Prize was awarded in 2016 to Professor Francine Ntoumi of the Brazzaville Faculty of Sciences and Techniques to encourage her research in infectious disease in Central Africa. Through this award in the amount of €500,000, the Fondation Christophe and Rodolphe Mérieux supports research in developing countries. Since its creation in 2007, this prize has been awarded to 10 researchers who work in the fight against diseases affecting their countries.

In Laos: the 8th international meeting of the GABRIEL network (*Global Approach to Biological Research, Infectious diseases and Epidemics in Low-income countries*) was organised in July 2016 in Vientiane. This network includes 18 public and private research centres, including the Rodolphe Mérieux Laboratories. On the occasion of this meeting, a day-long "symposium", open to the scientific community, was organised around the theme of "Monitoring microbial resistance and public health interventions". Experts working in countries such as Cambodia, Vietnam, Thailand and Laos gave presentations.

Going beyond strengthening local capabilities in biology, the foundations also act to protect the most vulnerable individuals, especially mothers and their children. They enabled the realisation of several projects in 2016.

The foundations participated in the construction of a medical centre in Erbil (Iraqi Kurdistan), including the provision of equipment and the training of staff. The Pauline-Marie Jaricot Mother-Child Centre offers complete and quality medical care to the large numbers of displaced populations in the region. Many health problems are identified in the camps, including diarrhea (especially in children), respiratory infections, the risk of pandemic outbreaks and complications of pregnancy and childbirth. The foundation's two partners in this project are two other institutions based in Lyon: the Pontifical Mission Society in Lyon and the Saint Irenaeus Foundation.

In Haiti, the foundations support the village of Nazareth in Leogane, a centre that welcomes and supports orphans and children in difficulty from the ages of 0 to 6. It was founded in 2012 with the support of the Fondation Christophe and Rodolphe Mérieux, following the earthquake, and currently hosts 60 children. In 2016, the foundations helped start income-generating activities with the construction of a hen house and a pig rearing house. A new reception centre was built and maintenance work was undertaken to repair the damage caused by cyclone Matthew.

3.2.2.2 A borderless diagnostic approach to respond to infectious diseases

Emergency solutions for emerging pathogens

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

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

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

Lastly, bioMérieux also launched in 2015 MERS-HCoV r-gene®, a new research use only (RUO) kit for detecting the Middle East Respiratory Syndrome Coronavirus (MERS-CoV1), which represents a significant public health risk with a mortality rate of around 36%. This molecular solution makes it possible to detect and screen for this pathogen with a single PCR test per sample. Coronaviruses (CoV) are primarily the cause of respiratory and enteric diseases in people and certain animals.

R&D programs for emerging countries

In 2016, bioMérieux pursued the deployment of its R&D program to develop diagnostic solutions to fight infectious tropical diseases in countries with limited resources. This program is based on enhanced partnerships with internationally renowned academic institutes, foundations (GATES, FIND, etc.), governmental partners and funding consortia. bioMérieux has opened a Centre of Excellence in Brazil and has strengthened its partnership with the University of São Paulo, where local teams are conducting research projects, notably on dengue fever. In this context, a funding application was filed in 2016 with the FAPESP (São Paulo Research Foundation) for a research program in Brazil on the severity markers of viruses such as Dengue, Chikungunya and Zika. The answer to this application is expected for the first quarter of 2017.

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

Thus, the partnership between bioMérieux and the NGO Alima launched a study in Chad in 2015 on gastrointestinal diseases among malnourished children, in order to improve the quality of their medical care. bioMérieux provided free FilmArray® GI (gastro-intestinal) panel tests to the Chad-China Friendship Hospital in N'Djamena to conduct this study, which will make it possible to describe seasonal fluctuations in the prevalence of three enteropathogens among acutely malnourished children suffering from diarrhea.

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

3.2.2.3 Solidarity actions

Work with international organisations

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

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

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

Educational and awareness raising initiatives

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

In 2016, SEE organised a workshop led by bioMérieux in Conakry, Guinea to exchange experiences on fever treatments. A training project was developed at the end of 2016 on this topic for health professionals at mining companies. A training sheet was submitted to the Ministry of Health and to the WHO, for planned implementation in 2017.

Support for local initiatives

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

Donations of rapid tests in Brazil: bioMérieux participated for the second consecutive year in the Xingu Mission Project, dedicated to improving the health of people living in remote areas in Brazil. Several thousand test kits for screening hepatitis B and HIV were distributed free of charge for the people living in the city of São José do Xingu. These rapid tests, designed for ease-of-use in medical centres, enable rapid diagnoses and immediate treatment of patients who do not have access to medical laboratories.

3.2.2.4 Cultural philanthropy

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

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

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

3.2.3 Management of suppliers and subcontractors

3.2.3.1 Responsible purchasing

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

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

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

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

In 2013, the Company included environmental requirements in the new framework agreements entered into with service providers who ensure the international transportation of its products and local logistics in a number of countries (excluding France). These requirements relate to the reporting of greenhouse gas emissions generated by services performed for the Company and recommendations expected from service providers on ways to reduce the environmental impact of logistics and transportation.

3.2.3.2 Supporting the local economy

Due to the Company's strategy of single-site production and the localisation of its manufacturing facilities, about 90% of production is carried out in Europe and the United States. The Company makes 88% of its purchases in these two regions.

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

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

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

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

3.2.3.3 Actions in favour of the environment

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

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

3.3 Labour relations

3.3.1 Workforce

At December 31, 2016, the Group had 9,806 full-time-equivalent employees and temporary staff. The Group's workforce totalled 9,375 employees at December 31, 2015.

Expressed as employees on the payroll, the workforce comprised 9,664 employees (excluding temporary employees) as of December 31, 2016 (62% of whom outside France).

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

3.3.1.1 Breakdown of workforce by gender

	Women	Men	Total workforce
2014 breakdown	4,168	4,527	8,695
2015 breakdown	4,403	4,775	9,178
2016 BREAKDOWN	**4,647**	**5,017**	**9,664**

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

3.3.1.2 Breakdown of the workforce by gender and time worked

	Women		Men	
	Part time	Full time	Part time	Full time
2014 breakdown	13%	87%	2%	98%
2015 breakdown	12%	88%	2%	98%
2016 BREAKDOWN	**12%**	**88%**	**2%**	**98%**

Note: 7% of the Group's workforce works part time.

3.3.1.3 Number of departures by type of contract and departure

Departures	2016	2015	2014
Permanent			
Voluntary	581	618	544
Involuntary	352	183	166
SUB-TOTAL	**933**	**801**	**710**
Temporary			
Voluntary	95	98	94
Involuntary	259	307	313
SUB-TOTAL	**354**	**405**	**407**
TOTAL	**1,287***	**1,206**	**1,117**

* *Including eight people recorded as 2015 departures in 2016.*

In 2016, the voluntary employee turnover rate was 6.4%, and 3.0% for employees with less than three years of seniority.

3.3.1.4 Number of new hires by type of contract

New hires	2016	2015	2014
Permanent	1,272	1,286	1,487
Temporary	501	403	463
TOTAL	**1,773***	**1,689**	**1,950**

* *Including six people recorded as 2015 hires in 2016.*

The "New Hires" column includes the employees of Applied Maths Inc., Applied Maths NV and Hyglos GmbH, which were acquired in the first half of 2016.

3.3.1.5 Breakdown of departures and new hires by gender in 2016

2016	Women		Men		Total
Departures	Number	%	Number	%	
Permanent					
Voluntary	280	48.2%	301	51.8%	581
Involuntary	138	39.2%	214	60.8%	352
SUB-TOTAL	**418**	**44.8%**	**515**	**55.2%**	**933**
Temporary					
Voluntary	53	55.8%	42	44.2%	95
Involuntary	142	54.8%	117	45.2%	259
SUB-TOTAL	**195**	**55.1%**	**159**	**44.9%**	**354**
TOTAL DEPARTURES	**613**	**47.6%**	**674**	**52.4%**	**1,287**

New hires	Number	%	Number	%	Total
Permanent	560	44.0%	712	56.0%	1,272
Temporary	301	60.1%	200	39.9%	501
TOTAL NEW HIRES	**861**	**48.6%**	**912**	**51.4%**	**1,773**

In 2016, 37 employees had the opportunity of working in another entity of the bioMérieux Group.

3.3.1.6 Breakdown of workforce by age

Age	2016	2015	2014
Less than 25 years old	4%	4%	4%
25-34 years old	27%	27%	27%
35-44 years old	31%	31%	32%
45-54 years old	25%	26%	26%
More than 54 years old	13%	12%	11%

3.3.1.7 Breakdown of workforce by age and gender in 2016

Age	2016 workforce	Women	Men
Less than 25 years old	4%	5%	4%
25-34 years old	27%	27%	26%
35-44 years old	31%	30%	31%
45-54 years old	25%	25%	25%
More than 54 years old	13%	13%	14%

3.3.1.8 Breakdown of workforce by region

Region	2016	2015	2014
France	38%	39%	41%
EMEA*	14%	14%	15%
Americas	38%	38%	33%
North America	*34%*	*34%*	*29%*
Latin America	*4%*	*4%*	*4%*
Asia-Pacific	10%	9%	11%

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

3.3.1.9 Breakdown of workforce by region and gender in 2016

Region	2016 workforce	Women	Men
France	38%	44%	33%
EMEA	14%	13%	14%
Americas	38%	33%	43%
North America	*34%*	*29%*	*39%*
Latin America	*4%*	*4%*	*4%*
Asia-Pacific	10%	9%	10%

3.3.1.10 Absenteeism in France, China and EMEA

ABSENTEEISM: Value/ theoretical working days	2016 No. of days absent	2016 Theoretical No. of days	2016 %	2015 No. of days absent	2015 Theoretical No. of days	2015 %	2014 No. of days absent	2014 Theoretical No. of days	2014 %
France (bioMerieux SA)[a]	**29,784**	**842,238**	**3.5%**	**28,284**	**816,781**	**3.5%**	**25,584**	**814,505**	**3.1%**
Sick leave	28,451	842,238	3.4%	27,037	816,781	*3.3%*	24,630	814,505	3.0%
Occupational accidents and commuting accidents	1,333	842,238	0.2%	1,247	816,781	*0.2%*	954	814,505	0.1%
China[b]	**691**	**101,000**	***0.7%***	**1,988**	**110,893**	***1.8%***			
EMEA[c]	**7,605**	**222,777**	***3.4%***						

(a) Maternity/paternity leave is no longer recorded in absenteeism from 2016.
(b) The 2015 data have been modified to comply with the 2016 methodology (calculation of the number of theoretical days and exclusion of maternity leave).
(c) Belgium, Germany, Italy, Poland, Spain, United Kingdom, Russia, Turkey.

Specific efforts have been made this year to integrate data for key countries in the EMEA region.

bioMérieux has set the target of progressively increasing the scope covered, depending on the reliability of data in each country.

3.3.2 Occupational health and safety

3.3.2.1 Health and Safety Policy and organisation

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

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

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

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

An HSE management system is in place within each site; it is based on continuous improvement by following the PDCA principle (Plan-Do-Check-Act). In 2016, six sites were ISO 14001 and OHSAS 18001 certified (Marcy l'Etoile, Craponne, La Balme, Saint-Vulbas, Tres Cantos and Florence), and three subsidiaries were ISO 14001 certified (bioMérieux Spain, bioMérieux United Kingdom and bioMérieux Italy).

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

3.3.2.2 Assessment, prevention and control of occupational hazards

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

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

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

bioMérieux Inc. has initiated a pilot training program in automotive safety. The program concerns all employees to whom the Company provides a vehicle (official vehicle, company car). This remote training program is based on the risk profile of the employee defined by an initial test and includes training modules provided at regular intervals throughout the year. Launched in May 2016, it has helped reduce the cost of the damages by about 40%, compared to the same period in 2015.

3.3.2.3 Well-being at work and promotion of healthy living

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

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

- all Group employees benefit from health insurance coverage (public, private, or both);
- The sites promote sporting activity through the provision of sporting facilities or subsidies for subscriptions to gyms;
- the Company covers the cost of a seasonal influenza vaccination for its employees on most sites;
- the Company has rolled out a healthcare and health education pilot program at its North American sites, in the form of health days. These initiatives are deployed mainly through a medical centre dedicated to employees and their families in St. Louis. In this way, employees who so wish benefit from medical check-ups, early cancer screening and medical or nutritional advice given by professionals. The confidentiality of medical data is strictly observed and the Company does not have access to personal data.

The Company organised a series of lectures on several sites in France, addressing the topic "Stress, anxiety, depression, burn-out... what exactly are we talking about?". These lectures, led by a specialised teacher-trainer doctor, are part of a reflection on prevention and the improvement of the quality of life of employees.

3.3.2.4 Occupational Health and Safety performance indicators

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

Safety indicators[(a)]	2016	2015	2014
Number of fatal occupational accidents	1	0	0
Number of lost-time occupational accidents	38	40	51
Number of occupational accidents without lost time	63	65	67
Number of days lost	784	899	1,324
Frequency rate of lost-time occupational accidents	2.2	2.4	3.2
Frequency rate of total reportable occupational accidents	5.8	6.2	7.4
Severity rate	0.04	0.05	0.08
Number of occupational diseases	0	0	32
Number of reportable commuting accidents with or without lost time	11	14	14
Frequency rate of total reportable commuting accidents	0.6	0.9	1.3

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

3.3.3 Talent development

3.3.3.1 Career and performance management

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

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

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

3.3.3.2 Training and internal mobility

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

- Programs offered to managers to help them fulfil their duties. The bioMérieux Manager Essentials program is in place for all Group managers and has been deployed in four regional hubs in France, the United States, China and Brazil. In 2016, this program represented 16,001 hours of training, or an average of 10 hours' training per manager.

  The New Leader Induction program, started in 2015, allows participants to familiarise themselves with the Group's challenges and instils in them a shared management culture. The program was undertaken by 42 people in 2016.

A 360° process is also in place, as well as team building and coaching by internal coaches. In 2016, 1,371 individuals benefited from personalised team building, allowing them to work on their structure and collaborative processes.

- Specific training programs are offered to adapt the competencies of each function. In 2016, classroom and distance training totalled 11,160 hours for quality training and 9,152 hours for sales and marketing training programs. Training programs for support functions were strengthened in 2016, with an emphasis on Finance and Purchasing;
- The Ethics and Compliance program was enhanced in 2014. All employees received distance training, representing a total of 14,174 hours in 2016 (see section 3.1.3).
- Individual training plans are in place in all countries. In 2016, employees underwent an average of 23 hours of training per person in France, 11 hours in the United States and 48 hours in China.
- Training in the Company's products is essential to best meet the needs of customers. In 2016, 1,454 employees benefited from this training, *i.e.* a total of 66,350 hours (+28% compared to 2015 – mainly linked to training for the FilmArray® product line).

Training hours for Mérieux University's main programs

Indicators	2016	2015	2014
Number of training hours in the Mérieux Manager Essentials program	16,001	16,948	20,368
Number of training hours in quality	11,160	13,889	6,126
Number of training hours in sales/marketing	9,152	5,290	3,359
Number of training hours in the Ethics and Compliance program	14,174	10,893	7,473
Average number of training hours per employee in France	23	24	27
Average number of training hours per employee in the United States	11	10	9
Average number of training hours per employee in China	48	43	34
Number of training hours in the Products program	66,350	51,857	40,728

In 2016, total training hours amounted to 207,715 hours, *i.e.*, an average of over 21 hours per employee.

The rate of access to training stood at 100% during the year for the whole Group, including employees who left during the year.

Training programs provided through e-learning represented 19,884 hours (or 9.6% of total training hours).

Promotions

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

NUMBER OF EMPLOYEES WHO WERE PROMOTED DURING THE YEAR

	2016		2015		2014	
Geographic areas	Number of promotions	% of workforce	Number of promotions	% of workforce	Number of promotions	% of workforce
France	298	8.1%	192	5.3%	239	6.7%
EMEA	32	2.4%	30	2.4%	61	4.8%
Americas	215	5.8%	257	7.3%	254	8.5%
North America	*203*	*6.2%*	*244*	*7.9%*	*226*	*8.7%*
Latin America	*12*	*2.8%*	*13*	*3.2%*	*28*	*7.3%*
Asia-Pacific	31	3.3%	76	8.9%	87	9.3%
TOTAL	**576**	**6.0%**	**555**	**6.0%**	**641**	**7.3%**

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

	Number of promotions Men	% of promotions of male employees	Number of promotions Women	% of promotions of female employees	Grand total
France	163	54.7%	135	45.3%	298
North America	92	45.3%	111	54.7%	203
EMEA	12	37.5%	20	62.5%	32
Asia-Pacific	17	54.8%	14	45.2%	31
Latin America	7	58.3%	5	41.7%	12
TOTAL	**291**	**50.5%**	**285**	**49.5%**	**576**

3.3.4 Diversity

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

The Company relies on a Global Code of Conduct and a company-wide agreement of the same name (see section 3.3.5.1), highlighting the principle of non-discrimination.

3.3.4.1 Measures to promote gender equality

Half of the Group's employees are women (48% at December 31, 2016, 43% of whom are executives). Over 37% of managers are women. In France, the proportion is almost 42%, notably thanks to the "Gender Equality" agreement (see section 3.3.5.1). The Company has a non-discrimination policy whereby only the relevant skills are taken into account when assessing an internal or external application for a managerial position.

BREAKDOWN OF MANAGERIAL POSITIONS BY GENDER

	Women	Men	Total
France	41.8%	58.2%	100.0%
Outside of France	34.8%	65.2%	100.0%
Global	37.4%	62.6%	100.0%

In 2013, bioMérieux created the "Women Ready for Leadership Diversity" (WoRLD) program, sponsored by the Secretary General, which works to promote greater diversity in management positions. In 2016, its members organised or participated in a dozen awareness-raising and informational events on the topic of diversity. On February 9, 2016, the first JUMP Forum in Lyon, a European-wide day dedicated to professional equality and the promotion of women's careers, was organised at the initiative of the WoRLD network. The Lyon forum drew 200 participants, 15% of whom were men from bioMérieux and other companies.

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

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

Region	% persons with disabilities/2016 workforce	% women with disabilities/2016 female workforce	% men with disabilities/2016 male workforce
France	4.0%	4.0%	4.0%
EMEA	1.2%	1.4%	1.0%
Americas	3.0%	2.9%	3.0%
North America	*3.3%*	*3.3%*	*3.3%*
Latin America	*0.2%*	*0.0%*	*0.5%*
Asia-Pacific	0.2%	0.0%	0.4%

In France, an amount of €257,000 is allocated to the disability policy by company agreement. This finances action to promote the recruitment, integration and training of people with disabilities, to raise awareness among those working alongside these people and to enable disabled people to continue in employment by adapting work stations (around 65% of the budget).

As part of its initiatives developed over the last several years to support persons with disabilities, the Company organised three "Handibio" days in France in 2016 at several sites to raise awareness about working with a disability. A recruitment day dedicated to people with disabilities was also held to develop a pool of candidates and provide jobs, trainee and work placement programs.

3.3.5 Social dialogue

3.3.5.1 Work organisation

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

Within the Group, the organisation of working hours took form in 2000 with the signing of the "35-hour week/working time arrangements" agreement ensuring more flexibility and a better work-life balance:

- flextime was introduced alongside the fixed-schedule working day;
- staggered alternating morning/evening work and night shifts have changed, with benefits including rest days in recognition of the difficulty of these schedules. In 2014, in order to adapt production and logistics conditions to international competition, the Company implemented new staggered work and night shifts, as well as Saturday-Sunday substitutions teams;
- in light of the Company's stepped-up international expansion, which has increased the need for long trips to subsidiaries and customers, compensation for business travel outside working hours has been established;
- an agreement concerning customer service hours whose objective is to meet customers' changing needs for after-sales service while preserving employees' work-life balance;
- the "Health in the workplace" agreement, signed in 2014, aimed at improving the health and welfare of employees at work, pays particular attention to workstations, organisation, night shifts and the prevention of psychosocial risks and harassment, in accordance with the non-discrimination principle.

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

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

  In 2016, Psychosocial Risks (PSR) were integrated into the DUERP. This project, which involves all employees, trained by working groups in PSR and in the identification of the various stress factors and the different resources available to overcome these factors, is tested at the La Balme site (France) before being deployed across all sites. PSR training, combined with change management training, is provided in parallel to Group managers and employee representatives, including in particular members of the HSWC;
- the "Gender equality" agreements, renegotiated every three years, were instrumental in the introduction of measures designed to ensure equal pay, especially by having corrected pay gaps that could have occurred following maternity and parental leave. They allow the career development of women to be tracked compared to men, especially for executives. These agreements also helped improve the work-life balance. Special attention is given to pregnant women, who are offered paid leave every other Wednesday immediately after declaring their pregnancy and every Wednesday after the sixth month of pregnancy. They are also provided with the tools needed to work from home. Moreover, part-time work has grown in popularity (one in five women works part-time; one in four, if parental leave is included).

These agreements and the Internal Rules all state the principle of non-discrimination and prevention of bullying and/or sexual harassment, and the associated disciplinary actions. Employees and particularly managers receive training on these principles.

3.3.5.2 Employee relations

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

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

Four agreements concerning the fixed and variable compensation of employees were signed unanimously:

- the agreement on the Mandatory Annual Negotiations, on salaries, working conditions and professional equality;
- the addendum to the incentive agreement 2013-14-15:

  It establishes an additional incentive for 2015, paying €250 to every employee with no absences over the course of the entire year;
- new three-year incentive agreement for the years 2016, 2017 and 2018:

  The amount distributable under the plan is calculated by reference to consolidated operating income. This new agreement introduced a significant change: the amount to be distributed was increased from 3% to 3.5% of the contributive operating income before non-recurring items;
- the addendum to the employee savings plan (Plan d'Epargne Entreprise – PEE) agreement:

  It establishes, for the 2016 savings plan based on the Company's shareholding capital, a 100% matching contribution of the first €100 saved, and then 20% of the amounts saved thereafter.

Three other agreements were signed:

- the agreement concerning the on-call system (unanimous):

  This agreement responds to the changing forms of on-call interventions (development of remote assistance) to ensure the continuous operation of the Company's facilities, equipment and software, but also for our customers, in order to meet their new requirements, resulting from new technologies, the consolidation of medical laboratories and their uninterrupted operation;

- the agreement concerning the donation of rest days (unanimous):

  This agreement is part of the Company's Social Responsibility policy, which has been in place for many years. The donation of rest days is an innovative program to promote social cohesion, based on Institut Mérieux's values of solidarity and mutual assistance. In compliance with a French law enacted in 2014, the agreement provides all employees with the opportunity to grant all or part of their rest days to a colleague whose child is seriously ill. The eligibility of the program was expanded to employees' spouses. Consequently, a shared multi-year Solidarity Fund was created to collect all of the rest days donated anonymously. The agreement provides for a matching contribution to the Fund by the company;

- the internal mobility agreement for the transfer of 19 positions from Ivry to Craponne as part of a change in the organisation of the Industrial Applications unit's R&D:

  Its purpose is to support the consolidation of R&D of the Industrial Applications unit mid-2017. It formalises the Company's commitments to the employees concerned, in terms of support and accompanying measures (reclassification of the non-mobile employees and the spouses of mobile employees, contribution to the costs of mobility, etc.).

Finally, the renewal of the forward-looking skills management and professional training agreements is being negotiated. The discussions between the Company and the social partners include:

- the Company's responsibility to identify the business processes that are likely to evolve in terms of their environment, to inform the employees concerned and to implement the necessary steps to accompany this change;
- the transfer of skills;
- and end of career planning, depending on the results achieved under the previous agreement.

In 2016, the bioMérieux SA Central Works Council held 11 information or consultation meetings. Members of the Executive Committee attended these meetings depending on the topics covered, in order to address the following topics:

- the Company's financial position, environment and financial results;
- the Company's global five-year strategy;
- the R&D policy;
- the global industrial strategy;
- changes to the organisational structure;
- the social balance sheet, in the context of the implementation of company-wide agreements (mandatory annual negotiations, forward-looking skills management, training, professional equality, disabilities, etc.).

Since 2008, these topics, when they are European or international in scope, have also been addressed during the two biannual meetings of the European Works Council, which brings together the German, French, Italian and Spanish employee representatives.

3.3.6 Compensation policy

At December 31, 2016, total personnel costs (salaries and wages, payroll taxes, discretionary and non-discretionary profit-sharing plans) amounted to 771 million compared to €700 million at December 31, 2015 (see section 6.2.1, Note 19).

3.3.6.1 Compensation structure

Compensation (fixed and variable) is set in each country on the basis of local conditions, the Company's results and individual performance. For executives, a worldwide grading of positions makes it possible to compare levels of responsibility and set compensation on the basis of local benchmarks.

In order to align staff with bioMérieux values and strategic priorities, Group employees receive variable compensation of which a portion is based on common indicators linked to the Company's performance.

For example, the compensation of bioMérieux SA employees consists of both a basic compensation (base salary, seniority pay, various bonuses and extra pay) and a variable compensation, which includes the provisions required by law and performance-related bonus, decided unilaterally by the employer. Since 2016, the Company sends all French employees an individualised wage and benefits summary (*Bilan Social Individuel*).

3.3.6.2 Employee share ownership

As a result of the plan proposed during the Company's IPO, the employee savings plan (*plan d'épargne entreprise* – PEE) and several employee share ownership plans, more than half of the employees are bioMérieux shareholders (see section 7.4.3).

3.3.6.3 Profit-sharing, incentives and employee savings

bioMérieux SA has a non-discretionary profit-sharing plan calculated on the basis of the legal formula.

The profit-sharing plan, from which the bioMérieux SA employees have benefitted since 2013, has been renewed for 2016 to 2018 (see section 3.3.5.2).

The Company wants to closely involve its employees in the fruits of its growth through these different systems and the employee savings plans available to them, particularly in France: an employee savings plan (*Plan d'Epargne Entreprise*, PEE, established in 1987), a company retirement savings plan (*Plan d'Epargne Retraite Collectif*, PERCO), and an employee shareholding plan. The Company encourages the saving of the collective variable compensation with these two latter plans through a matching contribution. The company retirement plan (PERCO) benefits from a matching contribution by the Company, which can amount to up to 1.5% of the employee's gross annual compensation. In 2016, bioMérieux matched the contributions of its French employees placed on bioMérieux's Mutual Fund as part of the employee savings plan (PEE) (see section 7.4.3.1).

Discretionary profit sharing, including the corporate social contribution (*forfait social*), amounted to €13.5 million in 2016.

3.3.7 Human rights

3.3.7.1 Promotion of and compliance with the ILO's Core Conventions

bioMérieux adheres to the UN Global Compact, whose basic principles stem from the International Labour Organization's (ILO) Conventions.

The Ethical and Sustainable Development Charter between bioMérieux and its suppliers refers to these principles under Working Conditions and Human Rights. See http://www.biomerieux.com/en/sustainable-purchasing).

3.3.7.2 Human rights principles

The Global Compact, under the auspices of the United Nations, to which bioMérieux has adhered since 2003, incorporates both the business community and civil society. The members undertake to implement concrete actions to alleviate the problems associated with globalisation and affecting emerging countries. The companies undertake to respect a charter of ten principles by implementing concrete actions every year related to any of these commitments.

Through these principles, Global Compact member companies and their subsidiaries are asked to promote and uphold international law on human rights. In accordance with Article 25 of the Universal Declaration of Human Rights, bioMérieux spearheads initiatives to give the underprivileged access to adequate diagnostics. In particular, it has reaffirmed its support for the Mérieux Foundation, which helps to fight infectious diseases.

3.4 Environmental responsibility

3.4.1 Assessment, prevention and control of environmental impacts

In compliance with the environmental principles of the Global Compact, bioMérieux evaluates its impacts on the environment (soil, water, air, noise, odours, energy, waste, etc.). The Company's initiatives are part of a circular economy approach based on non-wasteful and responsible use of natural resources and primary raw materials.

Environmental management occurs according to the principle of continuous improvement and includes:

- planning environmental objectives;
- the implementation of an action plan and an organisation empowering employee responsibility;
- the measurement and monitoring system (indicators, inspections, audits);
- the review of the achievement of objectives.

In case of new investment projects (extensions, new sites, increase in production capacity, etc.), a preliminary analysis of environmental impact is conducted. For new constructions, detailed guidelines are provided in the document entitled "HSE requirements for new constructions and major renovations".

Environmental initiatives are coordinated by the Group HSE Departments, which rely on a network of HSE representatives at each of the Company's sites and subsidiaries.

Many training courses in environmental protection are conducted within the Company:

- on the arrival of every new employee (see section 3.3.3.2);
- in the context of the deployment of the environmental management system on the sites according to ISO 14001: raising awareness of environmental impacts and good prevention practices, and training in the internal environmental audit;
- as part of projects to reduce waste and energy consumption: *ad hoc* training in the relevant functions (production operators, packaging teams) to reduce unwarranted product scrap (see section 3.4.2.8).

3.4.2 Resource management

3.4.2.1 Water management

Water is used by the Company in formulating its products. Water is also used in refrigerating facilities, such as cold storage rooms, in controlled atmosphere areas and as a coolant in the manufacturing process. For this type of use, the Company prioritises closed-circuit systems.

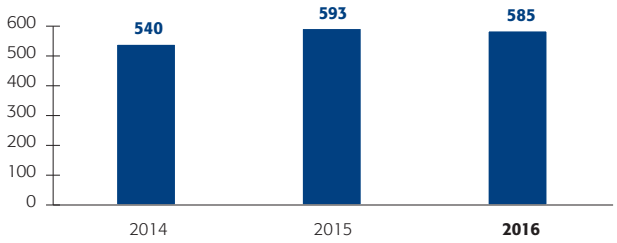
bioMérieux uses the local water supply for the water needs of its manufacturing sites. bioMérieux does not directly extract water from the natural environment, except for the cooling requirements of its logistics platform located in Saint-Vulbas (France). At this site, a heat exchanger makes it possible to use the temperature difference with the local groundwater for cooling purposes. Water extracted from the groundwater is discharged after heat exchange, and has no direct contact with process water. Official authorisation is required to use the groundwater in this way.

Water consumption is monitored on a regular basis, and steps are taken to reduce it.

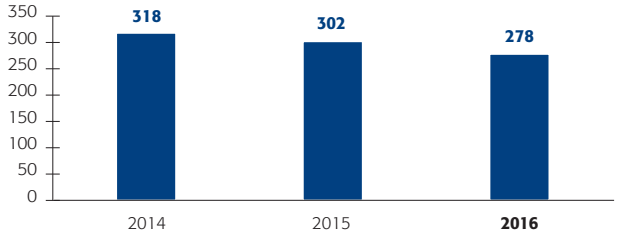
GROSS INDICATORS | **INDICATORS IN RELATION TO SALES IN €**

Consumption of public water

Water consumption from public supply
estimate in thousands of cubic meters

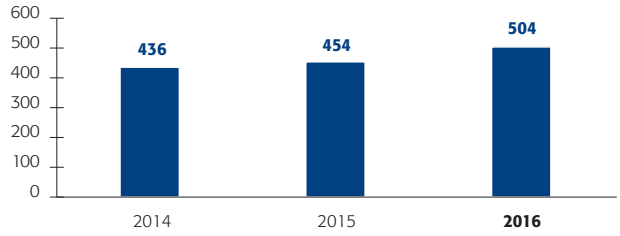


Water consumption from public supply in relation to sales
cubic meters per million euros of sales

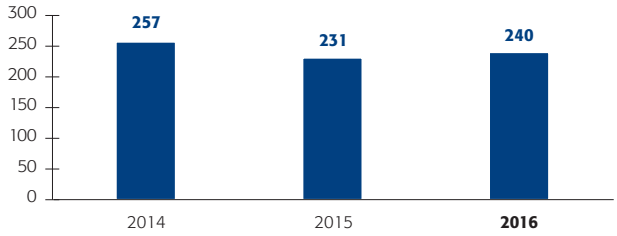


Amount of wastewater discharged

Amount of wastewater discharged.
estimate in thousands of cubic meters.

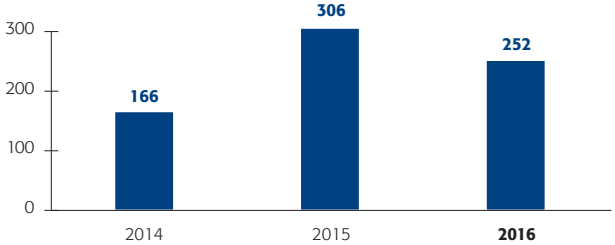


Amount of wastewater discharged compared to revenue.
cubic meters per million euros of sales.

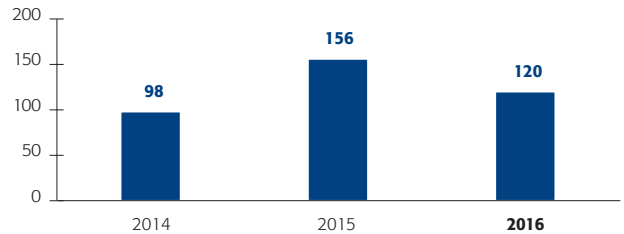


Use of groundwater

Water from aquifer used
Estimations en milliers de m³.



Water from aquifer used in relation to sales
cubic meters per million euros of sales



2016 results: the reduction in water consumption from public supply in 2016 is mainly due to the stabilisation of production activities (fewer new equipment launches in 2016 compared to 2015).

We can also observe a significant decrease in the use of groundwater (extraction then return to soak pits without health alterations). This reduction is due to warmer temperatures in 2016 compared to 2015.

The Company is not subject to any specific local restrictions on water supply on a permanent basis. As regards possible seasonal restrictions, bioMérieux strives to comply with specific guidelines issued by local authorities in the event of drought (for example, limiting water use for lawn care).

3.4.2.2 Energy management

In order to improve energy efficiency, the Company implements an energy optimisation and saving program. Prior to constructing or refurbishing buildings, simulations are made to measure their energy efficiency (for example, lighting, heating, ventilation and summer climate control). Efforts are made to find ways of reducing energy consumption to a low or very low level through systems that are researched, promoted and gradually applied. The new buildings for tertiary activities of significant size are subject to HQE (La Balme), LEED (St Louis) or BREEAM (Marcy l'Etoile) environmental certification.

The Company has set the target of a 10% reduction in energy intensity in 2020 compared to 2015.

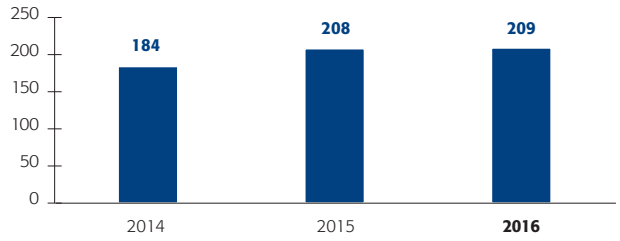
Even where no objective has been defined, the Company promotes the use of renewable resources for its energy supply, in areas of the world that offer acceptable alternatives:

- The sites in Marcy l'Etoile and Craponne in France, which are among the sites that consume the greatest amounts of electricity in the Company, renewed their contractual commitment to using 50% certified "green" electricity in 2016(2018).
- The Company's Austrian, Brazilian and Canadian subsidiaries only use hydropower and the Colombian subsidiary uses hydropower for 90% of its needs.

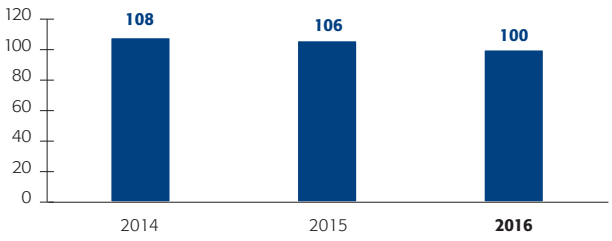
GROSS INDICATORS | **INDICATORS IN RELATION TO SALES IN €**

Total energy consumption

Total energy consumption
in GWh

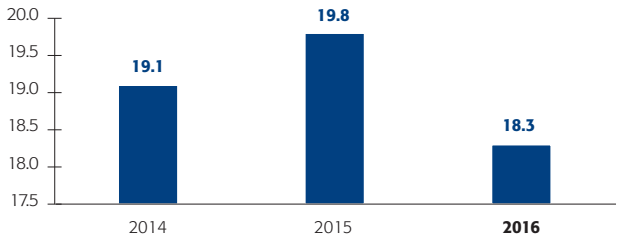


Total energy consumption in relation to sales
MWh per million euros of sales



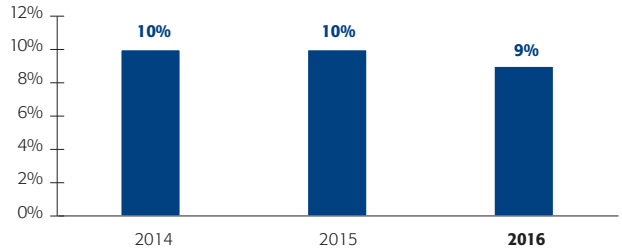
Consumption of energy from renewable sources

Consumption of energy from renewable sources
in GWh



Percentage of consumption of energy from renewable sources

Percentage of consumption of energy from renewable sources



bioMérieux continues to conduct energy audits on its sites. The audit of the Tres Cantos (Spain) site in 2016 complements the six audits conducted in 2015. These audits are used as a starting point for an energy management system. The Company plans to certify its main French sites ISO 50001 by 2020.

3.4.2.3 Greenhouse gas emissions

The Company seeks to reduce greenhouse gas emissions. It has carried out Group-wide annual assessments of greenhouse gas emissions since 2013.

Assessment of significant emissions categories of GreenHouse Gas (GHG)

The emissions categories assessed include Scopes 1, 2 and 3 of the GreenHouse Gas (GHG) Protocol, as described in section 3.5.3. The assessment, conducted every year, covers the consolidated data from the previous year (for example, 2016 covers the 2015 data).

The significant GHG emissions, over a scope extended to all of the Company's value chain, mainly consist of:

Scope	Significant emissions categories	Emissions in tCO_2e (± uncertainty)
Scope 1	Direct emissions (Scope 1)	28,509 (±6%)
Scope 2	Energy purchases (Scope 2)	43,357 (±7%)
Scope 3	Commuting	16,632 (±8%)
	Business travel (air, rail, road)	10,536 (±13%)
	Downstream transport and distribution of goods	76,064 (±22%)
	Upstream transport and supply of goods	Not evaluated[(c)]
	Product use	Not evaluated[(a)]
	End of product life	Not evaluated[(a)]
	Purchase of goods and products	Not evaluated[(c)]
	Fixed assets	Not evaluated[(b)]
	Waste generated from operations	Not evaluated[(b)]

Evaluation planned at:
(a) Short term: start planned for 2017.
(b) Medium term: framework starts in 2017 to define progress plan.
(c) Long term: framework starts in 2018 to define progress plan.

As part of the objectives of 2020 HSE Vision in regard to logistics, pilot actions are planned with the Company's suppliers in 2017 and 2018 to evaluate alternative means of transport and track their emissions and their operational efficiency in the supply chain.

Initiatives developed

Commuting

bioMérieux promotes carpooling and the use of public transport wherever possible. The Marcy l'Etoile and Craponne (France) sites have been members of the Greater Lyon regional carpooling platform for several years. This platform is one of the initiatives put in place by the Greater Lyon Energy Climate Plan (see above). Similar arrangements are in place in the Company's other sites and subsidiaries.

The Group has also established a home working policy, effective since the first quarter of 2013, aimed at reducing commutes.

Business travel and vehicle fleet

The Company is pursuing an active policy of reducing and optimising travel, and has been deploying "telepresence" infrastructure allowing meetings to be conducted *via* video conference in conditions similar to those of actual meetings. The main sites were equipped as of end-2016.

Remote maintenance and updating of instruments

The development of the VILINK™ IT solution, enabling bioMérieux customers to benefit from remote interventions for incident resolution as well as for maintenance and updates, continued in 2016. Thanks to a fast and secure connection, this solution helps limit travel by engineers in the field and increases the speed of problem solving for customers.

Partnership with the Greater Lyon Energy Climate Plan (France)

In October 2013, bioMérieux signed a partnership with the Energy Climate Plan of Greater Lyon, where two of its major industrial sites are located (in Marcy l'Etoile and Craponne). This partnership commits the Company to participating in 26 initiatives to reach Greater Lyon's objectives for reducing energy consumption and greenhouse gas emissions. These objectives aim to reduce greenhouse gas emissions by 20%, increase energy efficiency by 20% and increase the share of renewable energy in the total energy mix to 20% between 2000 and 2020.

As part of this partnership, bioMérieux promotes, among others, carpooling in the Greater Lyon urban community, offers financial incentives for employees to use public transport and provides a formal framework for telecommuting, within the framework of a wage agreement.

Adapting to climate change

Climate change leads to natural disaster risks. The Company accounts for these risks in its risk analysis and management system by integrating them into the business continuity plans (see section 2.1.11.1) for each of its sites.

Group sites in the United States exposed to extreme weather events have emergency shelters for the protection of employees and others.

3.4.2.4 Waste management

The Company is committed to optimising waste management, sorting waste at source and developing channels to recover and recycle materials and energy. As far as hazardous waste is concerned, the Company has implemented a strict policy of sorting at source and disposal by companies licensed to process such waste in an appropriate manner. All of the Company's sites have waste storage facilities. The Company has set the target, in 2020, of a 10% reduction in waste generation compared to 2015.

All the Company's provisions and coverage for environmental risks are outlined in section 2.1.12 of the Registration Document.

As part of its continuous improvement approach, the Company is working to optimise the amount of materials used in packaging. For example, the switch from printed to electronic format for instruction notices for reagents has made it possible to reduce the size of secondary packaging.

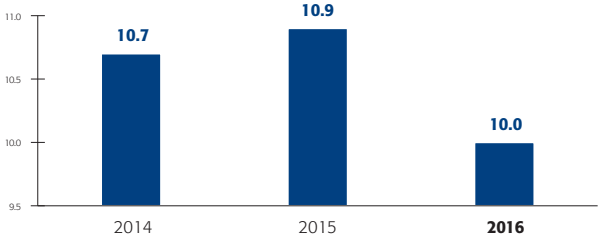
In addition to reducing waste in absolute terms, the Company seeks to increase the proportion of recycled, composted, regenerated or incinerated waste from which energy can be recovered. The Marcy l'Etoile, Grenoble, Combourg, La Balme and Saint-Vulbas sites in France, the Durham site in the United States, and the subsidiaries in the United Kingdom and Germany are all "zero-landfill" sites.

Sorting and recycling guides are available to employees. The Company raises awareness among employees of best waste management practices at events such as the National Sustainable Development Week in France.

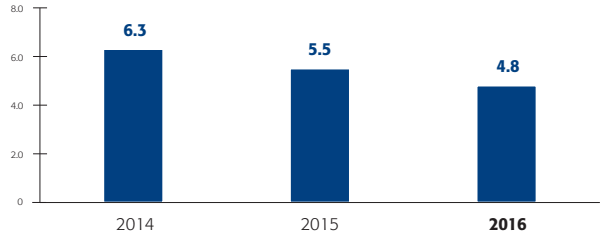
GROSS INDICATORS | **INDICATORS IN RELATION TO SALES IN**

Total amount of waste generated

Waste
estimate in thousands of metric tons

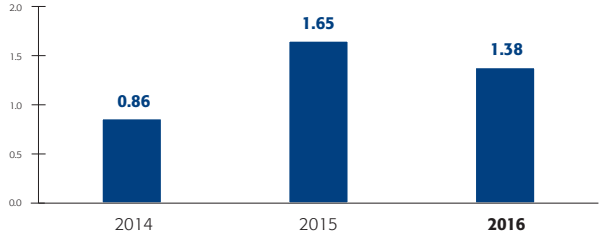


Waste in relation to sales
metrics tons per million euros of sales

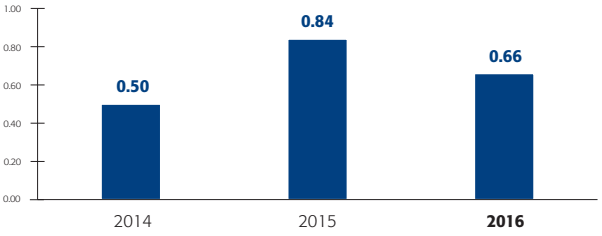


Of which hazardous waste

Hazardous waste
estimate in thousands of metric tons

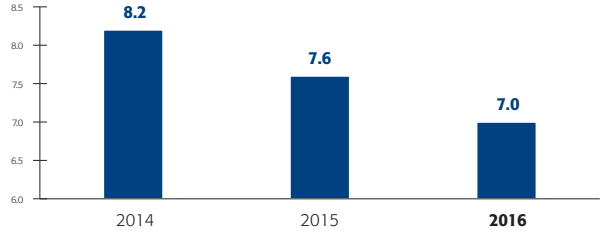


Hazardous waste in relation to sales
metrics tons per million euros of sales

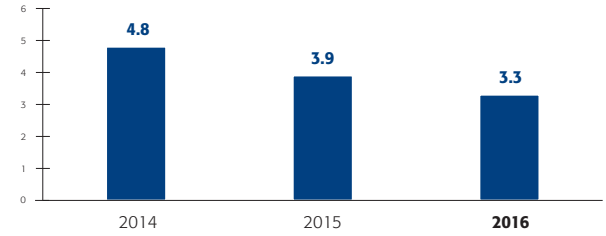


Of which recycled or treated with energy recovery or composted

Waste recycled or incinerated with energy recovery
estimate in thousands of metric tons



Waste recycled or incinerated with energy recovery in relation to sales
metrics tons per million euros of sales



2016 results: the quantity of waste generated in 2016 significantly decreased compared to 2015. This reduction is mainly due to the overall decrease in production rejects.

The Company contracts with a food services provider for the management of its corporate restaurants, in particular for its sites in La Balme, Craponne and Marcy l'Etoile (France). As part of the fight against food waste, bioMérieux and its subcontractor periodically undertake an analysis of thrown-out food in order to assess its origins and reduce the phenomenon. One solution that produced results was to stop offering bread as a free item.

Furthermore, organic waste at the Marcy l'Etoile, Durham, Craponne and La Balme sites is sorted and sent to a composting facility.

3.4.2.5 Pollution prevention

Discharges into water

- Tests are carried out regularly on the Company's biggest production sites, based on several parameters. The Craponne and Marcy l'Etoile sites in France have invested in facilities to neutralise their wastewater on site before discharging it into the network feeding the municipal treatment plants to which they are connected. This aims to improve water quality and ensure compliance with the parameters set in their discharge agreements.
- In connection with its contribution to the fight against antimicrobial resistance, bioMérieux has implemented measures at its industrial sites to collect at source and eliminate, through specialised channels, preparations containing antibiotics used in manufacturing or R&D.
- The Marcy l'Etoile site was monitored for mercury discharges by the French national program for the reduction of hazardous substances in water (RSDE). A supplementary order from the local Prefect validated the effectiveness of the measures taken by bioMérieux to eliminate mercury in its discharges and ended the monitoring in place.

Discharges into the soil

- The Company's sites are equipped with systems designed to retain or confine fire-water runoff in order to prevent discharge into the natural environment.

Discharges into the air(1)

- The Company does not have any facilities that discharge significant levels of emissions into the air and therefore does not collect consolidated data on air emission indicators. SO_2 and NOx emissions relating to the operation of boilers are monitored at each site in accordance with the applicable regulations.

3.4.2.6 Paper management

Initiatives are being implemented across all of the Company's sites and subsidiaries to reduce paper consumption, including incentives for greener printing practices.

- A new printing solution resulting in improved management of paper consumption was rolled out across the Company.
- The use of recycled paper is encouraged.
- More broadly, the Company seeks to modify its processes to replace paper media with electronic media: an Electronic Document Management system with an electronic review and approval system has been in place since 2010. This solution enables all employees, regardless of where they are, to access original documents through a Web interface. Thanks to this system, the utilisation, circulation and archiving of paper-based documents has been significantly reduced.
- The use of paper consumables (notes, labels) to provide information on products to customers has been reduced. A project to eliminate instruction notices included with reagents is under way for all reagents when permitted by local regulations in the reagents' destination. Electronic instructions will instead be downloadable from the Company's technical library.

3.4.2.7 Land use

bioMérieux does not use land as such for the purposes of its industrial activity.

The Company pays particular attention to the development of sites and ensures that they preserve quality green areas, space permitting.

3.4.2.8 Management of raw materials

Since 2011, bioMérieux has implemented Six Sigma manufacturing projects for finished and semi-finished products with the objective of reducing waste and the consumption of raw materials and improving the use of these raw materials while complying with the Company's quality standards.

3.4.3 Noise pollution

The Company's sites are managed in such a way as to avoid noise pollution along property boundaries. Whenever equipment or activities may generate noise, precautions are taken to reduce the disturbance to acceptable levels.

3.4.4 Biodiversity

The Company's facilities are located in industrial and urban areas and are not in places where nature, fauna and flora are protected. The Company puts special emphasis on the appearance of its facilities and on the landscaping and attractive architecture of its sites. It has also discontinued the use of pesticides at several sites.

In first-half 2016, bioMérieux acquired Hyglos, which owns an innovative endotoxin assay technique. Previously such assays required the use of the blood of horseshoe crabs, an endangered species. With this acquisition, bioMérieux will now be able to offer an alternative solution, thereby preserving a protected species.

(1) excluding greenhouse gas emissions, see section 3.4.2.3.

3.4.5 Eco-design of products

The life cycle of a product includes its design, production, distribution, use and end-of-life processing. It can have an impact on the environment, health or safety of bioMérieux employees and customers.

bioMérieux's objective is to consider the design, use and handling of the products and the materials associated with them at every stage of their life cycle, in order to ensure their compliance with regulations and to support an ambitious improvement plan.

The Company has issued an internal guide to eco-design in order to formally integrate the environmental aspects of the product life cycle in the development process. This guide, which prescribes restraint in the use of materials in a broad sense, applies to all materials used to produce our diagnostic systems.

For example, designing a product that will require less refrigeration during storage means reducing the energy consumption of this stage of its life cycle. In addition, the product composition is designed to minimise risks, both during its manufacture by bioMérieux, and during its handling by our customers.

3.5 Methodology – indicator scope

3.5.1 Calculation scope of quantified indicators

The scope corresponds to the bioMérieux Group with the exception of Advencis, Applied Maths and Hyglos, respectively acquired in 2014, 2015 and 2016. BioFire, acquired in 2014, is included in the quantified data from that year onwards.

3.5.2 Collection and consolidation of data

Health and Safety data are collected on a monthly basis, and environmental data on a quarterly basis, from HSE representatives in the Company's entities. Data are consolidated by the Group HSE team.

With regard to occupational Health and Safety, all consolidated data comply with regulations for recording occupational accidents and diseases for each country in question.

Reporting covers all entities with 20 or more full-time equivalent employees. A total of 252 full-time equivalent employees are not covered.

Human Resources data is collected at year end through the information system used by all Group entities, except for absenteeism data, which are consolidated on the basis of information managed locally.

3.5.3 Definition and method of calculating the indicators

Health, Safety and Environment indicators are all calculated using a method defined in the "Corporate Reporting program on Health, Safety and Environment Indicators".

As from January 1, 2016, the total Group workforce includes full-time equivalent employees as well as temporary employees.

Human resources

- Data on workforce, hires and departures cover all permanent and fixed-term employees for all Group subsidiaries (excluding interns and temps).
- Training data include all hours of training during the year, including e-learning and classroom sessions.
- Promotions refer to a change in employee category to a higher level (Mercer international classification).
- Absenteeism refers to the number of days of absence (reasons available by country) divided by the theoretical number of working days (excluding weekends, holidays, paid vacation and workweek reduction time). Absences are classified by reason (sick leave or occupational accident). Absences for maternity/paternity leave are excluded from the calculation method.

For France, the actual theoretical number of days worked is calculated by multiplying the average annual number of FTEs by the number of days worked during the reference year for the other countries

Health and Safety

- Number of occupational accidents with lost time: number of accidents occurring in the workplace and resulting in more than one day's lost time (the day of the accident's occurrence is not counted as lost time). The number of accidents includes those involving both permanent and temporary employees.
- Number of days lost: number of days lost following a lost-time occupational accident that occurred during the year. The day of the accident's occurrence is not counted as lost time. The extension to work stoppage days is counted in the month and the year the accident occurred.
- Frequency rate of lost-time occupational accidents: number of lost-time occupational accidents per million hours worked.
- Frequency rate of total reportable occupational accidents: number of lost-time occupational accidents per million hours worked
- Severity rate: number of days off work per thousand hours worked.
- Number of occupational diseases an occupational disease is the result of exposure, more or less prolonged, to a risk existing in the normal practice of the profession.

Environment

Data for previous years may be modified following adjustments.

Indicators relating to water:

- Water consumption (thousand m^3).
- The performance indicator monitored is the total water consumption of the Company's entities in cubic meters in relation to the Company's sales (in m^3 per million euros).
- Discharge of industrial effluents (thousand m^3).

Indicators relating to energy:

- Total energy consumption (GWh).
- Consumption of energy from renewable sources (GWh).
- The performance indicator monitored is the total energy consumption (from all energy sources) of the Company's various entities in relation to the Company's sales (in MWh per million euros).

Indicators relating to waste:

- Total amount of waste produced (metric tons).
- Hazardous waste: total amount of hazardous waste produced (metric tons). Hazardous waste is waste with one or more properties that poses a threat to human health or the environment, and requires special processing. This category includes chemical waste, infectious waste, or waste electrical and electronic equipment.
- Recovery of materials or energy: the performance indicator monitored is the ratio, expressed as a percentage, of the total weight of waste recycled or incinerated with energy recovery to the total weight of waste.

Indicators relating to greenhouse gas emissions:

Greenhouse gas emissions are assessed using GreenHouse Gas Protocol and Bilan Carbone methodologies®.

The following indicators are assessed:

Scope	Type	Input data	Emission factors
Scope 1	Direct emissions from fixed combustion sources	Fossil fuel consumption via environmental reporting	GHG Protocol
	Direct emissions from mobile sources equipped with a thermal combustion engine	CO_2 data collected from our suppliers	N/A
	Fugitive direct emissions	Cooling gas emissions after accidental leak. This data is collected via environmental reporting	IPCC 2016, others
Scope 2	Indirect emissions related to electricity consumption	Electricity consumption collected via environmental reporting	ADEME
	Indirect emissions related to use of steam, heat or cooling	Heated water consumption collected via environmental reporting	ADEME
Scope 3	Commuting	Calculation of average distances by site	ADEME
	Business travel	CO_2 data collected from our suppliers	N/A
	Car rentals	CO_2 data collected from our suppliers	N/A
	Global freight	CO_2 data collected from our suppliers	*N/A*
	Local freight	CO_2 or mass x distance result collected from our suppliers depending on the transport type (air, road, sea)	*Air: GHG Protocol* *Road: ADEME* *Sea: GHG Protocol*

Uncertainties are calculated as follows:

- uncertainty for input data: assessment based on experience and practice;
- uncertainty for emission factors: use of the value provided by the protocol for the factor.

3.6 Report by the independent third party on the consolidated environmental, labour-related and social information

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as independent third party certified by COFRAC under number 3-1050 and member of the network of one of bioMérieux's Statutory Auditors, we hereby report to you on the consolidated environmental, labour-related and social information presented in the management report, (hereinafter the "CSR Information") for the year ended December 31, 2016 in accordance with article L.225-102-1 of the French Commercial Code (Code de commerce).

Responsibility of the Company

The Board of Directors is responsible for preparing the Company's management report including CSR Information prepared in accordance with the provisions of article R.225-105-1 of the French Commercial Code and with the guidelines used by the Company (hereinafter the "Guidelines"), a summary of which can be found at the end of Appendix 5 of the management report and which is available on request from the Company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French code of ethics governing the audit profession and the provisions of article L.822-11 of the French Commercial Code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the codes of ethics, professional auditing standards and applicable legal and regulatory texts.

Responsibility of the independent third party

On the basis of our work, it is our responsibility to:

- certify that the required CSR Information is presented in the management report or, in the event that any CSR Information is not presented, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (the Statement of completeness of CSR Information);
- express limited assurance that the CSR Information, taken as a whole, is, in all material respects, fairly presented in accordance with the Guidelines (Reasoned opinion on the fairness of the CSR Information).

Our work mobilised the skills of four people between September 2016 and the date at which our report was signed over a period of around seven weeks.

We performed our work in accordance with the professional auditing standards applicable in France, with the decree of May 13, 2013 determining the conditions in which the independent third party performs its engagement and, concerning our reasoned opinion, with ISAE 3000.

1. Statement of completeness of CSR Information

Nature and scope of our work

We conducted interviews with the relevant heads of department to familiarise ourselves with sustainable development policy, as a function of the labour and environmental impact of the Company's activity, its social commitments and any action or programs related thereto.

We compared the CSR Information presented in the management report with the list provided for by article R.225-105-1 of the French Commercial Code.

For any consolidated information that was not disclosed, we verified that the explanations provided complied with the provisions of article R.225-105, paragraph 3 of the French Commercial Code.

We ensured that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 of the French Commercial Code and the entities it controls as defined by article L.233-3 of said Code within the limits set out in the methodological note 3.5 of Appendix 5 of the management report.

Conclusion

Based on this work and in light of the limits referred to above, we attest to the completeness of the required CSR Information in the management report.

2. Reasoned opinion on the fairness of the CSR Information

Nature and scope of our work

We conducted around ten interviews with the people responsible for preparing the CSR Information in the departments charged with collecting the information and, where appropriate, the people responsible for the internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in the light of their relevance, completeness, reliability, impartiality and comprehensibility, and taking good market practice into account when necessary;
- verify the implementation of a data-collection, compilation, processing and control procedure that is designed to produce CSR Information that is exhaustive and consistent, and familiarise ourselves with the internal control and risk management procedures involved in preparing the CSR Information.

We determined the nature and scope of our tests and controls according to the nature and importance of the CSR Information in the light of the nature of the Company, the social and environmental challenges of its activities, its sustainable development policy and good market practice.

With regard to the CSR Information that we considered to be the most important [3]:

- At parent entity level, we consulted documentary sources and conducted interviews to substantiate the qualitative information (organisation, policy, action, etc.), we followed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data and we verified their consistency and concordance with the other information in the management report;
- At the level of a representative sample of entities selected by us[4]; by activity, contribution to the consolidated indicators, location and risk analysis, we conducted interviews to ensure that procedures are followed correctly and performed tests of details, using sampling techniques, in order to verify the calculations made and reconcile the data with the supporting documents. The selected sample represents on average 17% of the headcount and 29% of the Group's energy consumption, considered to be levels characteristic of the social and environmental items.

For the other consolidated CSR information, we assessed consistency based on our understanding of the Company.

We also assessed the relevance of explanations given for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes used, in our professional judgement, allow us to express limited assurance; a higher level of assurance would have required us to carry out more extensive work. Because of the use of sampling techniques and other limitations intrinsic to the operation of any information and internal control system, we cannot completely rule out the possibility that a material irregularity has not been detected.

Conclusion

Based on this work, no material irregularities came to light that call into question the fact that the CSR Information, taken as a whole, is presented fairly, in all material respects, in accordance with the Guidelines.

Paris-La Défense, February 28, 2017

The independent third party
ERNST & YOUNG et Associés

Christophe Schmeitzky
Partner in charge of Sustainable Development

Bruno Perrin
Partner

*(3) **Environmental and social information:***

- Indicators (quantitative: information): total consumption of public water, use of groundwater, total energy consumption, consumption of energy from renewable sources, scope 1 and 2 greenhouse gas emissions, wastewater discharged, total amount of waste generated, total amount of hazardous waste, total amount of waste recycled, composted, regenerated or incinerated from which energy can be recovered.

- Qualitative information: the general policy regarding environmental matters (organisation, employee information and training programmes, assessment and certification procedures, environmental protection and the prevention of risks and pollution, the amount of provisions or guarantees for risks), pollution and waste management (measures to prevent, reduce or repair damage caused by discharges in the air, in water and in soil, measures for preventing, recycling and eliminating waste), the sustainable use of resources, climate change (significant greenhouse gas emitting items due to the company's activities, energy consumption, measures taken to improve energy efficiency and the use of renewable energy), land use, water consumption, the territorial, economic and social impact (employment, regional development, impact on the local population), dealings with stakeholders (conditions for dialogue, partnership and sponsorship activities), the importance of subcontracting and integrating labour-related and environmental concerns into the Company's purchasing policy and its relations with suppliers and subcontractors, fair trade (actions taken to prevent corruption, measures taken to protect the health and safety of consumers).

Human resources:

- Indicators (quantitative information): total headcount, number of new hires and departures by type of contract, turnover, rate of absenteeism, rate of voluntary departures of employees with less than three years seniority, number of internal promotions, total number of training hours, frequency rate of lost-time occupational accidents, severity rate of occupational accidents.

- Qualitative information: employment, organisation of working time, absenteeism, labour relations (organising social dialogue, overview of collective agreements), occupational health and safety, occupational accidents, particularly their frequency and severity, as well as occupational diseases, training policies implemented, diversity and equal opportunities and treatment (measures taken as regards gender equality, the employment and integration of people with disabilities, efforts to combat discrimination), the promotion of and compliance with the ILO fundamental conventions (freedom of association, elimination of discriminations, forced work and child labour).

(4) The subsidiaries bioMérieux Inc. (Durham), bioMérieux SA (Combourg, Bruz and Ivry sites), bioMérieux Brasil SA (Rio de Janeiro and Sao Paulo sites), bioMérieux Gmbh Germany (Nurtingen site).

4 Corporate governance

4.1 Administrative, management and supervisory bodies and senior management

4.1.1 Framework of the implementation of corporate governance principles

The Company complies with applicable corporate governance requirements. It refers to the AFEP-MEDEF Corporate Governance Code, which summarises current corporate governance principles applicable in France, revised in November 2016. This code may be viewed online on the MEDEF website:

http://www.medef.com/fileadmin/www.medef.fr/documents/AFEP-MEDEF/2017/Code_de_gouvernement_d_entreprise_des_societes_cotees_novembre_2016.pdf.

The provisions of the code that have not been applied and the reasons for such non-compliance are set out in the following table.

The recommendations of the HCGE, received in 2015 and to which the Company has responded, are listed in the table below where the Company has decided not to follow them.

Term of office of directors *Staggering of directors' terms of office*	In light of the renewal in 2010 of seven of the current nine directors, the staggering of directors' terms of office is difficult to apply. The Annual General Meeting held on May 28, 2014 voted to reappoint seven of the nine directors, and the one held on May 26, 2016 voted to reappoint two directors. The Company addressed this point in its letter to the HCGE. While considering the risk associated with simultaneously renewing directors' terms of office to be limited in a controlled company in which the Board of Directors runs smoothly, the Company has stated that the Board will examine the length of the terms of office when they are next renewed simultaneously (in particular at the 2018 Annual General Meeting to be called to approve the financial statements for the year ending December 31, 2017), with the expectation that said terms will be shortened (two or three years for the first term of office, which may be renewed for a period of four years).
Board of Directors' assessment of General Management *The Board of Directors assesses and evaluates the performance of General Management independently and collectively*	Given that (i) General Management is exercised by the Chairman who is therefore present at Board of Directors' meetings, and (ii) Alexandre Mérieux is also present at Board meetings in his capacity as director and Deputy Chief Executive Officer, the performance of General Management is assessed by the Board of Directors in the presence of General Management.
Regular meetings of the non-executive directors without executive or internal directors present	For the reasons indicated above, the Company has never organised meetings for the non-executive directors without the executive or internal directors being present. During the Board of Directors' self-assessment, the directors deemed, in a majority, that this idea was inappropriate, believing that directors attending Board meetings are able to speak freely and discuss issues openly.
Shares held by the directors *Significant number of shares*	In accordance with the Board of Directors' internal rules, on the date of their appointment, each of the directors held a number of the Company's shares. While the AFEP-MEDEF Corporate Governance Code does not specify a specific number of shares, in 2017 it will be recommended to directors that they hold an amount equivalent to one year's worth of directors' fees.
Employment contract and corporate office	The Chairman and Chief Executive Officer has an employment contract with Institut Mérieux. Accordingly, he takes part in strategic discussions within this Group, particularly in relation to the Immunotherapy division.
Human Resources, Appointment and Compensation Committee *Independent chairmanship*	The Company decided not to follow the recommendations of the HCGE concerning the chairmanship of the Human Resources, Appointment and Compensation Committee. The Company decided that it was in its best interest that Alain Mérieux chair said Committee to enable policy consistency within the Group to which it belongs (Institut Mérieux) in terms of the procedures for selecting its directors, preparing a succession plan for its senior executives and setting their compensation.
Independent directors	Michele Palladino has been a director of the Company for over 12 years. Upon discussion, the Board of Directors considers that he remains an independent director. His opinions, willingness to speak freely and professionalism in his role as director are constant testimony to his independence. Harold Boël is a director of Mérieux NutriSciences Corporation, consolidated by the Institut Mérieux. The Board of Directors, after discussion with the Human Resources, Appointment and Compensation Committee, considers that he remains an independent director. Indeed, bioMérieux and Mérieux NutriSciences have business relationships that are outside the competence of the Board of Directors. Harold Boël has no influence in this regard. There are thus no conflicts of interest.
Offices held by the Chairman and Chief Executive Officer in listed companies outside the Group	At December 31, 2016, Jean-Luc Belingard, Chairman and Chief Executive Officer, held three offices in listed companies outside the Group. In light of the allocation of executive management tasks between the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer, who now chairs the Executive Committee, the Company considers that Jean-Luc Belingard has the time necessary to carry out his duties and that the offices he holds outside the Group do not compromise the Company's interests.
Composition of the Board of Directors (40% women)	At December 31, 2016 the Board of Directors comprises nine members, of which two are women. During 2017, the Company will comply with Article L.225-18-1 of the French Commercial Code.

4.1.2 Composition of the Board of Directors

The Board of Directors is composed of at least three members and up to the maximum number permitted by law.

At December 31, 2016, the Board of Directors comprised nine members.

4.1.2.1 Description of the directorships

The table below presents all of the directorships and positions held in other companies by each of the Company's corporate officers based on the information they have submitted.

Jean-Luc Belingard

MAIN POSITION WITHIN THE COMPANY: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

68 years old
Born on 10/28/1948
Nationality: French

First appointed on: 09/15/2006
Term expires: 2018

Number of bioMérieux shares held: **50**

Other directorships and positions held at 12/31/2016 (all companies):

Within the Group[(a)]:
- Director of Institut Mérieux (France), Transgene SA (France – listed company), ABL Inc. (United States)

Outside the Group[(a)]:
- Director of Stallergenes Greer (UK – listed company), Pierre Fabre SA (France), LabCorp of America (US – listed company), Lupin (India – listed company)

Directorships and positions that have expired in the past five years:

Within the Group[(a)]:
Director of AES Laboratoire Groupe SA (term expired: 2012), AES Chemunex SA (term expired: 2013)

Outside the Group[(a)]:
Director of NicOx (term expired: 2011), Celera Corporation (US) (term expired: 2011)

Other professional activities and past positions:

Management experience and expertise:
- HEC Paris
- MBA Cornell University (US)
- CEO of Roche Diagnostic and Member of the Executive Committee of Roche Group (1990 to 1999)
- Member of the Management Board and CEO of bioMérieux-Pierre Fabre from 1999 to 2001
- Chairman and Chief Executive Officer of Ipsen (2001 to 2010)

(a) Any company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code.

Alexandre Mérieux

MAIN POSITION WITHIN THE COMPANY: DEPUTY CHIEF EXECUTIVE OFFICER

43 years old
Born on 01/15/1974
Son of Alain Mérieux (director)
Nationality: French

First appointed on: 04/16/2004
Term expires: 2018

Number of bioMérieux shares held: **20**

Other directorships and positions held at 12/31/2016 (all companies):

Within the Group[(a)]:
- Deputy Chief Executive Officer and Vice-President of Institut Mérieux
- Chairman of Mérieux Développement SAS, Mérieux NutriSciences Corp. (Chairman) (US)
- Director of IM US Holding (US)
- Manager of SCI ACCRA
- Director of the Christophe and Rodolphe Mérieux Foundation and the Mérieux Foundation

Outside the Group(a):
- Director of Financière Sénior Mendel SAS (France)

Directorships and positions that have expired in the past five years:

Within the Group(a):
Permanent representative of Mérieux NutriSciences Corp. (formerly Silliker Group Corp.), bioMérieux India Private Ltd. (India), bioMérieux UK Ltd. (United Kingdom), bioMérieux Singapore Pte Ltd. (Singapore) (term expired: 2011), bioMérieux Polska sp. z.o.o. (Poland), BTF (Australia), Skiva SAS, bioMérieux Canada, AES Laboratoire Groupe SA (term expired: 2012), AES Chemunex SA (term expired: 2013), bioMérieux Inc. (US) (term expired: 2014), bioMérieux China Ltd. (China), bioMérieux Shanghai Ltd. (China), Sysmex bioMérieux Ltd (Japan), SGH, Foncière de Montcelard SAS (term expired: 2015)

Outside the Group[(a)]:
N/A

Other professional activities and past positions:

Management experience and expertise:
- HEC Montréal
- Marketing Director of Silliker in 2003 and 2004
- President of Adriant SAS (term expired in 2008)
- Corporate Vice-President of the Industrial Applications unit of bioMérieux from 2004 to 2011
- Corporate Vice-President of the Microbiology unit and Manufacturing and Supply Operations from 2011 to 2014

(a) Any company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code.

M. Alain Mérieux

MAIN POSITION WITHIN THE COMPANY: CHAIRMAN OF THE HUMAN RESOURCES, APPOINTMENT AND COMPENSATION COMMITTEE

78 years old
Born on 07/10/1938
Father of Alexandre Mérieux (Director and Deputy Chief Executive Officer)
Nationality: French

First appointed on: 07/10/1986
Term expires: 2018

Number of bioMérieux shares held: **290**

Other directorships and positions held at 12/31/2016 (all companies):

Within the Group[(a)]:
- Chairman of Compagnie Mérieux Alliance SAS
- Chairman of Institut Mérieux
- Director of Transgene SA (France – listed company), Mérieux NutriSciences Corp. (US), ABL Inc. (US), bioMérieux Italia SpA (Italy)
- Chairman and director of the Mérieux Foundation,
- Director and Honorary Chairman of the Christophe and Rodolphe Mérieux Foundation

Outside the Group(a):
- Director of Compagnie Plastic Omnium SA (France – listed company), CIC Lyonnaise de Banque (France), Director of the Pierre Fabre Foundation

Directorships and positions that have expired in the past five years:

Within the Group[(a)]:
N/A

Outside the Group[(a)]:
Synergie Lyon Cancer (cancer centre), the Centaure Foundation, the Edmus Foundation (term expired: 2012), Ecole vétérinaire de Lyon (term expired: 2013), President of BIOASTER Technology Research Institute (term expired: 2014), Association LyonBioPôle, Chairman of the Université de Lyon Foundation (term expired: 2015)

Other professional activities and past positions:

Management experience and expertise:
- Graduate of Harvard Business School
- PhD in Pharmacy (former intern of the Hospices Civils de Lyon)
- Chairman and Chief Executive Officer of the Company (1965 to 2010)
- Senior executive for more than 50 years

(a) Any company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code.

Philippe Archinard

MAIN POSITION WITHIN THE COMPANY: MEMBER OF THE AUDIT COMMITTEE, THE INNOVATION AND TECHNOLOGICAL BREAKTHROUGHS COMMITTEE AND DIRECTOR OF THE IMMUNOTHERAPY DIVISION OF INSTITUT MÉRIEUX

57 years old
Born on 11/21/1959
Nationality: French

First appointed on: 06/10/2010
Term expires: 2018

Number of bioMérieux shares held:**10**

Other directorships and positions held at 12/31/2016 (all companies):

Within the Group[(a)]:
- Chairman and Chief Executive Officer of Transgene SA (France – listed company),
- Chief Executive Officer of TSGH (France), Permanent representative of TSGH, director of ABL Inc. (US)

Outside the Group[(a)]:
- Director of Erytech Pharma SA (France – listed company)
- Director of CPE Lyon – Representative of FPUL,
- Chairman of Association LyonBioPôle,
- Representative of LyonBioPôle on the Board of Directors of the Synergie Lyon Cancer Foundation,
- Chairman of BIOASTER (Foundation for scientific cooperation)

Directorships and positions that have expired in the past five years:

N/A

Other professional activities and past positions:

Management experience and expertise:
- Graduate of Harvard Business School
- Chief Executive Officer of Innogenetics (Belgium) from 2000 to 2004

(a) Any company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code.

Harold Boël

MAIN POSITION WITHIN THE COMPANY: CHAIRMAN OF THE AUDIT COMMITTEE

Independent director[(b)]
52 years old
Born on 08/27/1964
Nationality: Belgian

First appointed on: 05/30/2012
Term expires: 2020

Term expires: 2020
Number of bioMérieux shares held: **50**

Other directorships and positions held at 12/31/2016 (all companies):

Within the Group[(a)]:
- Director of Mérieux NutriSciences Corporation (U.S)

Outside the Group[(a)]:
- Deputy director of Sofina SA (Belgium – listed company), Caledonia Investment plc. (UK – listed company), Société de Participations Industrielles (Belgium), Domanoy (Belgium), SODAVI (Belgium),
- Member of the Supervisory Board of Eurazeo (France – listed company)

Directorships and positions that have expired in the past five years:

Within the Group[(a)]:
N/A

Outside the Group[(a)]:
Director of Suez Environnement (France) – listed company (term expired: 2016), Henex (term expired: 2014), Electrabel (term expired: 2014), Oberthur Technologies (term expired: 2011), François Charles Oberthur Fiduciaires (term expired: 2012), Union Financière Boël (term expired: 2011)

Other professional activities and past positions:

Management experience and expertise:
- Bachelor degree in Chemistry from Brown University (US) and diploma in Materials Science Engineering from Ecole polytechnique fédérale de Lausanne
- Various managerial positions in the steel industry within the Corus group
- Chief Executive Officer of Sofina (Belgium – listed company)

(a) Any company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code.
(b) Independent director, as defined in the Board of Directors' internal rules, as set out in section 4.2.2.

Philippe Gillet

MAIN POSITION WITHIN THE COMPANY: CHAIRMAN OF THE INNOVATION AND TECHNOLOGICAL BREAKTHROUGHS COMMITTEE

Independent director[b]
59 years old
Born on 01/26/58
Nationality: French

First appointed on: 05/28/2014
Term expires: 2018

Term expires: 2018
Number of bioMérieux shares held: **44**

Other directorships and positions held at 12/31/2016 (all companies):

Within the Group[a]:
N/A

Outside the Group[a]:
- Chairman of the Board of Directors of the "Human Brain Project" (a research project into future and emerging technologies funded by the European Commission)
- Chairman of the Board of Directors of the Institut de Physique du Globe de Paris at the VetAgro Sup school
- President of the "International Risk Governance Council" Foundation (Switzerland)
- Member of the Executive Committee of the BNP Paribas Foundation
- Director of the Musée des Confluences (Lyon)

Directorships and positions that have expired in the past five years:
N/A

Other professional activities and past positions:

Management experience and expertise:
- Chief Innovation Officer of SICPA
- Vice-President for academic affairs (Provost) of the Federal Institute of Technology in Lausanne (Switzerland), from 2010 to 2016
- PhD in Geophysics and Geochemistry and a Doctorate in Earth Science (Ecole Normale Supérieure de Paris)
- Director of Ecole Normale Supérieure de Lyon (2003-2007)
- Secretary in the French Ministry of Research and Higher Education (2007-2010)

(a) Any company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code.
(b) Independent director, as defined in the Board of Directors' internal rules, as set out in section 4.2.2.

Marie-Hélène Habert

MAIN POSITION WITHIN THE COMPANY: MEMBER OF THE HUMAN RESOURCES, APPOINTMENT AND COMPENSATION COMMITTEE

Independent director[b]
51 years old
Born on 04/04/1965
Nationality: French

First appointed on: 05/30/2012
Term expires: 2020

Number of bioMérieux shares held: **19**

Other directorships and positions held at 12/31/2016 (all companies):

Within the Group[a]:
N/A

Outside the Group[a]:
- Director of Communication and Patronage of Dassault Group
- Director of Dassault Aviation SA[c], Dassault Systèmes SA[c] and Artcurial SA[c]
- Vice-President of the Serge Dassault Foundation
- Permanent representative of GIMD on the Supervisory Board of Immobilière Dassault SA[c]
- Manager of H Investissements SARL and HDH (non-trading company)
- Member of the Supervisory Board of Groupe Industriel Marcel Dassault SAS[c]

Directorships and positions that have expired in the past five years:

Within the Group[a]:
N/A

Outside the Group[a]:
- Director of Dassault Développement SA[c] (term expired: 2014)

Other professional activities and past positions:

Management experience and expertise:
- Graduate of Université de Paris II (business law), post-graduate diploma in Business law and Taxation from Université de Paris I/ La Sorbonne and post-graduate diploma in marketing from IEP Paris

(a) Company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code.
(b) Independent director, as defined in the Board of Directors' internal rules, as set out in section 4.2.2.
(c) Companies controlled by GIMD within the meaning of article L.233-16 of the French Commercial Code.

Agnès Lemarchand

MAIN POSITION WITHIN THE COMPANY: MEMBER OF THE AUDIT COMMITTEE

Independent director[b]
62 years old
Born on 12/29/1954
Nationality: French

First appointed on: 05/28/2014
Term expires: 2018

Number of bioMérieux shares held: **346**

Other directorships and positions held at 12/31/2016 (all companies):

Within the Group(a):
N/A

Outside the Group[a]*:*
- Director of Saint-Gobain (listed company), CGG (listed company)
- President of Orchad SAS

Directorships and positions that have expired in the past five years:

Within the Group[a]*:*
N/A

Outside the Group[a]*:*
- Member of the Supervisory Board of Areva (listed company – term expired: January 2015)
- Member of the Supervisory Board of Vivescia Industries (SCA), representing Bpifrance Participations (term expired: 12/31/2015) Executive Chairman of Steetley Dolomite Limited (term expired: 2014)
- Member of the Economic, Social and Environmental Committee, working in the economic division (term expired: 2014)
- Member of the Supervisory Board of Mersen (listed company – term expired: 2013).

Other professional activities and past positions:

Management experience and expertise:
- Graduate of the National Chemical Engineering Institute in Paris (ENSCP) and Massachusetts Institute of Technology (US) and holds an MBA from INSEAD
- Chief Executive Officer of the French Organic Industry (Industrie Biologique Française – IBF) from 1986 to 1991
- Chief Executive Officer of Prodical (Ciments Français group) from 1991 to 1996
- Strategy Director of Lafarge's specialty materials division from 1997 to 1999
- Chair and Chief Executive Officer of Lafarge's limestone division from 1999 to 2004
- Varied entrepreneurial experience including in management buy-out transactions

(a) Any company controlled by Compagnie Mérieux Alliance SAS within the meaning of article L.233-16 of the French Commercial Code.
(b) Independent director, as defined in the Board of Directors' internal rules, as set out in section 4.2.2.

Michele Palladino

MAIN POSITION WITHIN THE COMPANY: MEMBER OF THE HUMAN RESOURCES, APPOINTMENT AND COMPENSATION COMMITTEE AND THE INNOVATION AND TECHNOLOGICAL BREAKTHROUGHS COMMITTEE

Independent director[b]
76 years old
Born on 06/13/1940
Nationality: Italian

First appointed on: 07/06/2004
Term expires: 2018

Number of bioMérieux shares held: **2 000**

Other directorships and positions held at 12/31/2016 (all companies):
N/A

Directorships and positions that have expired in the past five years
President and Managing Partner of Michele Palladino & C SAS (term expired: 2010)

Other professional activities and past positions:

Management experience and expertise:
- Chief Executive Officer of bioMérieux SA until 1993

(b) Independent director, as defined in the Board of Directors' internal rules, as set out in section 4.2.2.

The members of the Board of Directors can be contacted at the Company's registered office in Marcy l'Etoile, France (Rhône).

4.1.2.2 Limit on directorships

The laws currently in force on the maximum number of directorships are applied within the Company. However, Jean-Luc Belingard does not comply with the limits on directorships as defined by the AFEP-MEDEF Corporate Governance Code (see section 4.1.1).

4.1.3 Conflicts of interest

To the best of the Company's knowledge:

- No member of the Board of Directors or Deputy Chief Executive Officer of the Company has been convicted of fraud in the past five years;
- No member of the Board of Directors or Deputy Chief Executive Officer of the Company has been involved, in the past five years, in any bankruptcy, court-ordered receivership or liquidation, in their capacity as member of an administrative, management or supervisory body or as Chief Executive Officer;
- No sentence has been pronounced in the past five years against any member of the Board of Directors or a Deputy Chief Executive Officer of the Company barring them from serving on an issuer's administrative, management or supervisory body or from participating in the management or conduct of the affairs of an issuer;
- No member of the Board of Directors or Deputy Chief Executive Officer of the Company has been charged with an offence or had any official public disciplinary action taken against them by a statutory or regulatory authority (including recognised professional bodies).

To the best of the Company's knowledge, there is no potential conflict of interest between the duties to the Company of any member of the Board of Directors or a Deputy Chief Executive Officer, and their private and/or other interests. The agreements involving certain directors are subject to the procedures concerning related-party agreements and are described in section 7.7.

The Board of Directors debated the existence of a possible conflict of interest between Harold Boël, the Company and its Group, given the term of office that he exercises within Mérieux NutriSciences. The Board of Directors confirmed that there were no conflicts of interest (see section 4.1.1).

In addition, given that, to the best of the Company's knowledge, the other independent directors have no direct or indirect relationship of any kind with the Company, the Group or its Management, there is no conflict of interest, which the Board of Directors could be required to discuss.

To the best of the Company's knowledge, no commitments have been undertaken by members of the Board of Directors that restrict their freedom to dispose of their bioMérieux shares, other than the rules on insider trading and closed periods.

Corporate officers' interests in the Company and the Group

In accordance with EC regulation No. 809-2004 of April 29, 2004, readers are reminded that Alain Mérieux and his son, Alexandre Mérieux, are the main shareholders of Compagnie Mérieux Alliance, the holding company of Institut Mérieux, which is the main shareholder of the Company and of which they own the majority of the share capital and voting rights (see sections 7.4.1 and 7.4.2).

4.2 Board practices

4.2.1 Duties and role of the Board of Directors and its committees

The Board of Directors is responsible for defining and implementing the Company's strategies. It has powers to act on all questions concerning the smooth running of the Company and settles all matters affecting the Company by its deliberations, within the limits of the corporate purpose and subject to the powers expressly granted to Shareholders' Meetings. The Board of Directors carries out all controls and procedures that it deems appropriate.

The Chairman organises and oversees the Board's work and reports thereon to the Shareholders' Meeting. He ensures that the Company's management bodies operate effectively and that the directors are able to perform their duties.

The Committees of the Board of Directors are in charge of examining issues assigned to them by the Board of Directors or the Chairman of the Board, preparing the Board of Directors' work on these issues, and reporting their findings to the Board of Directors in the form of reports, proposals, communications or recommendations.

The Committees act in an advisory capacity only. The Board of Directors determines at its own discretion how to follow up on the findings reported by the Committees. Each director remains free to vote as he wishes, without being bound by these studies, investigations or reports. Nor is he bound by any recommendations made by the Committees.

At the date this Registration Document was filed, the Board of Directors has created three Committees: the Audit Committee, the Human Resources, Appointment and Compensation Committee and the Innovation and Technological Breakthroughs Committee, as described in section 4.2.2.

4.2.2 Report of the Chairman of the Board of Directors on (1) the composition of the Board of Directors (2) the conditions governing the preparation and organisation of the Board of Directors' work and (3) internal control and risk management procedures

This report, drafted in consultation with the Company's various departments, was submitted to the Audit Committee and approved by the Board of Directors on February 28, 2017.

4.2.2.1 Composition of the Board of Directors and application of the principle of gender equality

Composition and organisation

The Company is incorporated as a French joint stock company (*société anonyme*) with a Board of Directors.

The Chairman of the Board of Directors is entrusted with the General Management (the decision to combine this position with that of Chief Executive Officer of the Company is described in section 4.2.2.2), and is assisted by a Deputy Chief Executive Officer who is also a director.

Jean-Luc Belingard has held the position of Chairman and Chief Executive Officer and Alexandre Mérieux the position of Deputy Chief Executive Officer since January 1, 2011. Their terms of office were renewed by the Annual General Meeting of May 28, 2014. They will remain in office until the expiration of their terms of office as directors, *i.e.*, until the Annual General Meeting to be held in 2018 to approve the financial statements for the year ending December 31, 2017.

In addition, the terms of office of Michele Palladino and Philippe Archinard were renewed by the Annual General Meeting of May 28, 2014 and will expire at the close of the Annual General Meeting to be held in 2018 to approve the financial statements for the year ending December 31, 2017. Agnès Lemarchand and Philippe Gillet were also appointed directors during this Meeting.

The terms of office of Marie-Hélène Habert and Harold Boël were renewed by the Annual General Meeting of May 26, 2016 and will expire at the close of the Annual General Meeting to be held in 2020 to approve the financial statements for the year ending December 31, 2019.

Since the Company's bylaws provide that the Board of Directors may be assisted by up to three non-voting members (*censeurs*), two non-voting members, Henri Thomasson and Michel Angé, were appointed by the Annual General Meeting of May 28, 2014 for a period of three years, expiring at the Annual General Meeting to be held in 2017 to approve the financial statements for the year ending December 31, 2016. In accordance with the Company's bylaws, they attend Board of Directors' meetings without being entitled to vote and may provide general advice to the directors, who are not required to follow their opinions or recommendations.

At December 31, 2016, the Board of Directors comprised nine directors, including five independent directors and two non-voting members.

Four representatives of the Works Council may attend Board of Directors' meetings.

The internal rules, adopted in 2004 by the Board of Directors and intended to define its operating procedures, in addition to legal, regulatory and statutory requirements, are regularly updated to reflect new legal provisions and the recommendations of the AFEP-MEDEF Corporate Governance Code. They were updated in August 2016 to reflect the reform of the audit. All Board members have agreed to comply with the internal rules.

The internal rules provide that directors must first ensure that they are fully informed of the general and specific obligations attached to their duties and are familiar with securities regulations pertaining to breaches of stock exchange regulations before accepting their duties. They must familiarise themselves and comply with the laws and regulations, the bylaws, the Board of Directors' internal rules and any additional information that the Board of Directors may provide to them, the rules concerning the Board provided for in the AFEP-MEDEF Corporate Governance Code (particularly the rules of ethics for directors) as well as the Global Code of Conduct adopted by the Company.

The internal rules also provide that directors:

(i) represent all the shareholders, even though they are shareholders themselves holding at least ten shares, and must act in the Company's interests in all circumstances;

(ii) must inform the Board of any actual or potential direct or indirect conflict of interest between the interests of the Company and their own interests or those of the shareholder or group of shareholders they represent, and must abstain from voting on the issues concerned;

(iii) undertake to devote the necessary time and attention to their duties;

(iv) undertake to remain independent in their analysis, judgement, decision-making and actions, and to resist all direct or indirect pressure that may be placed on them by directors, specific groups of shareholders, creditors, suppliers and other third parties. Similarly, if they believe that decisions taken by the Board are not in the interests of the Company, they undertake to clearly express their opposition and strive to convince the Board of the merits of their opinion;

(v) must be diligent and participate in all meetings of the Board of Directors and, if applicable, of the committees on which they serve;

(vi) are bound by a strict duty of confidentiality beyond the exercise of discretion required by law with respect to non-public information acquired in connection with their role as directors;

(vii) are bound by a duty of loyalty;

(viii) must trade in the Company's shares only in compliance with the Global Code of Conduct adopted by the Company; and

(ix) provide the Board with all relevant information concerning compensation and benefits-in-kind paid to them by the Company or a Group entity, and their directorships and positions held in all companies and other legal entities, including details on their attendance at all committees of French or foreign companies.

Independent directors and conflicts of interest

In accordance with the independence criteria, the Board of Directors' internal rules provide that directors are deemed to be independent when they have no direct or indirect relationship of any kind with the Company, the Group or the Management, which could impair their freedom of judgement.

Based on this definition, at December 31, 2016, the Board of Directors comprised five independent directors out of nine members:

- Marie-Hélène Habert;
- Agnès Lemarchand;
- Michele Palladino;
- Harold Boël;
- Philippe Gillet.

The directors, during the Board of Directors meeting of February 28, 2017, were able to review and discuss the analysis of the Human Resources, Appointment and Compensation Committee on the independence of the directors. They confirmed the classification of independent for the directors listed above, particularly in the light of criteria defined by the AFEP-MEDEF Corporate Governance Code. In particular, the Board of Directors considered as independent (i) Michele Palladino, director for over 12 years, and (ii) Harold Boël, director of the Mérieux NutriSciences Corporation, an American company owned by Institut Mérieux (see section 4.1.1).

The Board of Directors therefore evaluated the potential conflicts of interest that could arise from Harold Boël's directorship at Mérieux NutriSciences Corporation, and has concluded that no conflicts of interest exist. The two companies are independent and each act in different areas. The existing business relations are not likely to call into question their independence.

Other than Harold Boël, since the five independent directors have no relationship of any kind with the Company, the Group or the Management, there is no conflict of interest which the Board of Directors could be required to discuss.

Application of the principle of gender equality in the board room

Agnès Lemarchand was appointed by the Annual General Meeting of May 28, 2014 for a term of four years.

Marie-Hélène Habert's term of office as director was renewed for a four-year term at the Annual General Meeting of May 26, 2016;

During 2017, the Company will comply with Article L 225-18-1 of the French Commercial Code.

4.2.2.2 Preparation and organisation of the Board of Directors' work

The Company complies with the AFEP-MEDEF Corporate Governance Code and deviates from certain provisions as described in section 4.1.

The Board of Directors' work

The Board of Directors' internal rules provide that the Board of Directors must decide on (i) the approval of the strategic plans of the Company and its subsidiaries, (ii) the approval of the annual budget and, on a quarterly basis, its implementation, and (iii) the authorisation of all key transactions (acquisitions, exchanges, settlements, granting of security interests, all financing arrangements, etc.) exceeding €30 million and not provided for in the strategic plan or the budget.

The internal rules also provide that the Board of Directors must be notified of any significant event affecting the operation of the Company and more specifically its financial and cash position and commitments.

During fiscal year ended December 31, 2016, the Board of Directors of the Company met four times. All directors were present or represented at each meeting, apart from two absences by two directors at different meetings, as evidenced by the attendance register. Therefore, the Board of Directors:

- analysed the quarterly reviews of the Company's operations and affairs and major projects;
- approved the parent company financial statements and the consolidated financial statements for the year ended December 31, 2015 along with the related press release, and prepared the Annual General Meeting, namely by approving the various reports required by law and the description of the share buyback program; approved the interim financial statements and interim financial report, along with the related press release;
- discussed the 2017 budget;
- reviewed business development transactions and projects in progress, and approved the transactions and projects where appropriate;
- proposed the renewal of the terms of office of Marie-Hélène Habert and Harold Boël;
- assessed the way in which the Board of Directors operates and its composition; discussed and adopted the classification of the directors as independent;
- heard the minutes and recommendations, if any, of its Committees;
- studied the Company's sustainable development and CSR policies and met with the independent third party to discuss the CSR report;
- approved the Chairman and Chief Executive Officer's compensation for the previous year (recording the degree to which objectives were achieved) and set his compensation for the forthcoming year; approved the Deputy Chief Executive Officer's compensation for the previous year (*i.e.*, whether objectives had been met) and set his compensation for the forthcoming year;

- discussed the Company's policy in terms of professional equality and equal pay in the workplace;
- approved the proposed merger by absorption by bioMérieux of CEERAM, and the necessary delegations and authorisations;
- studied the actions implemented within the Company by the Supply Chain Department, the Molecular Biology Department and the EMEA Region Department; studied the new European regulation on "Market Abuse"; studied the Company's priorities for 2017 and organisational changes;
- approved the renewal of the syndicated loan;
- granted powers concerning sureties, endorsements and guarantees to the Chairman and Chief Executive Officer for 2017;
- granted free shares to certain Group employees and corporate officers;
- implemented a new share buyback program;
- approved the Board's new internal rules;
- approved two related-party agreements and performed an annual review of any existing related-party agreements that remained in force during the year.

As stipulated in its internal rules, each year the Board of Directors devotes an agenda item to the Board's operations in order to (i) evaluate the quality and effectiveness of the Board's deliberations, (ii) assess the Board of Directors' actual roles and duties, (iii) analyse the reasons for any shortcomings as perceived by the Chairman, directors or shareholders, and (iv) analyse the independence criteria applicable to directors.

At its meeting of February 28, 2017, the Board of Directors carried out a self-assessment based on a questionnaire in which each director was able to state his or her opinion.

The analysis of the responses received, which were discussed by the Board of Directors, showed that a large majority of directors believe that the Board's responsibilities and duties were fulfilled and that the quality, frequency and effectiveness of its meetings were adequate. In-depth, regular analysis of the strategy should continue to be carried out.

- In an effort to better integrate new members, some directors suggested holding Board meetings on other industrial sites. The directors consider that their access to information concerning the Group and its environment is sufficient, and that such information is of a high quality and is sent to them in a timely manner.
- The majority of directors consider that the information they receive to discuss topics on the agenda is presented with sufficient internal or external analyses on which to base decisions.
- With respect to General Management, directors believe they are fully independent and able to speak freely and appreciate the efforts made by members of the Executive Committee to explain and share knowledge as well as regularly attend meetings. They wish a more systematic presence of the main executives on the Board of Directors. They consider that they have sufficient access to other information than that provided by the General Management, and particularly at the Audit Committee level.
- The directors do not believe that the independent directors need to meet outside the scope of the Board meetings in light of the transparency and openness of Board practices and the quality of its deliberations. They also consider that the independent directors are duly independent. (see above)
- The members of the Board committees believe that the committees on which they sit function effectively, and that the frequency with which the committees are held and duration of committee meetings are fully satisfactory and continually improving. The distribution of work between the Committees and the Board, as well as the high quality of the deliberations that take place during each committee meeting are particularly appreciated by their members along with the due and proper circulation of information.

Special committees of the Board of Directors

The Board of Directors' internal rules provide that the Board of Directors may set up one or more permanent or temporary committees to help it accomplish its work and contribute effectively to the preparation of its decisions.

The committees are in charge of examining issues referred to them by the Board of Directors or the Chairman of the Board, preparing the Board of Directors' work on these issues, and reporting their findings to the Board of Directors in the form of reports, proposals, communications or recommendations.

The committees act in an advisory capacity. The Board of Directors determines at its own discretion how to follow up on the findings reported by the committees. The directors remain free to vote as they choose and are not bound by the committees' studies, investigations or reports, nor by any recommendations they may issue.

Audit Committee

Composition of the Audit Committee

The Audit Committee has three members appointed by the Board of Directors from among its members who are not members of the Company's Management. It consists of a majority of independent directors.

At December 31, 2016, the Audit Committee, which was created in 2002, had three members: Agnès Lemarchand, Harold Boël and Philippe Archinard. Harold Boël and Agnès Lemarchand are independent directors within the meaning of the Board of Directors' internal rules. Two-thirds of the Committee are therefore independent members. The Audit Committee is chaired by Harold Boël.

All of the Committee's members have specialised financial or accounting expertise. Agnès Lemarchand, Harold Boël and Philippe Archinard each possess "financial or accounting expertise" as set out in article L.823-19 of the French Commercial Code (*Code de commerce*) and in the AMF's July 22, 2010 working group report on audit committees. They acquired this expertise through their general management experience in major industrial groups (in the case of Agnès Lemarchand and Harold Boël) and in pharmaceutical groups (in the case of Philippe Archinard).

Role and operation of the Audit Committee

The Committee meets (including by conference calls) as often as it deems necessary and at least twice a year, before the review by the Board of Directors of the annual and interim financial statements. The Audit Committee appoints a Chairman from among its members, who may hold a directorship but no management or other position as corporate officer within the Company or the Group. Depending on the points on its agenda, the Audit Committee invites members of the Finance, Internal Audit, Risk and Compliance, and Investor Relations Departments, or the Statutory Auditors and exceptionally General Management, to its meetings. External experts may be called upon as required. In consultation with the Chairman of the Board of Directors, the Audit Committee is provided with all of the resources it considers necessary to properly perform its duties.

The Audit Committee's work

Pursuant to the Board of Directors' internal rules, as modified in 2016 to take into account the audit reform within the European Union applicable as of June 17, 2016, the Audit Committee's duties are to assist the Board of Directors. It is primarily responsible for (i) ensuring the monitoring of the preparation of financial information, (ii) ensuring the effectiveness of internal control and risk management systems as well as the internal audit, (iii) making a recommendation on the Statutory Auditors proposed for appointment by the Shareholders' Meeting, (iv) monitoring the Statutory Auditors' performance of their duties, (v) monitoring the independence of the Statutory Auditors, (vi) approving the provision of services other than the statutory audit and (vii) reviewing the draft financial press releases in particular relating to the interim financial statements and quarterly sales.

The Audit Committee meets between one and four days before the Board of Directors' meeting held to approve the annual and interim financial statements and prepares a report on its meeting. The Audit Committee met seven times with all members present in 2016, with the exception of two occasions when only two members were present.

The Committee reviewed the annual and interim financial statements, including the notes thereto and the year-end accounting options (including litigation), as presented by the Company's Chief Financial Officer, along with the related reports. It reviewed press releases relating to fourth-quarter 2015 sales, the annual financial statements for 2015, the 2016 interim financial statements and sales for the first, second and third quarters of 2016. The Committee also considered the Chairman's report on internal control procedures. It reviewed the Company's CSR report (Corporate Social Responsibility) and the work of the third-party body on CSR issues. It examined the results of internal audit assignments as well as the reports issued by the Internal Audit, Risk and Compliance Department. It also examined the action plan of the current year. It reviewed the updates to the risk map. It was informed of the 2016 action plan implemented by the Ethics and Compliance Department. More generally, it regularly reviewed the work carried out by the Internal Audit, Risk and Compliance Department.

The Audit Committee has delegated to the Finance Department the authority to negotiate and sign with the Statutory Auditors a list of missions other than the statutory audits.

The Statutory Auditors issued a detailed report on their audit engagement relating to the annual and interim financial statements and on auditor independence, and regularly informed the Audit Committee of changes in accounting rules and legal regulations. The Audit Committee has been informed of the content of the reform of the audit and its consequences for the Committee. As such, it considered the changes to the Board of Directors' internal rules.

The Statutory Auditors also held private discussions with the members of the Audit Committee.

Furthermore, the Audit Committee reviewed the Company's exchange rate policy, the analysis of the evolution of the Group's profitability over the period 2012-2016, the analysis of price trends and the contribution to the growth in sales, the risk map of the impairment of intangible assets and the Company's information security policy.

Finally, the Audit Committee met in special session to audition two Statutory Auditors pre-selected by the Finance Department following a call for tenders to which the Audit Committee was associated. The Audit Committee informed the Board of Directors on February 28, 2017 of its recommendations and the justification of its choice.

In accordance with its operating rules, the Audit Committee reported to the Board of Directors on the performance of its duties and presented the observations that it deemed appropriate.

Human Resources, Appointment and Compensation Committee

Composition of the Human Resources, Appointment and Compensation Committee

Pursuant to the Board of Directors' internal rules, the Human Resources, Appointment and Compensation Committee comprises three members appointed by the Board of Directors from among its members. It consists of a majority of independent directors.

The Board of Directors set up the Compensation Committee in 2004 and changed the Committee's roles and responsibilities in 2010 by including Human Resources functions. As a result, it became the Human Resources, Appointment and Compensation Committee.

At December 31, 2016, the Human Resources, Appointment and Compensation Committee's members were Marie-Hélène Habert, Michele Palladino and Alain Mérieux. Marie-Hélène Habert and Michele Palladino are independent directors within the meaning of the Board of Directors' internal rules. Two-thirds of the Human Resources, Appointment and Compensation Committee are therefore independent members. Alain Mérieux chairs this committee. In addition, the Chairman and Chief Executive Officer is involved in the Committee's work on the selection and appointment of directors as well as on the compensation policy applicable to the main non-officer executives.

Role and operation of the Human Resources, Appointment and Compensation Committee

The Human Resources, Appointment and Compensation Committee meets at least once a year. Meetings are called by the Chairman of the Board of Directors.

With respect to appointments, the Committee is responsible for making recommendations on the composition of the Board after considering all relevant information before making a decision, *i.e.*, balanced Board membership to reflect the Company's shareholding structure, identifying and evaluating possible candidates, and renewal or non-renewal of terms of office. In particular, the committee defines and implements the procedure for selecting future independent directors and reviews potential candidates before any action is taken in their regard.

The committee must establish a succession plan for executive corporate officers to fill any unforeseen vacancy.

With respect to the compensation of the Company's corporate officers, the committee is primarily responsible for (i) making recommendations to the Board of Directors concerning fixed and variable compensation, supplementary and specific pension and personal protection plans, benefits-in-kind and other financial benefits to which the Chairman and Chief Executive Officer and, where applicable, the Chief Operating Officer, may be entitled; (ii) recommending to the Board an overall amount of directors' fees, as well as rules governing the distribution of such fees and the individual amounts payable to each director based on their attendance record at Board meetings and committee meetings; and (iii) where applicable, proposing to the Board of Directors the rules governing the variable portion of corporate officers' compensation and ensuring that these rules are applied. The Human Resources, Appointment

and Compensation Committee is also informed of the compensation policy applicable to the main non-officer executives.

With respect to stock options and free share grants, where appropriate, the committee submits to the Board of Directors its observations regarding the Company's stock option and free share plans proposed by the Chairman and Chief Executive Officer and, where applicable, the Deputy Chief Executive Officer, and makes recommendations on the different categories of beneficiaries. The options granted to corporate officers are examined on a case-by-case basis by the committee.

The Human Resources, Appointment and Compensation Committee's work

The Human Resources, Appointment and Compensation Committee met twice in 2016, with all its members in attendance. The main subjects discussed during these meetings were pay negotiations, the Group's compensation policy, including the matrix of variable compensation applicable to employees, the payment of an additional incentive bonus in France and the renegotiations of the future profit-sharing plan, the implementation of a retention plan for US employees, the allocation of directors' fees, free share grants, the French employee share ownership plan (through the "OPUS" employee savings plan with matching contributions from the Company), the compensation due to the Chairman and Deputy Chief Executive Officer and Chief Operating Officer, and the Chairman and Chief Executive Officer's 2016 multi-year bonus, as well as the new appointments and reorganisations.

In accordance with its operating rules, the committee reported to the Board of Directors on the performance of its duties and provided the Board with all useful information.

Innovation and Technological Breakthroughs Committee

Composition of the Innovation and Technological Breakthroughs Committee

The Innovation and Technological Breakthroughs Committee was set up in 2015. Pursuant to the Board of Directors' internal rules, this Committee comprises at least three members appointed by the Board of Directors from among its members. A Chairman ensures that the Committee operates effectively and its administrative affairs are overseen by the Company's Chief Technology Officer.

At December 31, 2016, the members of this Committee were Philippe Archinard and Michele Palladino, with Philippe Gillet as its Chairman.

Role and operation of the Innovation and Technological Breakthroughs Committee

The Committee meets as often as it deems necessary and at least once a year, when convened by the Chairman. The committee may invite members of the Company's management and may also call upon external experts.

Role and operation of the Innovation and Technological Breakthroughs Committee

The role of the Innovation and Technological Breakthroughs Committee is to anticipate the emergence of revolutionary technologies and assess the associated risks and their impacts for the Company. This Committee also drives analyses of changes in the Company's technological, medical and market environment and the measures that could be taken by bioMérieux to address such changes.

The Committee met twice in 2016 with all members present. Its work included examining the application of future technologies in the *in vitro* diagnostics field.

In accordance with its operating rules, the Innovation and Technological Breakthroughs Committee reported to the Board of Directors on the performance of its duties and presented the observations that it deemed appropriate.

General Management

General Management

The Chairman and Chief Executive Officer has the broadest powers to act in all circumstances in the name of the Company. He exercises his powers within the limits of the corporate purpose and subject to the powers expressly granted by law to Shareholders' Meetings and to Board of Directors' meetings. He represents the Company in its dealings with third parties.

The Chairman and Chief Executive Officer's powers are counterbalanced by the position of Deputy Chief Executive Officer. The Deputy Chief Executive Officer's powers are as extensive as those of the Chief Executive Officer. Furthermore, the Chairman and Chief Executive Officer does not take any major decisions without the collective approval of the Board of Directors, as indicated below.

The Board of Directors has not specifically limited the powers of the Chief Executive Officer, except as regards certain provisions set out in its internal rules.

Jean-Luc Belingard was appointed as Chairman and Chief Executive Officer in 2011. While continuing to combine the duties of Chairman and Chief Executive Officer, in 2014 the Company chose to entrust the management of the Executive Committee to Alexandre Mérieux, Deputy Chief Executive Officer.

The Company believes that this method of governance is best suited to its operations and to protecting its interests.

The Company ensures that the prerogatives of each corporate body (Shareholders' Meetings, the Board of Directors and General Management) are fully respected. In addition, a number of measures are taken to avoid the excessive centralisation of powers and promote compliance with rules for good corporate governance. These include the fair distribution of powers between the Chairman and Chief Executive Officer and the Chief Operating Officer, the review of all major matters relating to the Company by the Board of Directors, the presence of five independent directors out of nine members on the Board, and the management of the Executive Committee being entrusted to the Chief Operating Officer.

Two committees assist bioMérieux's General Management in the performance of its duties.

The Committees

Strategy Committee

This Committee currently has three members: Alain Mérieux, Alexandre Mérieux and Jean-Luc Belingard. It proposes medium- and long-term strategic objectives for the Group, focusing in particular on geographic expansion and scientific and technological strategy.

Executive Committee

This Committee is chaired by Alexandre Mérieux, Deputy Chief Executive Officer. Its members are Michel Baguenault (Secretary General, head of Human Resources and Communication), Pierre Boulud (Corporate Vice-President, Asia-Pacific Region, Industrial Unit, Investments and Strategic Planning), Nicolas Cartier (Corporate Vice-President, Industrial Applications unit), Pierre Charbonnier (Corporate Vice-President, Manufacturing and Supply Chain), Claire Giraut (Corporate Vice-President and Chief Financial Officer), François Lacoste (Corporate Vice-President, Clinical unit), Mark Miller (Chief Medical Officer), Yasha Mitrotti (Corporate Vice-President, Europe, Middle East and Africa Region and Sales Performance), Alain Pluquet (Chief Data Officer), Randy Rasmussen (Corporate Vice-President, Molecular Biology), Kirk Ririe (Chief Innovation Officer), and Stefan Willemsen (Corporate Vice-President, Americas Region, Legal Affairs and Intellectual Property).

The Executive Committee is responsible for implementing decisions validated by the Board of Directors regarding the Company's general strategy. The Committee is responsible for overseeing strategic projects, deciding on priorities and implementing the necessary resources within the Company's various departments, such as deciding on significant capital expenditure (property, plant and equipment or intangible assets). It meets once every three months. At each meeting, the Committee reviews the Company's operations as well as its regulatory and quality management, financial situation, and sales and workforce, and monitors the Group's major projects. It also meets every month using telepresence technology.

Compensation and information governed by article L.225-100-3 of the French Commercial Code

Details of the compensation policy and the amount of compensation paid to directors, the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer are set out in section 4.3.

Information provided for under article L.225-100-3 of the French Commercial Code (information on factors likely to have an impact in the event of a public offer) is set out in section 7.5.

Shareholder participation in Shareholders' Meetings

The procedure for calling and participating in Shareholders' Meetings is set out in articles 19 and 20 of the bylaws.

4.2.2.3 Internal control and risk management procedures

Internal control is a process implemented by the Board of Directors, senior management and employees designed to provide reasonable assurance that the following objectives are achieved:

- consistency of operations with General Management's directives;
- reliability of financial information;
- compliance with applicable laws and regulations;
- management and control of operational and financial risks.

However, internal control does not provide absolute assurance that these objectives will be achieved.

The Group's internal control system is based on:

- the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
- the AMF's Reference Framework: "Internal Control and Risk Management Systems";
- recommendations published by the AMF.

The internal control system applies to all of the companies included in the Group's scope of consolidation.

Persons and departments in charge of internal control

- General Management and the Board of Directors, through the Audit Committee, help monitor and oversee the internal control system. For this purpose, General Management relies on audits carried out by the Internal Audit, Risk and Compliance Department, under the responsibility of the Secretary General, as described below.
- Under the authority of the Corporate Vice-President and Chief Financial Officer, who is a member of the Executive Committee, the Finance Department oversees Group-level functions (management control, reporting and consolidation, cash management, finance and tax) and the administrative and financial functions of each Group entity.
- The Quality Management Department reports to General Management which gives it the resources it needs to carry out the following duties: (i) develop and implement an overall quality management strategy within the Group, (ii) provide the regions with the necessary support so that they have the resources and tools they require in relation to quality management, (iii) ensure that the processes used to design, manufacture, distribute, install and maintain bioMérieux products comply with customers' needs and regulatory requirements, (iv) analyse the appropriateness and effectiveness of the quality management system used by all bioMérieux Group entities, and (v) follow up customer complaints and put in place "Post Market Surveillance" monitoring systems (see section 1.5.2).

  This department mobilises the resources required to apply or enforce the rules necessary to achieve quality objectives, or to ensure that all of the Company's personnel apply such rules.
- The HSE Department prepares, supports and monitors the application of the health, safety and environmental policy (see sections 3.3.2 and 3.4) This policy has been drawn up and provides for several measures relating in particular to (i) the prevention of occupational accidents and illnesses which are monitored through specific indicators, (ii) improving energy and carbon efficiency and protecting natural resources and the environment across the entire value chain in order to reduce the financial risk associated with these issues, and (iii) restricting access to various sites, as well as to sensitive premises and information. This policy has been approved and its introduction is monitored by the Group HSE Committee; its implementation is the responsibility of the management of each entity and function concerned, which, within its scope of responsibility, ensures the protection of persons and assets and minimises the impact of bioMérieux's activities on the environment.

  The HSE Department also monitors all regulatory requirements in this area (at the international, national and local levels) and develops and implements processes and procedures to guarantee their compliance. In particular, it monitors and ensures compliance with specific regulations concerning hazardous substances (REACH, Biocides, GHS and CLP regulations).

The HSE Department also participates in risk management at the production and the supply chain level. The procedures and processes are devised and implemented in order to identify major production risks and to manage them through business continuity plans. Climate change leads to natural disaster risks. The Company accounts for these risks in its risk analysis and management system by integrating them into the business continuity plans for each of its sites.

Lastly, the HSE Department ensures that the Company is implementing environmental and safety standard management systems at its production facilities. For this, an ISO 14001 and OHSAS 18001 certification program is currently being deployed for these sites.

- The Information Systems Department is responsible for: (i) supporting bioMérieux's business strategy and processes by providing services that meet the needs of users, through innovative solutions while complying with applicable laws and regulations, (ii) harmonising IT tools to enable faster and more effective operating decisions, (iii) ensuring the availability, continuity and performance of the IT services provided, as well as reducing IT costs, (iv) providing technical and functional support to customers within the Group and optimising the potential of solutions and services provided, (v) implementing and monitoring the information security program based on a risk management approach to guarantee the verification and protection of information (confidentiality and integrity) in accordance with security levels, and (vi) conducting audits on internal processes and those of outside partners in order to ensure proper implementation of and compliance with procedures.

  In order to achieve these objectives, the department operates out of various Group sites, particularly within three regions in France, the United States and China. It also relies on a network of external partners.

  Organisation and governance procedures for information systems help define priorities, identify objectives and monitor the progress of projects and the operating performance of services through the use of indicators and satisfaction surveys conducted throughout the year.

- The Legal Affairs and Intellectual Property Department contributes to the effective management of corporate governance by overseeing bioMérieux's relations with third parties (suppliers, customers, partners, governments, etc.) while protecting the Company's interests as regards its operations and in accordance with relevant legislation. It also organises the protection and valuation of scientific and technical innovations created by bioMérieux, in liaison with the departments concerned. In order to achieve these objectives, the department is structured into two sub-departments: Intellectual Property and Legal Affairs, the latter of which includes lawyers working specifically in the three regions.

- The Ethics and Compliance Department is part of the Internal Audit, Risk and Compliance Department under the responsibility of the Secretary General. It is in charge of drawing up, promoting and monitoring implementation of all compliance and ethical standards in accordance with applicable laws and the Company's Global Code of Conduct (see section 3.1.3).

  The work of the Ethics and Compliance Department is carried out through a central team and the Company's subsidiaries in each region. Each site or subsidiary has a dedicated "Local Compliance" team, which comprises at least the site director or the subsidiary manager, a training coordinator and a data privacy officer. This team acts as the central team's correspondent at the local level and is responsible for disseminating and applying the Ethics and Compliance program.

  The Ethics and Compliance Committee, set up under the Global Compliance Officer, is tasked with assisting the Ethics and Compliance team in the definition of the program, its implementation and its relevance to the identified risks. General Management and the Executive Committee are kept up-to-date on the progress of the Ethics and Compliance program.

Internal control process

Control activities are put in place by all corporate and operational departments based on Group procedures.

The Group has various written procedures (project management, investment management, processing of financial information, etc.), in French and in English which are accessible *via* its intranet and/or specific servers.

The Risk Department (part of the Internal Audit, Risk and Compliance Department) is in charge of mapping the Company's risks and identifying, assessing and regularly monitoring those risks (see Chapter 2).

bioMérieux's internal control environment is based on the elements described below:

Ethics and Compliance program

The objective of the Ethics and Compliance program is to ensure that policies and practices convey, both internally and publicly, bioMérieux's commitment to an organisational culture grounded in ethics and integrity. It strives to promote ethical conduct in all business dealings, provide training for employees on ethical standards and the laws that apply to them, and provide an opportunity for employees to voice their concerns and ask questions. The Ethics and Compliance program adopts a risk-based approach focused on the following:

- bioMérieux core values supporting employees every day;
- The Global Code of Conduct, regularly updated, sets out the rules of conduct and integrity applicable to Group employees. Communicated to all employees, it helps raise awareness in particular about the respect of rules and regulations concerning quality control, health, safety and the environment, conflicts of interest, professional ethics and integrity, protection of personal data and patient data, protection and proper use of assets and social responsibilities. The code also encourages every employee to express his or her concerns regarding compliance issues. Online training has been given to a large number of employees throughout the world;
- The Corruption Prevention Program, which, in addition to the Group's Global Code of Conduct, informs employees about their responsibilities in this area. Training and communication programs are also provided to employees who work with government representatives, intermediaries and other players in the healthcare sector;
- A whistle-blowing line is available to employees. It has been gradually deployed in all countries where the Company operates, and now covers all Group subsidiaries. As a general rule, any employee who witnesses a breach of the Global Code of Conduct should first report the issue to his or her manager or supervisor. Employees may also contact the Human Resources Department, the Legal Department or the Ethics and Compliance Department;

- Rules of ethics applicable to the financial markets are reflected in the Stock Market Code of Conduct drafted by bioMérieux, which every employee likely to hold inside information has signed. The Global Code of Conduct also sets out these rules.

Internal control manual

The Finance Department has compiled an internal control manual which sets out the main rules and controls with which all Group companies must comply. Training sessions for the Group's local finance teams were organised to accompany the distribution of this manual.

This Manual includes information on the rules governing the separation of duties, rules relating to commercial management and the management of spending commitments, banking flows and payments, payroll verification arrangements, the principles governing internal control, financial reporting and the approval of the financial statements.

Internal control in the regions and subsidiaries

The Chief Executive Officers and Chief Financial Officers of each region and subsidiary are responsible for ensuring the effectiveness of internal control procedures within their organisation and undertake to implement a system that ensures operating efficiency, reliability of financial and accounting information and optimal use of resources, while safeguarding assets and combating fraud.

In order to combat the increase in attempted external fraud, bioMérieux has set up a process for centralising information about these attempts, and for managing corrective and preventive measures. In particular, the Company regularly informs employees about commonly used fraud techniques.

Introduction of shared service centres in Poland and Argentina

Shared service centres were set up in Poland and in Argentina in 2012. As at end-2016, these two centres help to manage the accounting and sales administration activities of 19 subsidiaries. They also help to harmonise internal processes and, through an improved separation of duties, to strengthen internal control in smaller Group companies.

Launch of an integrated management software application

The Company rolled out an integrated management software application in 33 of its subsidiaries. It aims to facilitate the definition of consistent procedures and the implementation of a more effective internal control system.

Introduction of a financial training unit

A department exists within the Finance Department tasked with:

- training all new finance managers or directors within the subsidiaries in procedures and tools; two sessions are held each year;
- teaching financial skills to certain Company employees who do not have a financial background.

Global Quality Management System Manual

The Global Quality Management System Manual describes the corporate quality management system that applies to the Company's activities, from the design of products to their delivery and installation, including after-sales service.

In addition to this manual, each subsidiary, production site and R&D site has additional local documentation describing provisions that are specific to its activities.

These manuals are used as permanent reference documents for the implementation, management and improvement of the Quality Management System, as well as for relations between bioMérieux and its customers.

Regulatory standards

All Group products are designed, manufactured and delivered in accordance with applicable quality standards.

The quality management system for the design, manufacture and delivery of products was devised in conformity with ISO 13485 certification (for *in vitro* diagnostics) and ISO 9001 certification implemented voluntarily or as required by regulations.

All products for clinical applications are designed and manufactured at ISO 13485 certified sites.

Audits of production facilities may be carried out by competent authorities (see section 2.1.12 of the Registration Document).

Implementation and monitoring of the internal control and risk management system

Supervision of internal control and risk management, under the responsibility of the General Management and the Board of Directors, is based on the audit work as described below.

Internal Audit and Risk Departments

The Internal Audit and Risk Departments (part of the Internal Audit, Risk and Compliance Department) have a central team which relies on internal business line staff (some 30 employees). These departments are in charge of both risk management and of conducting audits to ensure that the procedures defined by the Group are duly applied by the subsidiaries and corporate departments.

Accordingly, they contribute to the continuous improvement of operating processes through risk analyses, internal audits and advisory services.

The Internal Audit Department is governed by an Internal Audit Charter that sets out its role and duties, the scope of its authority and powers and the methodology used. The methodology complies with professional standards.

From the basis of a central risk analysis, the Internal Audit and Risk Departments establish an annual audit plan, updated regularly, as well as a summary of the work carried out, which are regularly presented to the Audit Committee and the Executive Committee.

Quality Management Department

In line with its Quality Management System, the Company performs internal quality audits on its sites. These audits are conducted by the Company's internal quality auditors based on a program drawn up each year.

External audits

The Company is subject to various types of external audits as described below. The Statutory Auditors, Ernst & Young et Autres and PricewaterhouseCoopers and its network, audit the consolidated financial statements and the parent company financial statements as well as the individual financial statements of the vast majority of Group companies. For the other subsidiaries, the Statutory Auditors rely on the work carried out by these companies' external auditors.

In addition to the reports required by law, the audits by the Statutory Auditors are summarised in a report that covers material audit findings and the manner in which they have been resolved, as well as recommendations regarding the Group's internal control procedures. These recommendations are reviewed with the management of the subsidiaries concerned and their implementation is monitored.

The analysis and evaluation work of the internal control within the Company are carried out in close consultation with the Statutory Auditors. They are informed of the results of the work carried out by the Internal Audit and Risk Department.

In accordance with the Grenelle II law, an independent body, in this case Ernst & Young et Autres, must audit the environmental, labour-related and social information published by the Company.

The regulatory authorities carry out audits and inspections at the Company's sites, as described in section 1.5.2.

The Company's pharmaceutical customers use bioMérieux products in their quality control processes. To comply with the regulations governing their activity, these customers are obliged to conduct a large number of audits on bioMérieux's quality assurance system. These audits enable them to verify the compliance of this system with the GMP (Good Manufacturing Practice) requirements which apply to the pharmaceutical industry.

Internal control process relating to the preparation and processing of financial and accounting information

Definition and objectives

Financial and accounting internal control is a key component of the internal control system. It applies to all Group processes relating to the preparation and reporting of financial and accounting information and ensures that such information is reliable and complies with statutory and regulatory requirements.

Like internal control in general, it relies on a global system which includes the design and implementation of the Group's information system as well as monitoring, oversight and control policies and procedures.

Financial and accounting internal controls are designed to ensure that accounting and financial reporting comply with applicable rules, the instructions and objectives issued by General Management are duly applied, assets are safeguarded, fraud or errors in financial and accounting information are prevented or detected as far as possible, information circulated and used internally for monitoring or control purposes is reliable, insofar as it contributes to the preparation of the published financial and accounting information, the published financial statements and other information provided to the market are reliable.

Organisation and parties involved

Accounting/Finance

bioMérieux has compiled a "Manual of accounting and consolidation principles" for use by the Group's entities. This manual lists the principal items in the consolidated financial statements and specifies their contents. It also defines the valuation methods to be used.

For bioMérieux SA and its main subsidiaries, the accounting procedures required by the application of these principles and local regulations when recognising ordinary and recurring transactions are incorporated in the accounting software, in order to ensure that data are processed securely and automatically.

Management control

The annual budget is prepared by the Executive Committee and validated by the Board of Directors. This budget enables the Group's resources to be allocated to its various projects and activities.

bioMérieux and its subsidiaries all have a management control unit, the duties of which include verifying compliance with the budget. In addition, each function and each region has a dedicated management control unit in charge of drawing up and monitoring the annual budget.

Consolidation

The consolidation process is centralised within the Group. The consolidation team checks that the financial statements of the subsidiaries are prepared in accordance with the Group's accounting principles, as set forth in procedure manuals provided to all Group entities. It has a consolidation software package which includes all the financial statements of the subsidiaries and consolidates them in accordance with the Group's chart of accounts.

The consolidation process includes an in-depth analysis of the financial statements. A quarterly analysis report is prepared and provided to the Group's General Management.

Cash Management and Finance

In light of the large number of countries in which bioMérieux operates, this function also plays a key role in the accounting and financial internal control system. As such, it has notably set up a system of cash pooling, for which bioMérieux SA is the leader, and implements a prudent management of temporary cash surpluses, which are invested in compliance with an investment procedure validated by the Audit Committee.

bioMérieux SA is responsible for managing exchange rate risks in accordance with the Group's policy set out in section 2.4. This involves, in a context of the billing of sales in customers' local currency, the setting up of currency hedges on the Group's net exposure for currencies that allow such hedging at a reasonable cost, and a monthly adjustment in hedges depending on transactions. This exchange rate policy aims to protect the exchange rate levels used in the budget.

Control of subsidiaries

Operational control of subsidiaries is achieved through:

- regional Finance Departments which verify the pertinence of the human, financial and business resources available locally with the assistance of support functions;

- the presence of members of certain operational and/or finance functions on the boards or committees (Board of Directors or its equivalent) overseeing the activities of subsidiaries;
- a finance and administrative function in each subsidiary;
- a monthly review of their reporting. The subsidiaries' main performance indicators, pertaining primarily to sales, contributive operating income and financial structure, are compared to the same indicators of the previous year and to the budget.

Investor Relations Department

The Company's financial publications (annual and interim reports, press releases, etc.) are drafted on the basis of specific discussions and are submitted to the Group's General Management and Administrative and Finance Departments for review. Press releases relating to results and sales are reviewed by the Audit Committee.

The Chairman of the Board of Directors

4.2.3 Statutory Auditors' report prepared in accordance with Article L.225-235 of the French Commercial Code (*Code de commerce*) on the report prepared by the Chairman of the Board of Directors

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of bioMérieux, and in accordance with article L.225-235 of the French Commercial Code (Code de commerce), we hereby present to you the report prepared by the Chairman of your Company in accordance with article L.225-37 of the French Commercial Code for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by article L.225-37 of the French Commercial Code, in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report sets out the other information required by article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with article L.225-37 of the French Commercial Code.

Other Information

We attest that the Chairman's report sets out the other information required by article L.225-37 of the French Commercial Code.

Lyon, February 28, 2017

The Statutory Auditors

DIAGNOSTIC REVISION CONSEIL
Hubert de Rocquigny du Fayel

ERNST & YOUNG et Autres
Nicolas Perlier

4.3 Directors compensation and benefits

The information and tables set out in this section were prepared in accordance with the AFEP-MEDEF Corporate Governance Code and its user guide and comply with AMF recommendation N° 2012-02 (updated December 22, 2015), "Corporate governance and executive compensation in companies referring to the AFEP-MEDEF code – Consolidated presentation of the recommendations contained in the AMF annual reports" and AMF recommendation N° 2009-16 (updated April 13, 2015), "Guide for the preparation of registration documents".

4.3.1 Summary of directors' fees

The total fees payable to all directors are capped at €300,000 per year, in accordance with the fifth resolution of the Annual General Meeting of June 12, 2008.

Directors' fees are allocated as follows:

In euros	**Annual fixed amount***	**Variable amount** *(per meeting and per director)*
Board of Directors	4,000	4,000
Audit Committee	1,000	2,500
Human Resources, Appointment and Compensation Committee	1,000	3,000
Innovation and Technological Breakthroughs Committee	1,000	2,000

* *Calculated pro rata to the attendance of directors as from the date of their appointment.*

In accordance with the AFEP-MEDEF Corporate Governance Code, the variable portion linked to directors' attendance at meetings or participation in a committee is greater than the fixed portion.

Based on a recommendation of the Human Resources, Appointment and Compensation Committee, the Board of Directors held on February 28, 2017, will propose to the Annual General Meeting on May 30, 2017, a resolution on the establishment of a new pool for directors' fees to be paid to directors in the amount of €400,000, for the year ending on December 31, 2017.

Based on the recommendation of the Human Resources, Appointment and Compensation Committee, and subject to approval by the Annual General Meeting of the above resolution, the Board of Directors fixed on February 28, 2017, for the year ending on December 31, 2017, a new rule for the allocation of directors' fees as described below:

In euros	**Annual fixed amount***	**Variable amount** *(per meeting and per director)*
Board of Directors	5,000	5,000
Audit Committee	2,000	4,000
Human Resources, Appointment and Compensation Committee	2,000	3,000
Innovation and Technological Breakthroughs Committee	2,000	3,000

* *Calculated pro rata to the attendance of directors as from the date of their appointment.*

SUMMARY OF DIRECTORS' FEES (TABLE 3)

Board members	Directors' fees paid in 2016 *(in euros)*	Directors' fees paid in 2015 *(in euros)*
Jean-Luc Belingard	20,000	20,000
Alain Mérieux	27,000	27,000
Alexandre Mérieux	20,000	20,000
Philippe Archinard	41,000	43,000
Harold Boël	38,500	36,000
Marie-Hélène Habert	27,000	27,000
Michele Palladino	32,000	34,000
Agnès Lemarchand	32,000	29,500
Philippe Gillet	21,000	27,000
TOTAL	**258,500**	**263,500**

The directors did not receive any directors' fees in respect of any directorship held within Company subsidiaries.

4.3.2 Compensation policy

4.3.2.1 Principles and criteria to determine the compensation for executive corporate officers for the 2017 financial year (Say on Pay "Sapin II")

This section constitutes the report on the principles and criteria for the determination, distribution and allocation of fixed, variable and extraordinary elements making up the total compensation and benefits-in-kind, due to the executive corporate officers of the Company, i.e. the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer in respect of the 2017 financial year. This report was prepared in application of the provisions of article L.225-37-2 of the French Commercial Code. It is also attached to the management report for articles L.225-100 et seq. of the French Commercial Code. It was adopted by the Board of Directors on February 28, 2017, upon the recommendation of the Human Resources, Appointments and Compensation Committee, and will be subject to a vote during the Annual General Meeting of May 30, 2017.

General principles

The Human Resources, Appointment and Compensation Committee and the Board of Directors analyse the overall compensation for executive corporate officers taking into account all of the components:

- fixed portion;
- annual variable portion;
- deferred variable portion;
- multi-annual variable portion;
- if applicable, extraordinary compensation;
- entirely conditional stock option plans and performance shares;
- directors' fees;
- benefits-in-kind;
- termination benefits; and
- supplementary pensions.

The Human Resources, Appointment and Compensation Committee and the Board of Directors take into account:

- the Company's interest and strategy;
- the performance and development of the Company and the executive, on an annual and multi-annual basis;
- the compensation policy for all the Group's senior executives;
- the compensation paid directly by Institut Mérieux;
- analysis of market practices which allow them to compare the level and structure of executive compensation with that in force in other SBF 120 companies of a similar size (compensation level and trends, respective position and weight of each component of compensation) and in international companies operating in similar businesses; and
- if applicable, specific situations that may give rise in exceptional circumstances to extraordinary compensation.

The elements are reviewed on a yearly basis.

Moreover, the Human Resources, Appointment and Compensation Committee and the Board of Directors have decided:

- that no benefits in connection with a non-compete clause will be paid in the event of departure; and
- that no additional compensation will be paid by a Group subsidiary outside of directors' fees.

Fixed compensation

Fixed compensation for executive corporate officers is determined by taking into account the level and difficulty of responsibilities, experience in the function and of the Company's business, seniority in the Group and practices in force in groups or companies of a similar size.

Fixed compensation may only be reviewed at fairly long intervals – in theory every two or three years – excluding the overall pay review for all Company employees and barring exceptional events.

Based on a recommendation of the Human Resources, Appointment and Compensation Committee, the Board of Directors decided in 2016 to:

- increase the fixed compensation paid by bioMérieux to Jean-Luc Belingard by 1.2%, after two consecutive years in which no increases were awarded. This increase, which will be effective as of April 1, 2016, corresponds to the average award to the Company's managerial-grade employees (cadres) in France;
- increase the fixed compensation paid by bioMérieux to Alexandre Mérieux by 18.75%, to take into account the expansion in the scope of his responsibility. This increase was effective as of April 1, 2016.

In these conditions, for 2017, the fixed compensation for 2016 paid by bioMérieux:

- for the Chairman and Chief Executive Officer will be identical, i.e. €521,800; and
- for the Deputy Chief Executive Officer will be identical, i.e. €380,000.

In addition to their functions within the Company, Jean-Luc Belingard and Alexandre Mérieux exercise functions within Institut Mérieux, for which they are paid pursuant to an employment agreement signed with Institut Mérieux. This compensation is not rebilled to bioMérieux. The compensation paid directly by Institut Mérieux is therefore excluded from the Shareholders' Meeting's vote.

Annual variable compensation

Principle applied in the Company

The same caps and rules apply to the variable portion of compensation payable to executive corporate officers as apply to compensation for all Company employees.

The variable portion is expressed as a percentage of basic pay at December 31 of the year. This percentage depends on the grade of the employee and represents a theoretical target variable portion in the event that he or she achieves 100% of the objectives set. For the purpose of calculating variable compensation, a maximum achievement rate of 120% is applied. The Company's multiplier coefficient is then applied (matrix defined each year depending on achievement of the growth targets for revenue and contributive operating income before non-recurring items, and adopted by the Human Resources, Appointment and Compensation Committee and the Board of Directors), which in 2017 may reach a maximum of 135%. Thus, the amount of variable compensation cannot exceed 162% of the reference salary at December 31, 2017.

Variable compensation is calculated as follows:

Fixed compensation at December 31 x target bonus x % achievement rate x Company coefficient

Specific application to executive corporate officers

For executive corporate officers, objectives are set for the financial year, taking into account the performance criteria selected based on the Company's strategy. They comprise:

- on one hand, the Group's quantitative financial targets as per the guidance announced to the market at the beginning of the year, based on growth in revenue and contributive operating income before non-recurring items; and
- on the other hand, specific qualitative objectives regarding personal targets which are reviewed each year and defined in light of the Group's strategy priorities. The quantitative and qualitative components each determine 50% of variable compensation.

The extent to which the objectives have been met ("achievement rate") and the amount of variable compensation are determined by the Board of Directors based on a recommendation of the Human Resources, Appointment and Compensation Committee during the meeting held to approve the financial statements for the year.

In these conditions, the annual variable compensation for 2017, paid in 2018 after approval by the Shareholders' Meeting:

- for the Chairman and Chief Executive Officer could reach a maximum of 162% of his total fixed compensation, if the objectives described above are achieved; and
- for the Deputy Chief Executive Officer could reach a maximum of 162% of his total fixed compensation, if the objectives described above are achieved.

Deferred variable compensation

Jean-Luc Belingard is the beneficiary of a long-term conditional bonus ("2017 Bonus") to be paid in April 2017.

The Board of Directors set the variable compensation based on qualitative (definition of the Company's strategy) and quantitative (achievement of sales growth and recurring operating income objectives over four years) criteria, as well as on the continued presence of Jean-Luc Belingard as Chairman and Chief Executive Officer of the Company at March 31, 2015.

Based on a recommendation of the Human Resources, Appointment and Compensation Committee, the Board of Directors determined that 75% of the objectives set had been met:

- 100% of qualitative objectives in light of the definition of the Company's strategy, its reorganisation and the pertinence of its external acquisitions;
- 50% of quantitative objectives (the EBIT growth target was not met; the sales growth target was met); and
- the revaluation of this bonus in line with bioMérieux share price trends over the last four years.

The 2017 bonus paid to Jean-Luc Belingard will be €1,750,000.

In 2017, Alexandre Mérieux will not benefit from any deferred variable compensation.

Multi-year variable compensation

Multi-year variable compensation may be granted to executive corporate officers. In 2017, no multi-annual variable compensation will be proposed for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer.

Extraordinary compensation

Executive corporate officers may benefit from extraordinary compensation in the event of specific performance or the particularly successful implementation of certain projects by these executives. In 2017, no extraordinary compensation will be proposed for the Chairman and Chief Executive Officer and the Chief Operating Officer.

Stock option plans and performance shares

General principles

The level of shares awarded takes into account all of the elements used to determine the executive corporate officers' compensation as well as the market practices adopted by comparable listed companies.

Generally speaking, the respective proportion of stock options and performance shares awarded varies in line with the grade and performance of the beneficiaries, with the proportion of stock options increasing with the beneficiary's degree of responsibility and performance.

Under IFRS 2, the value of any share-based payment award is limited to one year of fixed and target variable compensation, with the target variable corresponding in this case to the compensation due when the beneficiary has an achievement rate of 100%. The total amount of annual awards to corporate officers must not exceed 2.5% of the total compensation pool approved by the Shareholders' Meeting for stock option and free share grants within the Group, or 5% of the annual total award (calculated where applicable in equivalent stock options for combined stock option and performance share grants).

Balance and proportionality

The conditions for the award and exercise of stock options and for the award and vesting of performance shares for executive corporate officers are contingent on demanding and appropriate internal and/or external performance criteria, which must be met over several consecutive years. The share-based payment plan formally states that executive corporate officers must be employed by the Group at the end of the vesting period in order to exercise their options or for their performance shares to vest.

Total stock option and performance share awards represent a low percentage of equity.

Mandatory holding period ("lock-up") for shares awarded by the Company

In accordance with French law and with the AFEP-MEDEF Corporate Governance Code, the Board of Directors sets the number of shares that corporate officers are required to hold:

- for performance shares, executive corporate officers must hold a number of shares equal to 40% of the performance shares, that will ultimately be awarded upon expiry of the vesting period;
- for stock options, executive corporate officers must hold a number of shares resulting from each exercise of options equal to 40% of the theoretical net capital gain (after tax and social security levies) calculated at the option exercise date.

The mandatory holding requirement will cease to apply three years after the award or at the end of the corporate officer's term of office.

Given the restrictive holding requirement set, it was not considered appropriate to require the executive corporate officers to purchase a specific quantity of shares in the Company when their performance shares become available, as recommended by the AFEP-MEDEF Corporate Governance Code.

The executive corporate officers are required to hold their shares in registered form, whether they are subject to the holding requirement or not.

The Group's internal code of conduct aimed at preventing insider trading forbids any sale of the Company's shares for a period of 30 calendar days preceding the date of publication of the Company's annual and interim financial statements (or 21 calendar days preceding the publication of quarterly information). This requirement to refrain from trading in the Company's shares expires one day after the clear publication of privileged information (e.g., in an official press release). During authorised trading periods, the Legal Department should be consulted in the event of any doubt about a possible transaction. In accordance with the AFEP-MEDEF Corporate Governance Code, executive corporate officers may not exercise the options allocated to them during these closed periods, even when the exercise of options is not followed by a sale of shares.

In 2017, no stock options or performance shares will be granted to the Chairman and Chief Executive Officer and Chief Operating Officer.

Other components of compensation and benefits-in-kind

Directors' fees

Directors' fees paid to executive corporate officers are part of the pool approved by the General Meeting and are the same as those paid to the other directors. Their allocation is defined by the Board of Directors and comprises a fixed portion, and a variable portion, specific to each Board and Committee. Their payment depends on the executives' attendance on the Boards (they are not members of any Committees).

In 2017, under the new pool that will be submitted to the Annual General Meeting of May 30, 2017 and according to the new allocation adopted by the Board of Directors of February 28, 2017 (see section 4.3.1), on the assumption that six Board of Directors' meetings will take place during 2017:

- the Chairman and Chief Executive Officer could receive a maximum of €35,000; and
- the Deputy Chief Executive Officer could receive a maximum of €35,000.

Supplementary pensions

Supplementary pensions for executives are the same as those for Company managers, i.e. a so-called "article 83" defined contribution plan.

The supplementary pension for the Chairman and Chief Executive Officer and part of that for the Chief Operating Officer are paid under their employment contract with Institut Mérieux , without being rebilled to bioMérieux and do not therefore require approval from the Shareholders' Meeting.

For 2017, the Deputy Chief Executive Officer will benefit from a supplementary pension in respect of his term of office within bioMérieux, another subsidiary of Institut Mérieux, subject to approval by the Shareholders' Meeting.

Benefits-in-kind

The Chairman and Chief Executive Officer benefits from a company apartment and car provided by Institut Mérieux, and not rebilled to bioMérieux.

The Deputy Chief Executive Officer benefits from a company car provided by Institut Mérieux, and not rebilled to bioMérieux.

In 2017, these elements do not therefore require approval by the Shareholders' Meeting.

Termination benefits

The Chairman and Chief Executive Officer benefits from termination benefits under the conditions defined in section 4.3.3.

The Deputy Chief Executive Officer does not benefit from termination benefits.

4.3.2.2 Consultation of shareholders on the components of executive corporate officers for 2016 fiscal year - Application of AFEP-MEDEF Corporate Governance Code

Jean-Luc Belingard

Components of compensation due or granted in respect of 2016	Amounts or accounting value subject to vote	Presentation
Fixed compensation	€894,958	Total fixed compensation amounted to €894,958 for 2016. This fixed compensation was paid by Institut Mérieux (€375,323, not subsequently rebilled to bioMérieux) and bioMérieux (€519,635).
Annual variable compensation	€1,281,999	On December 17, 2010, the Board of Directors set the variable compensation based on qualitative and quantitative criteria. This compensation is paid by bioMérieux and is reviewed annually by the Human Resources, Appointment and Compensation Committee, which reports its findings to the Board of Directors. • Pre-defined quantitative criteria based on the achievement of growth targets set for sales and contributive operating income before non-recurring items as per the guidance announced to the market at the beginning of the year determine 50% of variable compensation. • Pre-defined qualitative criteria based on the individual performance of Jean-Luc Belingard within the Company determine the remaining 50% of variable compensation. Mr. Belingard's gross variable compensation for 2016 in respect of his duties as Chairman and Chief Executive Officer was therefore set at €1,281,999, representing 143% of his fixed compensation at December 31, 2016 (110% achievement rate and application of the Company's 130% coefficient for 2016).
Deferred variable compensation	€1,750,000	Jean-Luc Belingard is the beneficiary of another long-term conditional bonus ("2017 Bonus") to be paid in April 2017. On March 12, 2013, the Board of Directors set the variable compensation based on qualitative (definition of the Company's strategy) and quantitative (achievement of sales growth and recurring operating income objectives over four years) criteria, as well as on the continued presence of Jean-Luc Belingard as Chairman and Chief Executive Officer of the Company at March 31, 2015. The target variable compensation was set at €1,200,000. Based on a recommendation of the Human Resources, Appointment and Compensation Committee, the Board of Directors on February 28, 2017 determined that 75% of the objectives set had been met: • 100% of qualitative objectives in light of the definition of the Company's strategy, its reorganisation and the pertinence of its external acquisitions; • 50% of quantitative objectives (the EBIT growth target was not met; the sales growth target was met); • the revaluation of this bonus in line with bioMérieux share price trends over the last four years. The total amount of the 2017 Bonus to be paid will therefore be €1,750,000.
Multi-year variable compensation	N/A	Jean-Luc Belingard has not been awarded any multi-year variable compensation other than that mentioned above.
Extraordinary compensation	0	Jean-Luc Belingard was not awarded any extraordinary bonus in 2016.
Stock options, performance shares and other long-term compensation	Stock options = N/A Shares = €2,394,000 Other long-term compensation = N/A	No stock options were granted during 2016. Jean-Luc Belingard was granted 20,000 free shares on May 26, 2016. The grant depends on continuous employment and performance criteria. The performance criteria are based (i) 50% on qualitative criteria taking into account in particular the integration of BioFire and (ii) 50% on quantitative criteria relating to the improvement of the Group's contributive operating income before non-recurring items in 2016, and, as of 2017, its free cash flow (FCF). If the 2016 contributive operating income before non-recurring items, on a like-for-like basis, is above or equal to that of 2015, one third of the quantitative criteria will be validated; if the 2017 FCF, on a like-for-like basis, is above that of 2016, one third of the quantitative criteria will be validated; if the 2018 FCF, on a like-for-like basis, is above that of 2017, one third of the quantitative criteria will be validated. Certain qualitative performance criteria are kept confidential for strategic reasons.

Jean-Luc Belingard

Components of compensation due or granted in respect of 2016	Amounts or accounting value subject to vote	Presentation
Directors' fees	€20,000	Jean-Luc Belingard received directors' fees in accordance with the terms and conditions set by the Board of Directors.
Value of benefits-in-kind	€19,050	Jean-Luc Belingard has the use of a company car and accommodation provided by Institut Mérieux.
Termination benefits	24 months of total fixed and variable compensation	On December 17, 2010, the Board of Directors set termination benefits for Jean-Luc Belingard equal to 24 months of his total fixed and variable compensation. The fixed compensation retained for the calculation will be his last annual basic salary. These termination benefits will only be payable after it has been established that the pre-defined criteria set out below have been met. The termination benefits will only be payable in the event of a forced departure resulting from a change of strategy or control. They will not be payable if he resigns, retires or takes up another role within the Group. In addition, they will be payable based on the achievement of growth targets set for sales and recurring operating income as per the guidance announced to the market in the year preceding the year of Jean-Luc Belingard's departure. The Annual General Meeting of June 15, 2011 approved this related-party agreement (fourth resolution). Based on a recommendation of the Human Resources, Appointment and Compensation Committee and in accordance with the AFEP-MEDEF Corporate Governance Code, at its March 2015 meeting, the Board of Directors modified the performance criteria applicable to Jean-Luc Belingard's termination benefits: these criteria are now assessed over two years rather than one year as originally specified in 2010 when he was appointed.
Benefits in connection with a non-compete clause	N/A	Jean-Luc Belingard does not receive any benefits in connection with a non-compete clause.
Supplementary pension plan	€1,135	In respect of his employment contract with Institut Mérieux, Jean-Luc Belingard is eligible for a supplementary pension plan with the following characteristics: defined contribution pension in accordance with article 83, to which the Company contributes up to salary bracket C.

Alexandre Mérieux

Components of compensation due or granted in respect of 2016	Amounts or accounting value subject to vote	Presentation
Fixed compensation	€446,200	The total fixed compensation for 2016 was paid by Institut Mérieux (€81,200, not subsequently rebilled) and bioMérieux (€365,000).
Annual variable compensation	€592,800	Variable compensation is reviewed annually by the Human Resources, Appointment and Compensation Committee. • The pre-defined quantitative criteria are based on the achievement of objectives relating to financial performance indicators applying to all of the Company's employees (growth in sales and contributive operating income before non-recurring items). • The pre-defined qualitative criteria are based on the individual performance of Alexandre Mérieux within the Company. Qualitative criteria determine 50% of Alexandre Mérieux's annual variable compensation. All variable compensation for a given year is paid during the following year by bioMérieux. The amount of variable compensation awarded to Alexandre Mérieux for 2016 in respect of his duties as Deputy Chief Executive Officer was set at €592,800 (representing 156% of his fixed compensation at December 31, 2016 in respect of his duties within bioMérieux), calculated based on an achievement rate of 120% and application of the Company's 130% coefficient for 2016.
Deferred variable compensation	N/A	Alexandre Mérieux does not receive any deferred variable compensation.
Multi-year variable compensation	N/A	Alexandre Mérieux does not receive any multi-year variable compensation.
Extraordinary compensation	N/A	Alexandre Mérieux does not receive any extraordinary compensation.
Stock options, performance shares and other long-term compensation	Stock options = N/A Performance shares = N/A Other long-term compensation = N/A	No stock options were granted during 2016. Alexandre Mérieux does not receive any performance shares.
Directors' fees	€20,000	Alexandre Mérieux receives directors' fees in accordance with the terms and conditions set by the Board of Directors.
Value of benefits-in-kind	€8,809	Alexandre Mérieux has the use of a company car provided by Institut Mérieux.

Alexandre Mérieux

Components of compensation due or granted in respect of 2016	Amounts or accounting value subject to vote	Presentation
Termination benefits	N/A	Alexandre Mérieux does not receive any termination benefits.
Benefits in connection with a non-compete clause	N/A	Alexandre Mérieux does not receive any benefits in connection with a non-compete clause.
Supplementary pension plan	€10,426	Alexandre Mérieux is eligible for a supplementary pension plan with the following characteristics: defined contribution pension in accordance with article 83, to which the company contributes up to salary bracket C, for bioMérieux (€9,342) and for Institut Mérieux (€1,084). It should be noted that last year's Registration Document erroneously indicated that the amount was paid by Institut Mérieux; in fact, bioMérieux pays this amount since 2015.

4.3.2.3 Information required on the corporate officers for the Registration Document

SUMMARY TABLE (TABLE 1)

Summary of compensation, stock options and free shares granted

to Jean-Luc Belingard – Chairman and Chief Executive Officer

In euros	2016	2015
Compensation for the year	2,216,007	2,010,993
Value of stock options granted during the year	0	0
Value of shares granted during the year*	2,394,000	0
Value of the other long-term compensation plans	1,750,000	1,600,000
TOTAL	**6,360,007**	**3,610,993**

* *at the share allocation date (May 26, 2016), according to IFRS 2 accounting method.*

Summary of compensation, stock options and free shares granted

to Alexandre Mérieux – Deputy Chief Executive Officer

In euros	2016	2015
Compensation for the year	1 067 809	818,219
Value of stock options granted during the year	0	0
Value of performance shares granted during the year	0	0
Value of the other long-term compensation plans	0	0
TOTAL	**1,067,809**	**818,219**

SUMMARY OF COMPENSATION

M. Jean-Luc Belingard

Summary of compensation, stock options and free shares granted

to Jean-Luc Belingard – Chairman and Chief Executive Officer (table 2)

In euros	**Amounts paid for 2016**		Amounts paid for 2015	
	Payable	Paid	Payable	Paid
Fixed compensation (bioMérieux)	519,635	519,635	515,000	515,000
Fixed compensation (Institut Mérieux)	375,323	375,323	375,323	375,323
TOTAL FIXED COMPENSATION	**894,958**	**894,958**	**890,323**	**890,323**
Variable compensation (bioMérieux)[(a)]	1,281,999	1,087,084	1,087,084	801,291
Variable compensation (Institut Mérieux)	0	0	0	0
Deferred variable compensation[(b)]	1,750,000	1,600,000	1,600,000	0
Extraordinary compensation[(c)]	0	0	0	500,000
TOTAL VARIABLE COMPENSATION	**3,031,999**	**2,687,084**	**2,687,084**	**1,301,291**
Target variable, % of basic pay[(a)]	100%	100%	100%	100%
Actual total variable compensation (%)[(a)]	143%	122.1%	122.1%	89.9%
Maximum variable compensation[(a)]	156%	156%	144%	144%
Directors' fees	20,000	20,000	20,000	20,000
Benefits-in-kind[(c)]	19,050	19,050	13,586	13,586
TOTAL	**3,966,007**	**3,621,092**	**3,610,993**	**2,225,200**
Value of stock options granted during the year	N/A		N/A	
Value of shares granted during the year	2,394,000		N/A	

(a) Variable compensation is calculated based on the reference fixed compensation at December 31, i.e. €896,503 (of which €521,800 for the bioMérieux portion). All percentages are calculated on this basis when they concern amounts payable for the financial year. Maximum variable compensation for 2016 takes into account the 2016 multiplier coefficient of 130% applicable to all employees.

(b) 2016 and 2017 bonuses described below.

(c) Based on the recommendation of the Human Resources, Appointment and Compensation Committee, the Company's Board of Directors approved the payment of an extraordinary bonus to Jean-Luc Belingard in recognition of his contribution to the BioFire acquisition, completed in January 2014.

(d) Company car and accommodation provided by Institut Mérieux.

Table of free performance shares granted during the year

to Jean-Luc Belingard by bioMérieux and any other Group company (table 6)

Number and date of plan	Number of shares granted during the year	Value of shares according to the method used for the consolidated financial statements[(a)]	Acquisition date	Availability date	Performance criteria
May 26, 2016	20,000	€2,394,000	May 26, 2019	at the end of Jean-Luc Belingard's term of directorship	Yes[(b)]

(a) At the share allocation date (May 26, 2016), according to IFRS 2 accounting method.

(b) Presence conditions and performance criteria. Performance criteria incorporate (i) 50% qualitative criteria, taking into account the integration of BioFire, and (ii) 50% quantitative criteria, relating to the improvement of the Group's contributive operating income before non-recurring items in 2016 and, as of 2017, free cash flow (FCF). If the 2016 contributive operating income before non-recurring items, on a like-for-like basis, is greater than or equal to the 2015 contributive operating income before non-recurring items, one third of the quantitative criteria will be validated; if the 2017 FCF, on a like-for-like basis, is higher than the 2016 FCF, one third of the quantitative criteria will be validated; if 2018 FCF, on a like-for-like basis, is higher than 2017 FCF, one third of the quantitative criteria will be validated. Certain qualitative performance criteria are kept confidential for strategic reasons.

Alexandre Mérieux

Summary of compensation, stock options and free shares granted

to Alexandre Mérieux – Deputy Chief Executive Officer (table 2)

In euros	**Amounts paid for 2016**		Amounts paid for 2015	
	Payable	Paid	Payable	Paid
Fixed compensation (bioMérieux)	365,000	365,000	320,000	320,000
Fixed compensation (Institut Mérieux)	81,200	81,200	80,923	80,923
TOTAL FIXED COMPENSATION	**446,200**	**446,200**	**400,923**	**400,923**
Variable compensation (bioMérieux)[(a)]	592,800	390,720	390,720	316,800
Variable compensation (Institut Mérieux)	0	0	0	0
Extraordinary compensation	0	0	0	0
TOTAL VARIABLE COMPENSATION	**592,800**	**390,720**	**390,720**	**316,800**
Target variable compensation as a % of total compensation (bioMérieux portion only)[(a)]	100%	100%	100%	100%
Actual variable compensation in %[(a)]	156.00 %	107.05%	122.10%	99.00%
Maximum variable compensation[(a)]	156%	156%	144%	144%
Directors' fees	20,000	20,000	20,000	20,000
Benefits-in-kind[(b)]	8,809	8,809	6,576	6,576
TOTAL	**1,067,809**	**865,729**	**818,219**	**744,299**
Value of stock options granted during the year	N/A		N/A	
Value of performance shares granted during the year	N/A		N/A	

(a) Variable compensation is calculated based on the reference fixed compensation at December 31, i.e. €380,000. All percentages are calculated on this basis when they concern amounts payable for the financial year. Maximum variable compensation for 2016 takes into account the 2016 multiplier coefficient of 130% (135% maximum) applicable to all employees.

(b) Company car provided by Institut Mérieux.

Alain Mérieux

Alain Mérieux receives a fixed salary, determined and paid by Institut Mérieux and rebilled in part to bioMérieux, within the scope of the service agreement between the two companies.

Summary of compensation, stock options and free shares granted

to Alain Mérieux – Director (table 3)

In euros	**Amounts paid for 2016**	Amounts paid for 2015
directors' fees[(a)]	27,000	27,000
other compensation[(b)]	131,200	198,300
TOTAL	**158,200**	**225,300**

(a) As a director of bioMérieux. No directors' fees are paid to Alain Mérieux for his directorship within Institut Mérieux.

(b) Alain Mérieux's compensation was reviewed as of May 1, 2015 after he became eligible for retirement. This compensation, consisting of fixed compensation only, is paid by the Institut Mérieux.

Philippe Archinard

As of April 1, 2015, a portion of Philippe Archinard's compensation is paid directly by Transgène, which explains the decrease in the portion paid by Institut Mérieux. The portion paid by Institut Mérieux, as the Director of its Immunotherapy division, is rebilled in part to bioMérieux within the scope of the service agreement between the two companies.

His gross variable compensation is based on his individual performance assessed against objectives set at the beginning of the year and is paid in the following year.

Summary of compensation, stock options and free shares granted

to Philippe Archinard – Director (table 3)

In euros	**Amounts paid for 2016**	Amounts paid for 2015
directors' fees[(a)]	41,000	43,000
other compensation[(b)]	269,221	661,465
TOTAL	**310,221**	**704,465**

(a) As a director of bioMérieux. No directors' fees are paid to Philippe Archinard for his directorship within Institut Mérieux.
(b) Compensation paid by Institut Mérieux:
- *In 2016, in fixed compensation, €131,200, in variable compensation, €130,000 and in benefits-in-kind, €8,021;*
- *In 2015, in fixed compensation, €201,769, in variable compensation, €450,000 and in benefits-in-kind, €9,696.*

Other directors

In 2016, the Company's other directors did not receive any compensation or benefits-in-kind from the Company, companies controlled within the meaning of article L.233-16 of the French Commercial Code, or the company that controls the company in which the director's term of office is served, within the meaning of said article, except for the above-mentioned directors' fees.

SUMMARY OF THE INFORMATION PRESENTED ABOVE (TABLE 11)

	Employment contract[(a)]		Supplementary pension plan[(b)]		Indemnities or benefits due or likely to be due as a result of a termination or change of office		Benefits relating to a non-compete clause	
Executive corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Luc Belingard Chairman and Chief Executive Officer since January 1, 2011 First appointment as director: 09/15/2006 Term expires: at the end of the 2018 AGM		✓		✓	✓			✓
Alexandre Mérieux Deputy Chief Executive Officer since December 19, 2008 First appointment as director: 04/16/2004 Term expires at the end of the 2018 AGM		✓	✓			✓		✓

(a) Jean-Luc Belingard has an employment contract with Institut Mérieux in respect of his duties within that company. This compensation is not rebilled to bioMérieux. He does not have an employment contract with bioMérieux for his compensation as executive corporate officer.
Alexandre Mérieux receives compensation paid by Institut Mérieux which is not rebilled to bioMérieux. He does not have an employment contract with bioMérieux for his compensation as executive corporate officer.
(b) Jean-Luc Belingard and Alexandre Mérieux benefit from a supplementary pension plan as part of their compensation from the Institut Mérieux with the following characteristics: retirement under article 83, defined contribution pension to which the company contributes up to salary bracket C. Alexandre Mérieux also benefits from a supplementary pension plan as part of his compensation paid by bioMérieux.

Other tables referred to in AMF recommendation No. 2009-16 that are not included in this document

Table 4 (Subscription or purchase options awarded during the year to each executive corporate officer by the issuer and by any Group company), table 5 (Subscription or purchase options exercised during the year by each executive corporate officer) and table 7 (Performance shares that have become available during the year for each executive corporate officer) are not required as no stock options have been granted or exercised by the executive corporate officers and no performance shares became available during the year.

Table 8 (Past awards of subscription or purchase options) and table 9 (Subscription or purchase options granted to the top 10 grantees other than corporate officers and options exercised by them) are not required as no stock options or performance shares were awarded by the Company to corporate officers/executive corporate officers.

Table 10 (Past free share grants) is shown in 7.4.3.3.

4.3.3 Commitments made in favour of corporate officers

In 2016, the Company made no other commitments whatsoever to its corporate officers regarding compensation, indemnities or benefits due or likely to be due in connection with their appointment, termination or change of office or subsequent thereto.

In 2010, the Board of Directors set termination benefits for Jean-Luc Belingard equal to 24 months of his total fixed and variable compensation.

The termination benefits will only be payable in the event of a forced departure resulting from a change of strategy or control. In addition, they will be payable based on the achievement of growth targets set for sales and operating income before non-recurring items as per the guidance announced to the market in the year preceding the year of Jean-Luc Belingard's departure. In 2015, the Board of Directors increased the duration for which the achievement of performance criteria would be evaluated to two years.

The termination benefits will only be paid after the Board of Directors has determined whether Mr. Belingard meets the foregoing conditions and will not be paid if he resigns, retires or takes on a different role within the Group.

No preferred shares have been allocated to corporate officers for 2016.

4.3.4 Loans and securities granted to corporate officers

N/A

4.3.5 Amounts provisioned or recognised by the Company or its subsidiaries for the payment of pensions, retirement or other benefits

N/A


BIOMÉRIEUX

5 Comments on the financial year

5.1 Selected financial information

CONSOLIDATED INCOME STATEMENT

Consolidated income statement *In millions of euros*	2016	2015	% change as reported
Sales	2,103	1,965	+7.1%
Gross profit	1,101	989	+11.3%
Contributive operating income before non-recurring items[(a)]	298	260	+14.5%
Operating income[(b)]	282	195	+44.9%
Net income for the year	179	110	+62.4%
Earnings per share (in euros)	4.54	2.80	

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

(b) Operating income is the sum of contributive operating income before non-recurring items, BioFire acquisition fees and purchase price amortisation expense and "material, extraordinary and non-recurring items" included within "Other non-recurring income and expenses from operations, net", chiefly impairment loss and net non-recurring transaction fees in 2015, and in 2016, translation differences recorded in the consolidated income statement relating to the deconsolidating capital increase of bioTheranostics.

CONSOLIDATED BALANCE SHEET

In millions of euros	Net 12/31/2016	Net 12/31/2015
Assets		
Non-current assets	1,846	1,672
Current assets	1,183	1,096
Assets held for sale	0	6
TOTAL ASSETS	**3,029**	**2,774**
Shareholders' equity and liabilities		
Shareholders' equity	1,621	1,503
Non-current liabilities	648	582
Current liabilities	760	683
Liabilities related to assets held for sale	0	6
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3,029**	**2,774**

CONSOLIDATED STATEMENT OF NET CASH FLOWS AND CHANGES IN NET DEBT

In millions of euros	2016	2015
EBITDA[a] (before non-recurring items)	**441**	**380**
Net cash from operating activities	**336**	**310**
Net cash used in investing activities	(233)	(208)
Other cash flows	(18)	0
Free cash flow[b]	**85**	**102**
Finance lease transactions	(44)	0
Net cash used in acquisitions	(38)	(25)
Dividends	(40)	(40)
Change in net cash (net debt)	**(37)**	**37**
Net cash and cash equivalents (net debt) at beginning of year	219	249
Change in net cash and cash equivalents (net debt) and currency impact	56	(30)
Net cash and cash equivalents (net debt) at year-end	**275**	**219**

(a) Contributive operating income before non-recurring items, depreciation and amortization.
(b) Before financial investments and dividends.

5.2 Operating and financial review

5.2.1 Sales

The consolidated sales of bioMérieux amounted to €2,103 million in 2016, versus €1,965 million at December 31, 2015. Year-on-year organic sales growth (*i.e.* at constant exchange rates and scope of consolidation) outperformed objectives at 9.6%, led by an acceleration of around 500bp driven by FilmArray® sales. In a volatile currency environment, reported sales growth came to 7.1%, held back by a negative currency impact of around €33 million, as well as the change in scope resulting primarily from the deconsolidation of bioTheranostics as of January 1, 2016.

Analysis of sales
In millions of euros

SALES – TWELVE MONTHS ENDED DECEMBER 31, 2015	**1,965**		
Currency impact	(33.2)	(1.7%)	
Organic growth (at constant exchange rates and scope of consolidation)	+186.1	+9.6%	} +8.9%
Changes in scope of consolidation*	(14.3)	(0.7%)	
SALES – TWELVE MONTHS ENDED DECEMBER 31, 2016	**2,103**	**+7.1%**	

* *Deconsolidation of bioTheranostics and consolidation of Applied Maths as of January 1, 2016. Consolidation of Hyglos as of June 1, 2016.*

Year-on-year sales trends may be summarised by geographical area as follows:

Sales by region *In millions of euros*	**12 months ended 12/31/2016**	12 months ended 12/31/2015	Movements As reported	**Movements At constant exchange rates and scope of consolidation**
Europe*	851.1	842.7	+1.0%	+2.7%
Americas	877.2	749.3	+17.1%	+19.0%
North America	739.2	612.2	+20.7%	+20.6%
Latin America	138.0	137.0	+0.7%	+12.2%
Asia-Pacific	364.7	347.4	+5.0%	+6.3%
TOTAL SALES FROM THE REGIONS	**2,093.1**	**1,939.4**	**+7.9%**	**+9.7%**
bioTheranostics		18.4		
Applied Maths	3.8			
R&D-related revenue	6.4	6.8		
TOTAL	**2,103.2**	**1,964.7**	**+7.1%**	**+9.6%**

* *Including the Middle East and Africa. 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.*

- In the Americas (42% of the Group's total cumulative revenue), sales for the region represented €877 million, a rise of 19% year-on-year.
  - In North America (35% of the Group's total cumulative revenue), sales for the region represented €739 million, a rise of almost 21% year-on-year. The FilmArray® molecular biology line was the chief growth driver in this region. Moreover, the improved performance was also spurred by the fast-paced development of the VIDAS® immunoassays line and particularly by the VIDAS® B•R•A•H•M•S PCT™ test, amid fiercer competition, as of the second half of the year, which is having no significant impact for the time being. Sales growth was also buoyed by advances in microbiology lines, in particular the BacT/ALERT® line used in blood cultures.
  - In Latin America, sales for the region were up 12.2% to €138 million, fuelled mainly by price increases in response to local inflation. The strong momentum across the region over the first nine months of the year weakened slightly during the fourth quarter, particularly in Brazil which was affected by social unrest. FilmArray® sales in Latin America during the year were encouraging for the future development of the line in this region.
- In Europe – Middle East – Africa (41% of the Group's total cumulative revenue), sales were up 2.7% year-on-year, at €851 million.
  - In Western Europe (34% of the Group's total cumulative revenue), sales reached €723 million, a rise of 1.5%. Business in Germany, the United Kingdom, Switzerland and Spain boosted growth in the region, offsetting more modest growth in Italy and Benelux, even slowdowns in France and the Nordic countries. Vigorous growth in industrial applications also helped counter a more moderate advance in clinical sales.
  - In the Eastern Europe – Middle East – Africa region, the year-on-year growth in sales reached 9.1%, driven by the strong performances in South Africa, Algeria and several Middle Eastern countries.
- In Asia-Pacific (17% of the Group's total cumulative revenue), sales reached €365 million, a 6.3% rise year-on-year. The growth in sales of reagents more than offset the slowdown in sales of instruments.
  - In China, reagent sales made further advances and pushed growth up to 9% for the full year.
  - In India, despite slower sales growth in the fourth quarter compared to previous quarters, the sales dynamic remained very satisfactory during the financial year, with double-digit growth.

Year-on-year sales trends may be summarised by application as follows:

Sales per application *In millions of euros*	**12 months ended 12/31/2016**	12 months ended 12/31/2015	Movements As reported	**Movements At constant exchange rates and scope of consolidation**
Clinical Applications	**1,678.0**	**1,551.9**	**+8.1%**	**+9.9%**
Microbiology	897.3	879.2	+2.1%	+4.0%
Immunoassays[a]	451.7	435.6	+3.7%	+5.8%
Molecular biology[b]	322.8	226.2	+42.7%	+43.3%
Other lines	6.1	11.0	(44.3%)	(46.9%)
Industrial Applications	**379.9**	**362.7**	**+4.7%**	**+6.6%**
bioTheranostics		18.4		
BioFire Defense	35.2	24.8	+41.9%	+41.5%
Applied Maths	3.8			
R&D-related revenue	6.4	6.8		
Total	**2,103.2**	**1,964.7**	**+7.1%**	**+9.6%**

(a) Including VIDAS®: +7.8%.
(b) Including FilmArray® €249 million.

- In clinical applications, which represent about 80% of the Group's sales, sales reached €1,678 million, a rise of 9.9% year-on-year.
  - In microbiology, the business was mainly driven by the BacT/ALERT® blood culture line, by the VITEK® bacterial identification and antibiotic susceptibility testing line, and by culture media. Reagent sales, up almost 6% over the year, largely offset a slowdown in instrument sales.
  - In immunoassays, sales of the VIDAS® line climbed 7.8% in the financial year, driven by the development of reagent sales mainly in the Americas and to a lesser extent in the Asia-Pacific and Middle East – Africa regions.
  - Sales in molecular biology surged by 43%, primarily led by growth in FilmArray® sales. The stellar performance from the Gastrointestinal and Meningitis/Encephalitis panels spurred the line's growth, among which the respiratory panel remains the primary driver. The installed base continued to expand: it now represents 4,000 units installed at around 1,400 customers across the globe. The proportion of sales generated outside of the United States continued to grow, accounting for more than 11% of all sales, illustrating the increasing take-up of syndromic diagnosis for infectious diseases around the world. Given this favourable environment and leveraging the exciting potential of FilmArray® technology in terms of both menu and systems, the Company will be stepping up its R&D programmes and sales initiatives.
- In industrial applications (18% of the Group's sales), revenue amounted to €380 million, a rise of 6.6% year-on-year. Sales were driven by the growth in the microbiology lines, in particular culture media, and by the growth in immunoassays.
- By year-end 2016, the product mix was again improved by organic growth in sales of reagents and services, which were up 11% year-on-year.

5.2.2 Financial position

5.2.2.1 Consolidated income statement

Gross profit

Gross profit for the year stood at €1,101 million or 52.3% of sales, up significantly from 50.3% the year before. The rise in gross margin was led mainly by:

- an improved product mix, with a higher proportion of reagent sales in 2016 coupled with growth in the FilmArray® line,
- by U.S. operations, which saw action plans stabilize relating to Quality System improvements at industrial sites and a moratorium on the Medical Device Excise Tax.

These factors more than offset the impact of the new model for re-invoicing intra-group IT costs (see Appendix 3), impairment of certain technologies and industrial facilities, and the increase in depreciation charged against placed instruments at customer locations.

Contributive operating income before non-recurring items

Contributive operating income before non-recurring items came in at €298 million for 2016 (2015: €260 million), representing robust 14.5% growth even as efforts continued to secure the Group's future development. Contributive operating income before non-recurring items as a percentage of sales was significantly higher, at 14.2% versus 13.2% in 2015, mainly reflecting the rise in gross margin.

Selling, general and administrative expenses amounted to €570 million, or 27.1% of sales, compared with €529 million, or 26.9% of sales, in 2015. The improvement in this item related to the deconsolidation of bioTheranostics was more than offset by efforts to roll out the FilmArray® line, and by the provision recognized in respect of the potential application of the Manovra Sanita[1] law in Italy.

(1) Under the Manovra Sanita law, industry players will be liable for a portion of the deficit of Italian health institutions.

R&D expenses amounted to €272 million in 2016, or 12.9% of sales, up from €239 million, or 12.2% of sales in 2015. The increase in R&D expenses was due to additional efforts to develop the FilmArray® line, the impairment of certain technologies, and the impact of the new model for re-invoicing intra-group IT costs.

Research tax credits and grants came to €24 million for the year, versus €25 million in 2015.

Other operating income, which mainly comprises net income from royalties, totaled €15 million for the year, on a relative par with the €14 million reported in 2015. The Company expects to see a sharp drop in royalty income in 2017 due mainly to the expiration of certain patents in 2016.

Table reconciling contributive operating income before non-recurring items to operating income
In € millions

	2016	2015
CONTRIBUTIVE OPERATING INCOME BEFORE NON-RECURRING ITEMS	**298**	**260**
BioFire acquisition costs		
Amortization of BioFire technologies and intangible assets	(19)	(19)
Utilization of BioFire inventory remeasured at fair value		
Termination fees on BioFire distributor agreements		
Provision for retention bonus	(7)	(13)
OPERATING INCOME BEFORE NON-RECURRING ITEMS	**273**	**228**
Other non-recurring income and expenses from operations, net	10	(33)
OPERATING INCOME	**282**	**195**

Operating income

BioFire acquisition expenses totaled €25 million in 2016 versus €32 million one year earlier. These expenses included:

- €19 million in depreciation/amortization charged against assets valued at the acquisition date (stable year-on-year),
- the remaining balance of the key employee retention plan set up at the time of the acquisition, representing €7 million in 2016 compared with €13 million in 2015, when the provision covered the full post-acquisition period.

The deconsolidation of bioTheranostics following the private equity financing deal signed in 2015 and completed in early 2016, led to the recognition of an expected €10 million non-recurring gain in 2016, linked mainly to the reversal of the corresponding translation adjustments in the income statement.

As a result, operating income ended the year at €282 million, up 45% on the €195 million reported in 2015.

Net income of consolidated companies

Net financial expense amounted to €23 million in 2016, compared with €18 million in the prior year.

Cost of debt fell to €18 million from €25 million in 2015, as interest expense on financing remained stable but the fair value of interest rate hedges rose.

Other financial expenses were recognized for a total amount of €6 million in 2016, whereas other financial income of €6 million was reported in 2015, including a capital gain on the sale of a minority interest. Apart from the absence of any such capital gain in 2016, the rise in other financial expenses chiefly reflected the increase in the cost of currency hedging instruments following the decline in euro interest rates, along with the accrual of provisions for late-payment interest in connection with certain disputes.

The Group's effective tax rate at December 31, 2016 stood at 30.8% versus 37.4% at end-2015. The decrease in the effective tax rate in 2016 reflects the recognition of non-recurring items, including the deconsolidation of bioTheranostics which generated non-taxable income in the year (see above), after a sharply negative impact in 2015, as well as the impact of tax disputes for a net amount of €6.5 million. The lower effective tax rate was also attributable to the decrease in the tax rate in France from 38% in 2015 to 34.4% in 2016, offset by the diminishing favorable impacts of certain tax credits recognized within operating items (namely research tax credits). Excluding these one-off items, the recurring effective tax rate would have been around 28%, with taxable earnings in the United States accounting for a growing proportion of the total, compared with 26% in 2015, which had been boosted by the positive impact of tax credit claims in respect of prior years.

Net income of consolidated companies jumped 62% year-on-year to €179 million in 2016, up from €110 million in 2015.

5.2.2.2 Cash management and finance

Net cash from operating activities

Net cash from operating activities ended the year at €336 million, up €26 million or 8.3% on 2015.

EBITDA rose a sharp 16.0% to €441 million in 2016 from €380 million in 2015, reflecting the increase in contributive operating income before non-recurring items and net additions to depreciation and amortization of operating items as well as operating provisions.

Against the backdrop of robust earnings growth, working capital requirement rose by €33 million in 2016 (up €37 million in 2015), under the combined impact of the following factors:

- Trade receivables was up just €10 million year-on-year despite the sharp rise in business, thanks to strict management of payment collection periods. In 2015, trade receivables had fallen €16 million, mainly reflecting exceptional inflow behavior in southern European countries.
- Trade payables remained virtually stable, whereas they decreased by €17 million in 2015.
- The increase in inventories represented €41 million, close to the 2015 figure despite the growth in business.
- Other operating working capital components fell by €22 million in 2016 compared with a decrease of only €5 million in the prior year.

Income tax paid amounted to €81 million, a sharp rise on the €30 million paid in 2015 following the removal of bioTheranostics from the U.S. tax consolidation group and the utilization of BioFire's tax loss carryforwards.

Net cash used in investing activities

As expected, capital expenditure outlays rose significantly in 2016, to €233 million – with the lease financing arranged to fund the extension of the Marcy l'Etoile site adding a further €44 million – compared with capex of €208 million in 2015. The increase reflects the simultaneous implementation of major capital projects designed to increase capacity at several of the Group's production sites, most of which were completed in 2016.

In light of this sustained capital expenditure drive, free cash flow ended the year at €85 million, versus €102 million in 2015.

Purchases of non-current financial assets, net of disposals, amounted to €30 million, up from €18 million in 2015. The amount for 2016 includes €17 million for the deconsolidation of cash relating to bioTheranostics and to a microplates joint venture.

Net cash used in financing activities

Net cash used in financing activities totaled €52 million versus €62 million in the prior-year period. In June 2016, the Company paid €39.5 million in dividends, unchanged from the 2015 dividend, and bought back shares for €14 million under the share buyback program, compared with €1 million the previous year.

Net debt

Consolidated net debt amounted to €275 million at December 31, 2016, versus €219 million at December 31, 2015.

The Company has issued €300 million in bonds maturing in October 2020, and holds an undrawn syndicated line of credit. The terms of this credit facility were revised in January 2017 (see "Subsequent events" below).

5.2.2.3 Other information

Installed base

At December 31, 2016, the installed base amounted to approximately 86,900 instruments, versus 84,500 instruments at December 31, 2015. In late 2016, the Group withdrew 2,600 of its information database systems following a physical inventory conducted at its customers' premises in several countries across the globe. Adjusted for these withdrawals, around 5,000 new instruments were installed in 2016, on a par with 2015. Investments as a proportion of total installations rose year-on-year, representing 9% of total installations versus 7% in 2015.

Human resources

At December 31, 2016, the Company had a total of 9,800 full-time-equivalent employees and temporary staff.

5.2.2.4 Operating highlights

Commercial offer

During 2016, bioMérieux enhanced its commercial offering in several areas:

- on April 8, 2016, BioFire Diagnostics, its molecular biology affiliate, received clearances from the US FDA to market the FilmArray® Torch system for use with all of the FDA-cleared panels. FilmArray® Torch was CE marked at the same time. This system is available for sale in the United States and was launched in Europe in the autumn of 2016;
- furthermore, October 11, 2016, bioMérieux also announced that it had received FDA 510(k) clearance and a Clinical Laboratory Improvement Amendments (CLIA) waiver for the FilmArray® Respiratory Panel EZ (FilmArray® RP EZ). The CLIA waiver permits use of the test outside traditional clinical laboratories in sites such as physician's offices and urgent care centers.
- on June 28, 2016, the FDA issued 510(k) clearance to expand the use of the VIDAS® B•R•A•H•M•S PCT™ (procalcitonin) assay using the change in PCT levels over time to aid in the management of sepsis patients after the initial diagnosis. Based on a recent study, monitoring PCT levels over four days (96 hours) can help doctors determine which septic patients are at the greatest risk of death, enabling them to quickly adjust the medical care for those patients;
- the VIDAS® AMH test was CE-marked in June 2016 and is now commercially[1] available. Anti-Müllerian hormone (AMH) testing assesses the ovarian follicle reserve in women and represents a significant advance in the treatment of female infertility, helping to optimise the protocols for medically assisted procreation by personalising the different stages of ovarian stimulation. In addition, AMH can play a role in the diagnosis of ovarian dysfunction (caused for example by polycystic ovary syndrome). The new test enhances the existing range of VIDAS® women's health solutions for the diagnosis and follow-up of the most important types of mother-to-foetus infection and for the investigation of reproductive hormone dysfunction;

(1) Additional information on product availability may be found at www.biomerieux-diagnostics.com/vidas-amh-countries-list

- on October 6, 2016, bioMérieux announced the launch of EviSight™ Compact, an intelligent incubator system providing real time culture media reading. For use in pharmaceutical industry settings, EviSight™ Compact combines incubation, intelligent automated detection and enumeration of colonies of bacteria, yeasts and molds in a single system;
- bioMérieux has announced the CE-marking of an updated release of its BacT/ALERT® VIRTUO™ blood culture automated system, featuring new capabilities. The next generation BacT/ALERT® VIRTUO™ system features blood level detection that directly measures the blood volume added to each blood culture bottle at loading time, to track and ensure collection of the recommended blood volume. Moreover, this new version can combine up to three additional incubator subunits, connected to a single command module, thus creating an integrated configuration that offers an incubation capacity capable of managing high-volume testing. The new version of the BacT/ALERT® VIRTUO™ system has been submitted to the FDA for 510(k) clearance;
- bioMérieux has announced the launch of the first CE-marked database and reagent kits for the identification of mycobacteria, Nocardia, and moulds in the VITEK® MS mass spectrometry system. These difficult-to-identify disease-causing organisms require specific culture conditions for appropriate growth and subsequent advanced methods for reliable identification to species level. The VITEK® MS extended database now enables the identification within minutes of 1,046 species representing 15,172 distinct strains of bacteria, yeasts and moulds. It is part of a fully integrated solution combining identification with VITEK® MS and antibiotic susceptibility testing with VITEK® 2, resulting in superior workflow management;
- in November 2016, bioMérieux announced the launch of eMAG®, its new molecular biology platform for extracting nucleic acids (DNA, RNA). eMAG® is based on the quality, robustness and simplicity in use which have ensured the success of the NucliSENS® easyMAG® platform, by adding automation from the primary tube, improved traceability, higher throughput, as well as currently unrivalled flexibility for an automated nucleic acid extraction system. eMAG® is CE marked and commercially available in Europe and the United States. The system will be gradually launched in the other countries as of early 2017.

Acquisitions

bioMérieux, the world leader in industrial microbiological control, announced on June 1, 2016 the acquisition of Hyglos, a Bernried, Germany-based company specialising in the detection of endotoxins. Founded in 2009, Hyglos has unique, recognised expertise in the development and production of recombinant proteins used to detect endotoxins in pharmaceutical products. The total consideration paid by bioMérieux to acquire all outstanding Hyglos shares will amount to €24 million, phased over the next three years.

Production and quality system

On 8 July 2016, France's ANSM drug regulatory agency notified bioMérieux that it had lifted the injunction letter issued in February 2015 following the completion of compliance work on certain production units at the facility in Craponne, France.

Appointments

Acting on the recommendation of the Chairman, the Board of Directors noted the appointment of Michel Baguenault as General Secretary with the following responsibilities: Secretary of the Board, Human Resources, Communications, Corporate Social Responsibility, Internal Audit, Risk and Compliance.

Furthermore, bioMérieux announced that Pierre Boulud had been appointed Corporate Vice President of the Asia-Pacific region with effect from November 2. Mr. Boulud has joined bioMérieux's Executive Committee and reports directly to Alexandre Mérieux, Deputy CEO. He has been in charge of bioMérieux's portfolio and strategic planning since January 1, 2017.

5.3 Capital resources

5.3.1 Share capital

See the consolidated statement of changes in equity in section 6.1.1 and Note 13.1 of section 6.1.2

5.3.2 Sources and amounts of cash flows

Net debt amounted to €275 million at December 31, 2016, versus €219 million at December 31, 2015.

Further information relating to cash flow is presented in section 5.2.2.2.

The consolidated cash flow statement is presented in section 6.1.1.

5.3.3 Borrowing conditions and financing structure

The Company has issued €300 million in seven-year bonds, which were placed with institutional investors in October 2013. It also has an undrawn €500-million syndicated line of credit expiring on January 26, 2022, which includes options to extend the term by two years. Lastly, in 2015, it signed a 12-year, €45-million lease financing agreement to fund the extension of the Marcy l'Etoile site. In order to meet the general financing needs of bioMérieux SA and its subsidiaries, the Company can use a programme for the issuance of short-term marketable securities in the amount of €300 million.

The details and terms and conditions of these financing facilities are provided in Note 15 in section 6.1.2.

5.3.4 Restrictions on the use of the share capital

See Note 15.4 of section 6.1.2.

5.3.5 Expected financing sources

Current industrial capital expenditure is generally financed by the Company's equity (see the consolidated statement of cash flows in section 6.1.1).

5.4 Significant change in financial or trading position

To the best of the Company's knowledge, no significant change in its financial or trading position has occurred since the end of 2016, with the exception of the information described in section 5.6 of this Registration Document.

5.5 Investments

5.5.1 Principal investments

The year 2016 was shaped by the completion of several major projects:

- construction of a new building in Salt Lake City (Utah, United States) in order to automate the production of FilmArray® reagents, increase capacities, and bring together the BioFire teams;
- construction of a new building for the packaging of VIDAS® tests on the Marcy l'Etoile (France) site with the commissioning of an automated line;
- extension of the Marcy l'Etoile (France) site with the Campus de l'Etoile which will host the support functions;
- start-up of the production unit for molecular biology reagents in Hyderabad (India).

Capital expenditure totalled €233 million, of which €178 million in industrial capital expenditure and €58 million in placed instruments, in addition to the extension of the Marcy l'Étoile site, which is subject to a real estate lease agreement in the amount of €44 million. In all, they represented 11.1% of revenue. As of December 31, 2015, capital expenditure totalled €208 million (including changes in debt on acquisition of fixed assets), of which €157 million in industrial capital expenditure and €44 million in placed instruments.

5.5.2 Principal investments in progress

In 2017, the Company anticipates an overall investment effort that should be between 9 and 10% of sales for the financial year.

The Global ERP project, which began in 2008, is one of the main projects that will continue to be implemented.

- Europe, Middle East, Africa:
  - Marcy l'Etoile (France): continued restructuring of the site with the construction of a new building intended for immunoassay R&D.
  - Craponne (France): restructuring of the site in order to improve and increase its hosting capacity.
- Americas:
  - Durham, North Carolina (United States):
    - completion of the construction of a new building and start-up of a new BacT/ALERT® bottles production line in order to increase the site's production capacity,
    - increase of the autoclaving capacity;
  - St Louis (Missouri, United States): continued automation of the VITEK® 2 cards production line.
- Asia-Pacific: construction of a new Campus on the Shanghai (China) site.

Current capital expenditure is generally financed by the Company's equity (see the consolidated statement of cash flows in section 6.1.1), with the exception of the Campus de l'Etoile construction which is financed through finance leasing.

5.5.3 Principal future investments

In addition to current projects, bioMérieux will continue to adapt and upgrade its production resources.

5.6 Overview and current trends and objectives

5.6.1 Subsequent events

5.6.1.1 Partnership with Banyan Biomarkers

On January 19th, 2017, bioMérieux and Banyan Biomarkers, an innovative biomarkers company, based in San Diego (United States), developing blood tests capable of diagnosing traumatic brain injuries (TBI), announced today that they have entered into a partnership. Under the terms of the agreement, bioMérieux obtains the rights to develop and market Banyan's proprietary tests worldwide for use in in vitro diagnostics, with preferred rights for its VIDAS® immunoassays range. In addition, the two companies will continue to explore co-development opportunities in the area of TBI and critical care. bioMerieux will be acquiring an equity interest in Banyan Biomarkers for USD 7 million, after which it will hold less than 20% of Banyan's fully diluted shares.

5.6.1.2 Extension of the use of the VIDAS® B•R•A•H•M•S PCT™ test

On February 24th, 2017, bioMérieux has received 510(k) clearance from the U.S. Food and Drug Administration (FDA) for the expanded use of VIDAS® B•R•A•H•M•S PCT™, to help clinicians make important decisions regarding the optimal use of antibiotics in two common clinical situations: lower respiratory tract infections (LRTI) and sepsis.

In the case of patients with LRTI, VIDAS® B•R•A•H•M•S PCT™ will aid physicians in decision-making to safely reduce overall antibiotic use. In the case of sepsis patients, VIDAS® B•R•A•H•M•S PCT™ will aid physicians on deciding when antibiotics can be safely discontinued. Using VIDAS® B•R•A•H•M•S PCT™ in these frequent and important clinical situations will help reduce inappropriate and unnecessary antibiotic use, which may avoid the side effects associated with their use while slowing and preventing the emergence of resistant bacteria.

5.6.2 Outlook for financial year 2017

The organic growth in bioMérieux's sales during 2017 should be in line with 2016 at between 8 and 9%, at constant exchange rates and scope of consolidation.

The Company expects a significantly negative currency effect in 2017, mainly due to the volatility of emerging currencies on its revenue (around €50 million) and operating income (around €30 million). In this context and given these factors, bioMérieux expects contributive operating income before non-recurring items of between €300 million and €315 million. This objective also includes:

- an increase in its R&D expenses, which could exceed 13.5% of revenue, particularly to develop the FilmArray® line. In this way, bioMérieux aims to consolidate its advance in the developing and significantly expanding market of the syndromic diagnosis of infectious diseases over the long term;
- the reduction in other operating income, particularly revenue from royalties due to the expiry of certain patents in 2016.

In addition, following the completion of certain industrial projects carried out over the past two financial years, the Company expects a significant slowing in capital expenditure in 2017 to around 9 to 10% of sales.

6 Financial statements

6.1 Consolidated financial statements

6.1.1 Consolidated financial statements for the years ended December 31, 2015 and 2016

Consolidated income statement

In millions of euros	Notes	Dec. 31, 2016	Dec. 31, 2015
SALES		**2,103.2**	**1,964.6**
Cost of sales		(1,002.5)	(975.4)
GROSS PROFIT		**1,100.7**	**989.2**
OTHER OPERATING INCOME	**18**	**38.5**	**38.9**
Selling and marketing expenses		(402.1)	(365.4)
General and administrative expenses		(167.4)	(163.8)
Research and development expenses		(271.9)	(238.9)
TOTAL OPERATING EXPENSES		**(841.4)**	**(768.1)**
CONTRIBUTIVE OPERATING INCOME BEFORE NON-RECURRING ITEMS		**297.8**	**260.0**
BioFire acquisition fees and amortisation expense[(a)]	22	(25.2)	(31.7)
OPERATING INCOME BEFORE NON-RECURRING ITEMS		**272.6**	**228.3**
Other non-recurring income and expenses from operations, net	23	9.9	(33.4)
OPERATING INCOME		**282.5**	**194.9**
Cost of net debt	21.2	(17.6)	(24.6)
Other financial income and expenses, net	21.3	(5.6)	6.3
Income tax	24	(79.8)	(65.9)
Share in earnings (losses) of equity-accounted companies		(0.2)	(0.2)
NET INCOME FOR THE YEAR		**179.2**	**110.3**
Non-controlling interests		0.1	(0.2)
ATTRIBUTABLE TO OWNERS OF THE PARENT		**179.1**	**110.5**
Basic earnings per share		€4.54	€2.80
Diluted earnings per share		€4.54	€2.80

(a) In order to improve the understanding of operating income and in view of BioFire's size, the amortisation of the assets acquired valued during the purchase price allocation, are presented on a separate line of operating income before non-recurring items.

Total comprehensive income

In millions of euros	Notes	Dec. 31, 2016	Dec. 31, 2015
Net income for the year		**179.2**	**110.3**
Items to be reclassified to income		**(0.4)**	**43.1**
Change in fair value of financial assets and financial instruments	(a)	(0.5)	6.2
Tax effect		2.4	(2.9)
Movements in cumulative translation adjustments	(b)	(2.4)	39.8
Items not to be reclassified to income		**(4.2)**	**0.1**
Remeasurement of employee benefits	(c)	(5.8)	0.5
Tax effect		1.6	(0.4)
TOTAL OTHER COMPREHENSIVE INCOME		**(4.6)**	**43.2**
TOTAL COMPREHENSIVE INCOME		**174.5**	**153.5**
Non-controlling interests		0.0	0.3
ATTRIBUTABLE TO OWNERS OF THE PARENT		**174.5**	**153.2**

(a) Change in the effective portion of hedging instruments (-€6.1 million) and in the fair value of financial assets (+€5.6 million).
(b) The change in the translation differences in 2016 is chiefly attributable to the recycling of the translation differences of the disposed subsidiaries.
(c) See Note 14.3.

Consolidated balance sheet

Assets

In millions of euros	Notes	Dec. 31, 2016	Dec. 31, 2015
• Intangible assets	4	492.6	476.5
• Goodwill	5	470.6	459.3
• Property, plant and equipment	6	734.5	573.6
• Non-current financial assets	7	36.9	60.0
• Investments in associates		0.5	0.3
• Other non-current assets		18.0	21.8
• Deferred tax assets	24.3	92.8	80.1
NON-CURRENT ASSETS		**1,845.8**	**1,671.6**
• Inventories and work-in progress	8	404.4	355.8
• Trade receivables	9	465.8	445.1
• Other operating receivables	10	79.8	86.4
• Current tax receivable	10	25.7	44.9
• Non-operating receivables	10	28.8	16.9
• Cash and cash equivalents	11	178.6	147.1
CURRENT ASSETS		**1,183.0**	**1,096.1**
ASSETS HELD FOR SALE	**12**	**0.0**	**5.9**
TOTAL ASSETS		**3,028.8**	**2,773.6**

Equity and liabilities

In millions of euros	Notes	Dec. 31, 2016	Dec. 31, 2015
• Share capital	13	12.0	12.0
• Additional paid-in capital and reserves	13	1,428.0	1,372.0
• Net income for the year		179.1	110.5
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**1,619.1**	**1,494.5**
NON-CONTROLLING INTERESTS		**2.2**	**8.1**
TOTAL EQUITY		**1,621.4**	**1,502.6**
• Long-term borrowings and debt	15	365.4	308.9
• Deferred tax liabilities	24.3	167.3	162.8
• Provisions	14	115.0	110.3
NON-CURRENT LIABILITIES		**647.6**	**582.0**
• Short-term borrowings and debt	15	87.9	61.8
• Provisions	14	36.8	18.2
• Trade payables	16	175.6	176.9
• Other operating payables	16	324.2	284.0
• Current tax payables	16	37.2	46.7
• Non-operating payables	16	98.2	95.9
CURRENT LIABILITIES		**759.8**	**683.5**
LIABILITIES RELATED TO ASSETS HELD FOR SALE	12	**0.0**	**5.5**
TOTAL EQUITY AND LIABILITIES		**3,028.8**	**2,773.6**

Consolidated statement of cash flows

In millions of euros	Notes	Dec. 31, 2016	Dec. 31, 2015
Net income for the year		**179.2**	**110.3**
• Share in earnings (losses) of equity-accounted companies		0.2	0.2
• Cost of net debt		17.6	24.6
• Other financial income and expenses, net		5.6	(6.3)
• Current income tax expense		79.8	65.9
• Net additions to depreciation and amortisation of operating items – long-term provisions		143.1	120.4
• Non-recurring income and expenses, BioFire acquisition fees and amortisation expense		15.3	65.1
EBITDA (before non-recurring items)	15	**440.9**	**380.4**
Other non-recurring income and expenses from operations *(excluding net additions to non-recurring provisions and capital gains or losses on disposals of non-current assets)*		0.0	0.0
Other financial income and expenses *(excluding provisions and disposals of non-current financial assets)*		(6.4)	0.6
Net additions to operating provisions for contingencies and losses		12.3	5.1
Fair value gains (losses) on financial instruments		(1.5)	(3.3)
Share-based payment		3.5	1.2
Elimination of other non-cash, non-operating income and expenses		**7.9**	**3.6**
Change in inventories		(41.1)	(40.4)
Change in trade receivables		(10.0)	16.0
Change in trade payables		(3.4)	(17.3)
Change in other operating working capital		21.8	4.8
Change in operating working capital[(a)]		**(32.7)**	**(36.9)**
Other non-operating working capital		(3.3)	(9.4)
Change in non-current non-financial assets and liabilities		4.3	2.2
Change in working capital requirement		**(31.7)**	**(44.1)**
Income tax paid		**(81.5)**	**(29.9)**
NET CASH GENERATED FROM OPERATING ACTIVITIES		**335.6**	**310.0**
Purchases of property, plant and equipment and intangible assets		(233.0)	(208.2)
Proceeds from disposals of property, plant and equipment and intangible assets		5.3	18.6
Purchases/proceeds from disposals of non-current financial assets, net		8.1	(17.9)
Impact of changes in Group structure	15	(37.6)	(0.5)
NET CASH USED IN INVESTING ACTIVITIES		**(257.2)**	**(208.0)**
Cash capital increase		0.0	0.0
Purchases and sales of treasury shares		(14.1)	(0.7)
Dividends paid to owners		(39.5)	(39.5)
Cost of net debt		(17.6)	(24.6)
Change in committed debt		18.6	2.6
NET CASH USED IN FINANCING ACTIVITIES		**(52.5)**	**(62.1)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**25.9**	**39.8**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**136.7**	**103.9**
Impact of changes in exchange rates on net cash and cash equivalents		(15.9)	(6.9)
NET CASH AND CASH EQUIVALENTS AT END OF YEAR		**146.7**	**136.7**

(a) Including additions to and reversals of short-term provisions.

Net cash generated from operating activities

EBIDTA rose by 16.0% to €441 million for the year to end December 2016 from €380 million for 2015, reflecting the growth in contributive operating income before non-recurring items and net additions to depreciation and amortisation.

During the financial year 2016, in a context of solid growth for the Group, the operating working capital requirement increased by €32 million compared to a €37 million increase in 2015. This change reflects the following factors:

- trade receivables only increased by €10 million from one year to the other, despite the strong growth in activity, illustrating the rigorous control in sales outstanding. In 2015, trade receivables declined by €16 million thanks to the exceptional collection dynamic in Southern Europe;
- trade payables remained stable, after a €17 million decrease for the same period in 2015;
- inventories increased to €41 million, a similar level to 2015, despite the acceleration in business;
- the other operating working capital requirements decreased by €22 million in 2016 compared to a reduction of only €5 million for the previous financial year. This improvement is linked to various factors, particularly an increase in social liabilities in the United States.

Income tax paid stood at €82 million, a considerable increase compared to the €30 million paid the previous year, after the removal of bioTheranostics from the US tax consolidation group and the full utilisation of BioFire's tax loss carryforwards.

Net cash used in investing activities

As expected, capital expenditure outlays rose considerably over the period, to €233 million, of which €178 million in industrial capital expenditure, versus €208 million and €157 million respectively in 2015. The increase reflected the simultaneous implementation of major capital projects designed to increase capacity at several production sites, for which most were completed in 2016.

In light of the sustained capital expenditure drive, free cash flow ended the year at €85 million, versus €102 million in 2015.

Purchases of non-current financial assets, net of disposals, amounted to €30 million, compared to €18 million for the previous financial year. In 2016, these amounts included €17 million for the removal of bioTheranostics from the consolidation scope and a joint venture in the microplates business.

Net cash used in financing activities

The flows associated with financing activities amounted to €52 million, compared to €62 million for the previous financial year. In June 2016, the Company paid €39.5 million in dividends, unchanged from 2015 and spent €14.5 million compared to €0.7 million the previous year as part of its share buyback program.

Statement of changes in consolidated equity

In millions of euros	Attributable to owners of the parent										Non-controlling interests
	Share capital	Additional paid-in capital and consolidated 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 for the year	Total	Total
SHAREHOLDERS' EQUITY AT DEC. 31, 2014	**12.0**	**1,258.6**	**12.1**	**2.0**	**(42.2)**	**(0.4)**	**3.8**	**1,234.0**	**134.9**	**1,380.9**	**7.8**
Total comprehensive income for the year			39.2	3.4	0.1			42.7	110.5	153.2	0.3
Appropriation of 2013 net income		134.9						134.9	(134.9)		
Dividends paid[d]		(39.5)						(39.5)		(39.5)	
Treasury shares		(1.3)				0.1		(1.2)		(1.2)	
Share-based payment[e]							1.2	1.2		1.2	
Change in ownership interests		(0.2)						(0.2)		(0.2)	
SHAREHOLDERS' 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 year			(2.4)	2.0	(4.2)			(4.6)	179.1	174.5	
Appropriation of 2013 net income		110.5						110.5	(110.5)		
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	
Change in ownership interests											(5.8)[i]
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2016	**12.0**	**1,423.6**	**49.0[g]**	**7.4**	**(46.3)**	**(14.2)**	**8.5**	**1,428.0**	**179.1**	**1,619.1[f]**	**2.2[h]**

(a) Including €63.7 million in additional paid-in capital.
(b) Including changes in the fair value of Labtech, Biocartis 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) Dividend per share: €1 in 2015 and in 2016.
(e) The fair value of benefits related to share grants is being recognised over the vesting period.
(f) Including €867 million in bioMérieux SA distributable reserves, , including net income for the year.
(g) See Note 13.2, Cumulative translation adjustments.
(h) Including bioMérieux Japan and RAS Lifesciences.
(i) Deconsolidation of the non-controlling interests following the disposal of Shanghai bioMérieux bio-engineering (JV Kehua).

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 28, 2017.

The financial statements will only be considered definitive after approval by the Annual Genaral Meeting on May 30, 2017.

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

1.1.1 Acquisition of Hyglos

In 2016, bioMérieux acquired a 75.1% interest in Germany's Hyglos. Founded in 2009, Hyglos specialises in the development and production of recombinant proteins used to detect endotoxins in pharmaceutical products.

Furthermore, the terms and conditions to acquire non controlling interests over a period of 3 years are defined, subject to the achievement of performance criteria and to the transfer of technology. The achievement of these conditions being reasonably certain, a debt towards the non-controlling shareholder of €5.7 million was recorded, thus bringing the Group's equity investment to 100%.

The consolidation of the company led to the recognition of a provision for technology of €18 million after tax amortised over 15 years as well as provisional goodwill of €5.7 million. This goodwill reflects the Group's ability to increase market share and develop the acquired technical know-how.

The contributions to the Group's sales and to its contributive operating income before non-recurring items in 2016 are €1.3 million and -€1.6 million, respectively, including a depreciation expense of €1 million on the assets recognised at the time of the purchase price allocation.

1.1.2 Acquisition of Quercus Scientific

At the end of December 2015, bioMérieux acquired 94.8% of the shares of Quercus Scientific NV, a holding company for Applied Maths NV and its subsidiary Applied Maths Inc. Quercus Scientific NV specialises in the development and marketing of predictive diagnostic IT solutions based on data analysis.

The agreement includes a commitment to purchase the remaining shares held by J2CO in 2017.

In light of the date the company was acquired and of its non-material nature, Quercus Scientific NV was not consolidated by bioMérieux at December 31, 2015.

The subsidiary was included in the scope of consolidation as of January 1, 2016. The determination of the balance sheet at acquisition led to the recognition of technologies and goodwill for €9.5 million and €11.4 million, respectively, at December 31, 2016. This goodwill reflects the human capital acquired and the commercial opportunities expected to result from the broader product and service offer.

The contributions to the Group's sales and to its contributive operating income before non-recurring items in 2016 are €3.8 million and €0.1 million, respectively.

1.1.3 Sale of Adiagène

On March 31, 2016, bioMérieux sold all of its shares in Adiagène to the FINALAB Group for a price of €1.4 million following repayment of debt.

The sale of Adiagène had no significant impact on the Group's financial statements.

1.1.4 Sale of Shanghai bioMérieux bio-engineering

On December 9, 2016, bioMérieux sold all of its shares in Shanghai bioMérieux bio-engineering to its partner Kehua for €9.6 million.

1.1.5 Other deconsolidations

The other deconsolidations concern the subsidiaries Russia OOO and bioMérieux BV following their liquidation. These liquidations had no significant impact on the Group's financial statements.

1.2 Other highlights of the financial year

1.2.1 Transactions in the UK

The Group does not at this time have indications that suggest that the UK's decision to leave the European Union would present a risk that could have a significant impact on its accounts. It is recalled that bioMérieux UK contributed 3% of the Group's sales at December 31, 2016.

1.3 Summary of significant events in 2015

1.3.1 Loss of control of bioTheranostics

In accordance with the agreements signed in December 2015, bioMérieux has held less than 17% of bioTheranostics' capital since January 2016.

As from January 1, 2016, bioTheranostics has been accounted for as an equity investment since bioMérieux no longer exercises control or significant influence over the company. Transactions between January 1 and the date the external partners took a stake in bioTheranostics' capital would not have had a material impact on the interim consolidated financial statements.

As expected, the operation led the Group to recognise a €9.9 million gain on deconsolidation resulting chiefly from the recognition of unrealised translation gains and losses in income. This deconsolidation gain is shown in other non-recurring income and expenses from operations.

The shares in bioTheranostics are now carried in available-for-sale financial assets for an amount of zero, in view of the class of shares held by the Group. bioTheranostics shares had been shown in assets held for sale in 2015.

The Group did not consider it necessary to present *pro forma* information since the impact of the loss of control of the company on the Group's financial statements was not material. For information, at December 31, 2015, the operating loss of bioTheranostics amounted to €18.4 million for sales of €18.4 million.

1.3.2 Retention bonus following the acquisition of BioFire

A performance-based retention plan was approved for certain BioFire employees at the time of BioFire's acquisition and set up in March 2014. In line with estimates made in 2015, the trigger threshold of this plan was reached during the 2016 financial year. An employee liability was therefore recognised in the consolidated financial statements of December 31, 2016 for a total amount of US$21.7 million, including US$7.2 million expensed in the period in respect of services rendered.

This acquisition-related expense was recognised within operating income on the line showing fees incurred in relation to the BioFire acquisition.

1.4 *Pro forma* information

No *pro forma* income statement information is given, since the acquisitions carried out in 2015 and 2016 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 policies

Standards, amendments and interpretations

The 2016 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, 2016. 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, 2016, 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:

- annual Improvements to IFRS 2010-2012 and 2012-2014 cycles;
- the amendments to IAS 16 and IAS 38 clarifying the acceptable methods of depreciation and amortisation;
- the amendment to IAS 1 "Presentation of Financial Statements".

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 amendments "Clarifications to IFRS 15 Revenue from Contracts with Customers";
- IFRS 9 – Financial instruments;
- amendments to IAS 7 "Disclosures";
- amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses";
- amendment to IFRS 2 "Share-based Payment".

IFRS 9 and IFRS 15 come into effect for financial years starting from January 1, 2018.

The other amendments are applicable to financial years starting from January 1, 2017 (amendments to IAS 7 and IAS 12), and from January 1, 2018 (amendment to IFRS 2). They are not expected to have a significant impact on the 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, 2016, 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.

With regard to IFRS 15 "Revenue from contracts with customers", the Group has started an analysis and compliance project.

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 goods and services that the seller has undertaken to provide to the buyer;
- 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 implementation of this standard could have an impact on the accounting of contracts regarding the provision of equipment when they are related to other services (provision of reagents, maintenance services, extended product warranties). Some equipment, currently recognised in property, plant and equipment in the Group's accounts, could be considered as having been transferred to the customer. Moreover, the rate of recognition of the margin on this equipment and associated reagents could evolve. Analysis is ongoing and we cannot at this stage provide figures on the expected impacts.

The Group is also currently analysing the impacts of IFRS 9 "Financial instruments". At this stage, the analysis has not identified any significant impacts on the Group's financial statements.

Lastly, the Group has begun its analysis of the impact of IFRS 16 "Leases", adopted by the IASB and that will be effective for the first time in reporting periods beginning on January 1, 2019. IFRS 16 should be adopted by the European Commission at the end of 2017. For information, the amount of

leases recognised in expenses and commitments to pay at December 31, 2016 are provided in Note 28.3.1.

The financial statements of Group companies that are prepared in accordance with local accounting policies are restated to comply with the policies 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, in accordance with the model 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 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.

2.1 Estimates and judgments

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.

The financial and economic crisis has made it more difficult to measure and estimate certain assets and liabilities and to assess the impact that unforeseen events may have on operations. As prescribed in IAS 10, estimates have been made on the basis of information available at the end of the reporting period, taking into account events occurring after the year-end.

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.

2.2 Presentation of the 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. It does not include non-recurring income and expenses or acquisition fees and amortisation of the assets acquired and valued in connection with the BioFire purchase price allocation (see Note 3.3 to the consolidated financial statements for the year ended December 31, 2016).

The Group reviewed its internal model for allocating IT costs as from January 1, 2016. These costs, borne mainly by bioMérieux SA and bioMérieux Inc., are now rebilled within the Group to user cost centres under the activity-based costing method. This method enables cost allocation to better reflect the effective use of the corresponding services.

The introduction of this new model changes the allocation of IT costs in the income statement by function. To provide a meaningful comparison between reporting periods, we present below the impact that this method would have had on the Group's consolidated financial statements on December 31, 2015.

Main indicators impacted *in millions of euros*	December 31, 2015		
	Published	**Impact**	**Restated**
Sales	**1,964.6**		**1,964.6**
Cost of sales	(975.4)	(13.7)	(989.1)
Gross profit	**989.2**	**(13.7)**	**975.5**
Other operating income	**38.9**		**38.9**
Selling and marketing expenses	(365.4)	(0.6)	(366.0)
General and administrative expenses	(163.8)	19.0	(144.8)
Research and development expenses	(238.9)	(4.7)	(243.6)
TOTAL OPERATING EXPENSES	**(768.1)**	**13.7**	**(754.4)**
Contributive operating income before non-recurring items	260.0		260.0

2.3 Basis of consolidation

Companies over which bioMérieux has 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).

2.4 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.

2.5 Foreign currency translation

The functional currency of bioMérieux is the euro and the consolidated financial statements are presented in millions of euros.

2.5.1 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 proportionate to the percentage interest sold. 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
2016	**1.11**	**120**	**0.82**	**7.35**	**3.86**
2015	1.11	134	0.73	6.98	3.69
2014	1.32	141	0.81	8.14	3.13

Year-end rates

1 EURO =	USD	JPY	GBP	CNY	BRL
2016	**1.05**	**123**	**0.86**	**7.32**	**3.44**
2015	1.09	131	0.73	7.06	4.25
2014	1.21	145	0.78	7.54	3.22

2.5.2 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.

When the Group first adopted IFRS, it used the option available under IFRS 1 and transferred the cumulative translation differences existing at January 1, 2004 to consolidated reserves.

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.) is reported as "sales" in the consolidated income statement.

Revenue arising from the sale of products is recognised when all of the following criteria have been satisfied:

- substantially all of the 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).

Sales are measured at the fair value of 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 and development expenses include all costs concerning in-house and outsourced research and development work on new products other than software (design costs) as well as expenses related to regulatory affairs, intellectual property, technological monitoring and research and 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 and 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.

In accordance with the option set out in the statement issued by the CNC on January 14, 2010, the corporate value added tax (*cotisation sur la valeur ajoutée des entreprises* – CVAE) and the corporate real estate tax (*contribution foncière des entreprises* – CFE) are classified under operating expenses in view of the fact that the value added 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 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.

Operating income before non-recurring items is the sum of contributive operating income before non-recurring items, acquisition fees and amortisation of the assets acquired and valued as part of the BioFire purchase price allocation (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.

The information by geographical area shown in the tables below has been prepared in accordance with the accounting principles used to prepare the consolidated financial statements.

Dec. 31, 2016 *In millions of euros*	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)	(1,002.6)
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%*		

Dec. 31, 2015 *In millions of euros*	Americas	EMEA	Aspac	bioTheranostics	Corporate	Group
Consolidated sales	**749.2**	**842.8**	**347.4**	**18.4**	**6.8**	**1,964.6**
Cost of sales	(352.8)	(431.2)	(164.4)	(6.8)	(20.2)	(975.4)
Gross profit	**396.5**	**411.6**	**183.0**	**11.6**	**(13.5)**	**989.2**
% of sales	*53%*	*49%*	*53%*			
Other operating income and operating expenses	(139.8)	(120.0)	(56.3)	(30.0)	(383.1)	(729.2)
CONTRIBUTIVE OPERATING INCOME BEFORE NON-RECURRING ITEMS	**256.7**	**291.6**	**126.8**	**(18.4)**	**(396.6)**	**260.0**
% of sales	*34%*	*35%*	*36%*			

Dec. 31, 2016 *In millions of euros*	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**

Dec. 31, 2015 *In millions of euros*	Americas	EMEA	Aspac	bioTheranostics	Corporate	Group
Non-current assets						
Intangible assets	15.7	33.2	6.6		420.9	476.5
Goodwill					459.3	459.3
Property, plant and equipment	266.0	209.8	34.9		62.8	573.6
Current assets						
Inventories and work-in progress	168.9	147.7	39.2			355.8
Trade receivables	152.4	223.5	69.2			445.1
ASSETS HELD FOR SALE		**0.0**	**0.0**	**5.9**		**5.9**

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 and 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, 2016	Dec. 31, 2015
Clinical applications	**1,677.9**	**1,551.9**
Microbiology	897.3	879.1
Immunoassays	451.7	435.6
Molecular biology	322.8	226.2
Other lines	6.1	11.0
Industrial applications	**379.9**	**362.7**
TOTAL PER APPLICATION	**2,057.8**	**1,914.6**
BioFire Defense	35.2	24.8
bioTheranostics	0.0	18.4
Applied Maths	3.8	
Revenue from joint development programs	6.4	6.8
TOTAL	**2,103.2**	**1,964.6**

Note 4 Intangible assets

4.1 Accounting policies

4.1.1 Research and 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 amortized 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 brought into service 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 Changes during the year

Gross value *In millions of euros*	Patents Technologies	Software	Other	Total
DEC. 31, 2014	**474.9**	**128.8**	**30.8**	**634.5**
Translation adjustments	40.0	3.4	0.6	44.1
Acquisitions/Increases	9.5	2.8	12.4	24.7
Changes in Group structure	2.9	0.0	0.0	2.9
Disposals/Decreases	(0.1)	(1.1)	(4.4)	(5.6)
Reclassifications	(0.9)	13.1	(13.9)	(1.7)
DEC. 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[(a)]
Disposals/Decreases	(0.2)	(1.3)	(2.9)	(4.4)
Reclassifications	10.0	18.7	(11.8)	16.9
DEC. 31, 2016	**588.3**	**170.9**	**24.3**	**783.6**

Amortisation and impairment *In millions of euros*	Patents Technologies	Software	Other	Total
DEC. 31, 2014	**93.6**	**76.0**	**4.8**	**174.4**
Translation adjustments	6.1	2.2	0.2	8.4
Additions	33.8	15.1	1.9	50.8
Changes in Group structure	0.0	0.0	0.0	0.0
Reversals/Disposals	(0.1)	(1.0)	(4.5)	(5.5)
Reclassifications	(0.9)	(0.9)	(3.8)	(5.7)
DEC. 31, 2015	**132.5**	**91.3**	**(1.4)**	**222.5**
Translation adjustments	3.9	0.9	0.0	4.8
Additions	40.4	22.3	2.0	64.8
Changes in Group structure	(0.1)	0.0	(0.7)	(0.7)[(a)]
Reversals/Disposals	(0.2)	(0.8)	(2.9)	(3.9)
Reclassifications	0.0	(0.7)	4.4	3.7
DEC. 31, 2016	**176.5**	**113.0**	**1.5**	**291.0**

Carrying amount *In millions of euros*	Patents Technologies	Software	Other	Total
DEC. 31, 2014	**381.3**	**52.8**	**25.9**	**460.0**
DEC. 31, 2015	**394.0**	**55.6**	**26.9**	**476.5**
DEC. 31, 2016	**411.8**	**57.9**	**22.9**	**492.6**

(a) Acquisition of Hyglos and Applied Maths.

The gross value of intangible assets increased by €84.8 million, mainly due to the recognition of the technologies linked to Hyglos for €26 million (see Note 1.1.1) and Applied Maths (acquired in 2015) for €9.5 million (see Note 1.1.2), partially offset by the increase in the provisions for depreciation of patents and technologies.

The gross value of intangible assets in progress represents €13.8 million at December 31, 2016 compared to €18 million in 2015.

The review of the impairment indicators for the assets with finite useful lives, as defined in Note 5.2, led the Group to recognise in operating income before non-recurring items depreciation of €11.7 million enabling the carrying amount of certain technologies that have become non-strategic to be brought down to zero. The impairment corresponds mainly to depreciation to bring down the carrying amount of this technology.

Note 5 Goodwill

5.1 Accounting policies

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. However, the projection time horizon may be extended depending on the maturity of the businesses concerned and the discount rates may be adjusted to factor in specific risks. The business plan for the Molecular biology CGU was allocated a 9-year projection period in 2016 (10-year period in 2015) in order to take into account the particular circumstances of this market and the BioFire business development strategy.

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% and a maximum in 2016 of 2.0%.

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 8.2% and 12.9% in 2016, and between 8.2% and 13% in 2015. 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 below its 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 Changes during the year

In millions of euros	CGU	Dec. 31, 2016	Dec. 31, 2015
BioFire	Molecular biology	148.9	144.1
AES	Industrial applications	117.1	126.1
AB bioMérieux (Sweden)	Bacteriology	64.6	67.2
Organon Teknika	Bacteriology	53.5	53.8
Argène	Molecular biology	19.3	19.3
PML (US)	Industrial applications	11.8	11.8
Applied Maths	Data Analytics	11.4	
Bacterial Barcodes (US)	Bacteriology	9.2	8.9
BTF (Australia)	Industrial applications	6.1	5.9
bioMérieux Inc. (Vitek)	Bacteriology	7.5	6.8
Hyglos	Industrial applications	5.7	
Advencis	Industrial applications	3.0	3.0
MDI (US)	Bacteriology	1.9	1.9
bioMérieux Spain	Bacteriology	1.8	1.8
bioMérieux Poland	bioMérieux Poland	1.6	1.7
bioMérieux Greece	bioMérieux Greece	1.7	1.7
Micro Diagnostics (Australia)	Bacteriology	1.7	1.7
bioMérieux Biological Products	Bacteriology	1.5	1.6
bioMérieux South Africa	bioMérieux South Africa	1.4	1.2
RAS Lifesciences	Molecular biology	0.5	0.5
CEERAM	Industrial applications	0.5	0.5
CARRYING AMOUNT		**470.6**	**459.3**

The goodwill relating to Hyglos is considered to be provisional at December 31, 2016. There was no goodwill in progress at December 31, 2015.

A new cash-generating unit called Data Analytics has been created to host mainly the cash flows generated by the sales of bioinformatics and data management applied to *in vitro* diagnostics. At December 31, 2016, the contribution of the subsidiary Applied Maths represents all of the flows associated with this CGU.

Movements in this caption can be analysed as follows:

in millions of euros	Carrying amount
DEC. 31, 2014	**437.8**
Translation adjustments	21.0
Changes in Group structure	0.6
Impairment	0.0
Reclassifications	
DEC. 31, 2015	**459.3**
Translation adjustments	3.1
Change in scope of consolidation[(a)]	17.1
Impairment	0.0
Reclassifications[(b)]	(9.0)
DEC. 31, 2016	**470.6**

(a) Goodwill on Hyglos for €5.7 million and on Applied Maths for €11.4 million.
(b) Reclassification of the AES customer relationship in intangible assets with finite useful lives.

No impairment losses were recognised in 2016 or 2015 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:

	2016			2015		
CGU	**Carrying amount[(a)]**	**Discount rate**	**Perpetuity growth rate**	Carrying amount[(a)]	Discount rate	Perpetuity growth rate
Molecular biology	168.6	12.9%	2.0%	163.9	13.0%	2.5%
Industrial applications	144.2	8.2%	1.5%	147.3	8.2%	1.5%
Bacteriology	141.7	8.4%	1.5%	143.7	8.3%	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

In accordance with IAS 1 "Presentation of Financial Statements", the notes to the financial statements were adapted and only present the impairment tests resulting in material impairment losses for the Group. The explanatory notes do not therefore include the inputs used to test bioMérieux Poland, bioMérieux Greece and bioMérieux South Africa goodwill, or the analysis of their sensitivity to changes in assumptions.

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 CGUs Molecular biology and Bacteriology. As regards the industrial applications, an impairment loss would be recognised in the event operating income before non-recurring items were to decrease by more that 350 basis points.

Note 6 Property, plant and equipment – finance lease receivables

6.1 Accounting policies

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 is 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 is 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:	3-10 years
• Instruments:	3-5 years
• Shell:	30-40 years
• Finishing work, fixtures and fittings:	10-20 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. The impact of this elimination (€10.3 million at December 31, 2016) is not deducted from property, plant and equipment but is included in "Deferred income".

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 is 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	Buildings	Machinery and equipment	Capitalised instruments	Other fixed assets	Assets under construction	Total
DEC. 31, 2014	**37.1**	**352.4**	**310.3**	**309.8**	**125.8**	**94.8**	**1,230.2**
Translation adjustments	1.0	10.1	11.3	2.1	5.2	7.1	36.9
Changes in scope of consolidation(a)	0.0	0.0	0.1	0.0	0.4	0.0	0.5
Acquisitions/Increases	0.0	15.4	17.4	43.9	5.5	97.8	180.0
Disposals/Decreases	(2.3)	(15.5)	(21.0)	(35.8)	(3.2)	0.0	(77.8)
Reclassifications	0.3	29.8	28.7	8.4	4.3	(67.8)	3.6
DEC. 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 Group structure	0.0	(2.5)	(2.9)	0.0	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	1.2	13.8	19.2	0.9	5.0	(44.4)	(4.4)
DEC. 31, 2016	**39.9**	**456.6**	**380.5**	**360.1**	**158.2**	**196.4**	**1,591.6**

Accumulated depreciation and impairments *In millions of euros*	Land	Buildings	Machinery and equipment	Capitalised instruments	Other fixed assets	Assets under construction	Total
DEC. 31, 2014	**1.4**	**188.6**	**210.3**	**249.2**	**93.8**		**743.3**
Translation adjustments	0.1	4.9	6.9	1.4	3.6		16.8
Changes in Group structure	0.0	0.0	0.1	0.0	0.2		0.3
Additions	0.2	19.0	30.2	27.7	11.1		88.2
Disposals/Decreases	0.0	(1.0)	(19.8)	(30.8)	(3.9)		(55.5)
Reclassifications	0.0	1.1	(0.8)	7.2	(0.8)		6.7
DEC. 31, 2015	**1.6**	**212.7**	**226.9**	**254.6**	**104.1**		**799.8**
Translation adjustments	0.0	2.7	3.7	0.6	1.6		8.6
Changes in Group structure	0.0	(1.1)	(2.9)	0.0	0.1		(3.9)
Additions	0.2	21.5	32.7	32.3	10.5		97.1
Disposals/Decreases	0.0	(2.6)	(12.9)	(24.1)	(4.9)		(44.5)
Reclassifications	0.0	0.2	0.6	0.0	(0.8)		0.0
DEC. 31, 2016	**1.8**	**233.3**	**248.1**	**263.4**	**110.6**		**857.1**

Carrying amount *In millions of euros*	Land	Buildings	Machinery and equipment	Capitalised instruments	Other	Assets under construction	Total
DEC. 31, 2014	**35.8**	**163.7**	**100.0**	**60.7**	**32.0**	**94.8**	**486.9**
DEC. 31, 2015	**34.5**	**179.5**	**119.9**	**73.8**	**33.9**	**132.0**	**573.6**
DEC. 31, 2016	**38.1**	**223.3**	**132.4**	**96.6**	**47.7**	**196.4**	**734.5**

In 2016, the principal investments related to capital investments in capacity, in particular a new blood culture bottle production line in Durham (US), or the construction of a new building in Salt Lake City (US) for the FilmArray® activities. They also include the extension of the Marcy l'Etoile site in France.

The assets under construction concern mainly the new building in Salt Lake City, which is expected to be commissioned in the first quarter of 2017.

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.

The corresponding finance lease liability for these capitalised assets – which is included in the balance sheet under borrowings – was €44.5 million at December 31, 2016 and €1.9 million at December 31, 2015 (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
DEC. 31, 2014					
Gross value	0.4	10.1	0.8	2.4	13.7
Accumulated depreciation	0.0	(3.6)	(0.7)	(2.3)	(6.6)
Carrying amount	**0.4**	**6.5**	**0.1**	**0.1**	**7.1**
DEC. 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**
DEC. 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**

The change in this caption is mainly due to the delivery of the Campus de l'Etoile site.

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 €31.9 million at December 31, 2016.

In millions of euros	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	TOTAL
Gross value of finance lease receivables	15.1	18.9	0.0	33.9
Accrued interest	(0.9)	(0.9)	0.0	(1.8)
Present value of minimum future lease payments	14.1	18.0	0.0	32.1
Impairment losses	(0.3)			(0.3)
NET PRESENT VALUE OF MINIMUM FUTURE LEASE PAYMENTS	**13.9**	**18.0**	**0.0**	**31.9**

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 €18.0 million.

Note 7 Non-current financial assets

7.1 Accounting policies

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 Changes during the year

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Loans and receivables	6.2	6.4
Available-for-sale financial assets	30.7	33.7
Financial assets at fair value through income under the fair value option	0.0	0.2
Assets being consolidated		19.7
TOTAL	**36.9**	**60.0**

Assets being consolidated at December 31, 2015 related to Applied Maths securities.

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
DEC. 31, 2014	**51.4**	**(16.3)**	**35.1**
Translation adjustments	0.6	(0.4)	0.2
Acquisitions/Increases	26.4		26.4
Disposals/Decreases	(6.6)	4.7	(1.8)
Reclassifications and changes in fair value	0.2		0.2
DEC. 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
DEC. 31, 2016	**52.1**	**(15.2)**	**36.9**

The disposals and decreases during the financial year concern mainly the equity investments in Applied Maths NV, which entered the scope of consolidation on January 1, 2016, and the disposal of the investment in Biocartis.

The reclassifications of the financial year include in particular the change in the fair value recognised in other comprehensive income of the Geneuro securities, as well as the cancellation of the fair value of Biocartis securities (fully sold during the year) in other comprehensive income.

In millions of euros	Carrying amount	Statutory data			Latest available financial data
		% ownership	Equity excl. net income	Net income	
Available-for-sale financial assets					
Quanterix	17.9	11.5%	32.9	(16.3)	Dec. 31, 2016
Geneuro	7.2	6.4%	4.3	(6.1)	Dec. 31, 2015
Virgin Instruments	2.4	17.2%	1.0	(1.0)	Nov. 30, 2016
MyCartis	0.2	2.0%	(1.7)	(10.0)	Dec. 31, 2015
Labtech	2.4	7.6%	10.7	2.4	June 30, 2016
ATI	0.7	2.4%	19.7	(2.7)	Dec. 31, 2015
	30.7				
Financial assets at fair value through income under the fair value option					
Dynavax Technologies	0.0	0.0%	306.8	96.5	Dec. 31, 2015

Note 8 Inventories and work-in progress

8.1 Accounting policies

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 Changes during the year

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Raw materials	146.7	123.2
Work-in-progress	47.6	43.5
Finished products and goods held for resale	242.0	221.2
GROSS VALUE	**436.3**	**387.8**
Raw materials	(12.5)	(13.2)
Work-in-progress	(1.9)	(2.5)
Finished products and goods held for resale	(17.5)	(16.2)
IMPAIRMENT LOSSES	**(31.9)**	**(32.0)**
Raw materials	134.2	110.0
Work-in-progress	45.7	40.9
Finished products and goods held for resale	224.5	205.0
CARRYING AMOUNT	**404.4**	**355.8**

Inventories relating to instruments account for 28.8% of the gross value of this caption.

No pledges of inventories had been granted at December 31, 2016.

Note 9 Trade receivables

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Gross trade receivables	482.2	464.6
Impairment losses	(16.5)	(19.6)
CARRYING AMOUNT	**465.8**	**445.1**

In total, 29.7% 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.

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 14.9% of total outstanding trade receivables at end-2016, versus 13.1% at end-2015.

Note 10 Other receivables

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Advances and downpayments	5.1	5.9
Prepaid expenses	14.1	12.9
Other operating receivables	60.6	67.6
Impairment losses		(0.1)
CARRYING AMOUNT OF OTHER OPERATING RECEIVABLES	**79.8**	**86.4**
CURRENT TAX RECEIVABLE	**25.7**	**44.9**
Non-operating receivables	28.8	16.9
CARRYING AMOUNT OF NON-OPERATING RECEIVABLES	**28.8**	**16.9**

Other operating receivables chiefly comprise research tax credit receivables (€27.7 million at December 31, 2016 versus €32.8 million at end-2015), and other tax-related receivables. Receivables relating to the CICE tax credit were offset against income tax for 2016 and therefore amount to zero at December 31, 2016.

The non-current portion of other operating receivables totals €12 million and includes research tax credits (€9.7 million).

Non-operating receivables relate mainly to the fair value of derivative instruments carried in assets (€18 million at end-2016) versus €16.3 million at December 31, 2015, see Note 26.2. They also contain the receivable corresponding to the disposal price for Shanghai bioMérieux bio-engineering (see Note 1.1.4).

Note 11 Cash and cash equivalents

11.1 Accounting policies

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 Changes during the year

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Cash at bank and in hand	137.1	104.9
Cash pooled with Institut Mérieux	20.0	21.0
Short-term investments	21.5	21.2
CASH AND CASH EQUIVALENTS	**178.6**	**147.1**

Some cash investments are in SICAV money-market funds (€19.8 million at December 31, 2016 versus €18.5 million at end-2015).

Investments are placed with leading credit institutions. No adjustments were recognised in respect of the risk of non-collection associated with these financial assets following the analysis carried out pursuant to IFRS 13 (see Note 27.5).

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

	Dec. 31, 2016	Dec. 31, 2015
Investment	SWISS LIFE SHORT TERM EURO MONEY-MARKET FUND	3-month SICAV CA AM
Amount	€8.0 million	€9.5 million
Type	Short-term money-market fund	Short-term money-market fund
ISIN Code	FR0011060870	FR0007435920
Investment	BNP PARIBAS DEPOSIT MONEY-MARKET FUND	BNP PARIBAS DEPOSIT MONEY-MARKET FUND
Amount	€11.8 million	€8.5 million
Type	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 policies

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 Changes during the year

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
ASSETS HELD FOR SALE	**0.0**	**5.9**
o/w bioTheranostics		5.9
LIABILITIES RELATED TO ASSETS HELD FOR SALE	**0.0**	**5.5**

At December 31, 2015, an agreement was in progress that was expected to result in the Group's loss of control over bioTheranostics. The related assets and liabilities were therefore shown within items held for sale in the consolidated balance sheet.

The loss of control of bioTheranostics was officially recorded on January 1, 2016, and its assets and liabilities were consequently deconsolidated (see Note 1.3.1.)

At December 31, 2016, there are no assets or liabilities corresponding to the IFRS 5 definition and requiring reclassification.

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, 2016 and was divided into 39,453,740 shares, of which 26,256,930 shares carried double voting rights. Following a decision of the Shareholders' 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, 2016.

There were no changes in the number of outstanding shares in 2015.

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, 2016	Dec. 31, 2015
Dollars[(a)]	63.3	58.9
Latin America	(5.5)	(4.9)
Europe – Middle East – Africa	(18.3)	(12.8)
Other countries	9.4	10.7
TOTAL	**48.9**	**51.9**

(a) US and Hong Kong dollars.

Cumulative translation adjustments attributable to non-controlling interests total -€0.1 million. In 2016, the change in the cumulative translation adjustments is mainly linked to the rise of the US dollar, offset by the decline of the pound sterling and Turkish lira in the Europe – Middle East – Africa region.

13.3 Treasury shares

The Company has entered into an agreement with an investment services provider for market-making purposes. It therefore sometimes holds 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, 2016, the parent company held 1,706 of its own shares as part of this contract. During the financial year, it purchased 449,348 and sold 450,761 of its own shares.

During the financial year, the Company acquired 5,901 shares to cover free share grants and definitively allocated 6,200 free shares to employees (see Note 17).

In September 2016, the Group also implemented a share buyback program in order to cover the risk of volatility of the share price as part of its planned free share grant plans. This agreement stipulates a maximum buyback volume of 105,000 shares. At December 31, 2016, 104,800 treasury shares had been purchased in this context.

In total, the Company holds 104,800 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 any 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 assets and liabilities

14.1 Accounting policies

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
DEC. 31, 2014	**99.8**	**3.6**	**1.0**	**6.9**	**5.2**	**116.5**
Additions	12.0	5.0	0.5	1.3	4.8	23.6
Reversals (utilisations)	(10.5)	(3.6)	0.0	(1.1)	(1.4)	(16.6)
Reversals (surplus)	(0.7)	(1.0)	0.0	0.0	(0.3)	(2.0)
Net additions (reversals)	0.8	0.4	0.5	0.2	3.1	5.0
Actuarial gains and losses	(0.3)	0.0	0.0	0.0	0.0	(0.3)
Changes in Group structure	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.1	0.0	0.1
Translation adjustments	7.0	0.0	0.0	0.1	(0.1)	7.0
DEC. 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 and losses	5.1	0.0	0.0	0.0	0.0	5.1
Changes in Group structure	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
DEC. 31, 2016	**112.2**	**4.8**	**0.6**	**9.6[a]**	**24.6**	**151.8**

(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 €36.8 million at December 31, 2016, versus €18.2 million at December 31, 2015.

Net additions in 2016 primarily affect operating income before non-recurring items for €11.7 million and tax for €4.1 million. Those affecting operating income before non-recurring items include in particular a €4.2 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 policies

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, 2016, 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, 2016	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Expected salary increase rate	2.50%	2.50%	3.00%	3.50%
Discount rate	1.65%	2.25%	4.35%	4.50%
Average duration of plans	15.0	14.6	16.4	16.7

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, 2016**	Dec. 31, 2015
Post-employment benefits	98.4	94.6
Long-service awards	13.8	12.7
TOTAL PROVISIONS FOR LONG-TERM EMPLOYEE BENEFITS	**112.2**	**107.3**

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
DEC. 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
DEC. 31, 2016	**243.5**	**(148.1)**	**95.4**	**3.0**	**98.4**

(a) Plan assets and scheduled payments.

The change in the actuarial gains and losses results primarily from the decrease in the discount rate on the French pension plan assets.

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
DEC. 31, 2014	**207.8**	**(120.9)**	**86.9**	**1.7**	**88.6**
Current service cost	6.3		6.3	0.0	6.3
Interest cost	7.9	(4.5)	3.3	0.0	3.4
Retirements	(8.1)	5.7	(2.3)		(2.3)
Change in plan	0.0		0.0		0.0
Contributions	0.0	(8.1)	(8.1)		(8.1)
Impact on operating income	**6.1**	**(6.9)**	**(0.8)**	**0.1**	**(0.7)**
Actuarial gains and losses (Other comprehensive income/[expense])	**(7.1)**	**5.9**	**(1.2)**	**1.0**	**(0.3)**
Other movements (incl. impact of exchange rates)	18.4	(11.7)	6.7	0.2	7.0
DEC. 31, 2015	**225.3**	**(133.6)**	**91.6**	**2.9**	**94.6**

(a) Plan assets and scheduled payments.

14.3.5 Net post-employment benefit expense for the year

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Current service cost	6.3	6.3
Return on plan assets	(4.6)	(4.5)
Interest cost	8.5	7.9
Plan amendments and closures	(1.3)	0.0
TOTAL	**9.0**	**9.7**

14.3.6 Breakdown of net obligation by country

	Dec. 31, 2016			
In millions of euros	US	France	Other countries	TOTAL
Present value of obligation	180.6	33.9	28.9	243.5
Fair value of plan assets[(a)]	(120.2)	(16.7)	(11.2)	(148.1)
Provisions for pensions	**60.4**	**17.3**	**17.7**	**95.4**
Post-employment health insurance	3.0	0.0		3.0
TOTAL POST-EMPLOYMENT BENEFITS	**63.4**	**17.3**	**17.7**	**98.4**
Long-service awards		13.8		13.8
TOTAL PROVISIONS FOR PENSIONS AND OTHER LONG-TERM BENEFITS	**63.4**	**31.1**	**17.7**	**112.2**

(a) Plan assets and scheduled payments.

14.3.7 Information on plan assets

14.3.7.1 Allocation of plan assets

	2016 allocation		2015 allocation	
In millions of euros	France	US	France	US
Equities	1.0	40.6	1.0	43.4
Bonds	14.3	70.1	12.0	56.6
Other	1.3	1.1	1.3	1.0
TOTAL	**16.7**	**111.8[(a)]**	**14.3**	**101.0[(a)]**

(a) Excluding scheduled payments.

14.3.7.2 Actual return on plan assets

	Return 2016	Return 2015
France	2.4%	3.0%
US	4.7%	(1.4%)

14.3.8 Other Information

The timing of future benefit payments at December 31, 2016 is as follows:

In %	Future benefit payments (as a % of the net obligation)
< 1 year	5%
1-5 years	31%
> 5 years	64%

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 8% (€20 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 €9.6 million at December 31, 2016 and €7.3 million at December 31, 2015.

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 2016. 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 2015 on the same grounds.

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. The Group will pursue all available remedies to defend its position. The duration and outcome of this dispute 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 have not yet been 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. The duration of this procedure cannot be estimated at this stage.

At December 31, 2016, the Group recognised a provision corresponding to its best estimate of the consequences of the current proceedings. This risk was presented in contingent liabilities at June 30, 2016.

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. However, a provision for risk has been recognised. This risk was presented in contingent liabilities at June 30, 2016.

Other provisions for risks

They concern the costs of transitioning to the "Lab Efficiency" model further to the signing of a partnership agreement with Copan, as well as the risk of needing to pay compensation for discontinuing certain product lines.

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 45 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 proceeding, it is impossible to reliably estimate the risk facing the Group.

Note 15 Net debt/Net cash

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 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 receivable from the sale 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, 2016	Dec. 31, 2015
Additive method		
• Net income for the year	179.2	110.3
• Non-recurring income and expenses and BioFire acquisition fees and amortisation expense	15.3	65.1
• Cost of net financial debt	17.6	24.6
• Other financial items	5.6	(6.3)
• Current income tax expense	79.8	65.9
• Investments in associates	0.2	0.2
• Net additions to depreciation and amortisation of operating items – long-term provisions	143.1	120.4
EBITDA	**440.9**	**380.4**
Simplified additive method		
• Contributive operating income before non-recurring items	297.8	260.0
• Operating depreciation and amortisation expense	143.1	120.4
EBITDA	**440.9**	**380.4**

The consolidated statement of cash flows shows changes in scope of €37.6 million, mainly consisting of the acquisition of Hyglos and the deconsolidation of the cash flows of JV Kehua and bioTheranostics.

The acquisition price for Applied Maths shares, non consolidated in 2015, was presented in purchases of non-current financial assets for €18.7 million. 2016 movements correspond to the cash and cash equivalents at its entry into the consolidation scope.

The net impact of the sale of Shanghai bioMérieux bio-engineering (JV Kehua) is linked to the fact that the €9.6 million disposal price will be realised in 2017. The impact presented corresponds to the cash leaving the subsidiary.

15.2 Changes in net debt

At December 31, 2016, after the €39.5 million dividend pay-out to bioMérieux SA shareholders, the Group's net debt stood at €274.6 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 €298.2 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 five-year loan at December 31, 2016 of €350 million, which was the subject of an addendum in June 2014 extending its maturity to May 20, 2019.

In January 2017, the Group signed an addendum with its pool of banks bringing the ceiling of this loan to €500 million and its maturity to January 26, 2022 (five years with the possibility to extend it by one year twice).

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	€300,000,000.00
Duration	< 1 year
Minimum amount per issue	€150,000 or the equivalent value of this amount in foreign currency determined at the time of the 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, 2015	Change	Changes in Group structure	Change in statement of cash flows	Finance lease transaction	Translation adjustments	Dec. 31, 2016
Cash and cash equivalents	147.1	40.6	(10.2)	30.4	0.0	1.1	178.6[b]
Bank overdrafts and other uncommitted debt	(14.9)	0.0	0.0	0.0		(17.0)	(31.9)
NET CASH AND CASH EQUIVALENTS (A)	**132.2**[a]	**40.6**	**(10.2)**	**30.4**[a]	**0.0**	**(15.9)**	**146.7**
COMMITTED DEBT (B)	**355.9**	**12.6**	**5.9**	**18.6**	**44.5**	**2.4**	**421.3**
o/w due beyond 5 years	0.0						27.9
o/w due in 1 to 5 years	308.9						337.4
o/w due within 1 year	46.9						56.0
NET DEBT (NET CASH AND CASH EQUIVALENTS) (B) - (A)	**223.7**	**(28.0)**	**16.1**	**(11.7)**	**44.5**	**18.3**	**274.6**

(a) Excluding cash relating to bioTheranostics classified within assets held for sale (4.5 million at December 31, 2015).
(b) See Note 11.2.

At December 31, 2016, the share of borrowings due beyond five years mainly comprises the share due beyond five years of the debt relating to finance leases for €25.2 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 €298.2 million and the debt relating to finance leasing contracts for €15 million, mainly in France. The borrowings due within one year mainly include short-term marketable securities for €40 million, the share due within one year of the debt relating to finance leasing contracts for €4.3 million, mainly in France, as well as the accrued interest on the bond issue for €3.1 million.

At the end of the financial year, the Group had not breached any of its repayment schedules.

In March 2015, bioMérieux SA signed a real estate lease agreement in connection with the extension of its Marcy l'Etoile site. The extension, known as Campus de l'Etoile, will host the Group's global functions. In accordance with IAS 17, the amount of the loan relating to the lease was recognised for €44.5 million at the time of the delivery of the site in the third quarter of 2016.

No loan agreement was signed prior to December 31, 2016 concerning loans to be set up in 2017.

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 compliance with a single financial ratio: "net debt to operating income before non-recurring items before depreciation/amortisation and acquisition expenses", which was modified through the addendum of June 2014 and may no longer exceed 3.5. The Group complied with this ratio at December 31, 2016.

The other term borrowings at December 31, 2016 primarily correspond to commercial paper 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, 70.8% of the Group's borrowings are at fixed rates (€298.3 million) and the remainder is at floating rates (€123.0 million).

Fixed-rate borrowings comprise the €298.2 million bond issue maturing in 2020 and paying a coupon of 2.875%, and the restricted employee profit-sharing current account for €0.1 million. An interest rate swap was taken out converting the interest on half of the bond issue into a fixed rate, capped at 1.20% and with a floor of 0.30%.

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, 2016	Dec. 31, 2015
Due within 1 year	4.3	0.7
Due in 1 to 5 years	15.0	1.2
Due beyond 5 years	25.2	0.0
TOTAL	**44.5**	**1.9**

15.6.2 Future lease payments (principal and interest)

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
MINIMUM FUTURE PAYMENTS	**46.3**	**2.0**
o/w due within 1 year	4.6	0.8
due in 1 to 5 years	15.9	1.2
due beyond 5 years	25.8	0.0
Less interest	(1.8)	(0.1)
PRESENT VALUE OF FUTURE LEASE PAYMENTS	**44.5**	**1.9**

15.7 Breakdown of net debt (net cash) by currency

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Euro	(98.8)	(127.1)
US dollar	397.8	386.5
Brazilian real	12.0	10.6
Mexican peso	3.6	3.0
Japanese yen	1.7	4.0
Czech koruna	1.6	(2.8)
Canadian dollar	1.1	(3.3)
Russian rouble	(0.4)	(2.0)
Polish zloty	(1.4)	(2.0)
Pound sterling	(2.2)	(2.1)
Swiss franc	(2.3)	(2.9)
Australian dollar	(5.0)	(6.0)
Swedish krona	(5.6)	(3.1)
Chinese yuan	(22.7)	(24.3)
Other currencies	(4.5)	(4.9)
TOTAL	**274.6**	**223.7**

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, 2016	Dec. 31, 2015
Trade payables	**175.6**	**176.9**
Advances and downpayments	5.0	3.0
Accrued payroll and other taxes	230.1	199.0
Deferred income	66.1	62.3
Other	22.9	19.7
Other operating payables	**324.2**	**284.0**
Current tax payables	**37.2**	**46.7**
Due to suppliers of non-current assets	25.7	24.6
Other	72.5	71.3
NON-OPERATING PAYABLES	**98.2**	**95.9**

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 (€69 million at end-2016 *versus* €71.1 million at end-2015 – 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 June 12, 2011; May 30, 2012; May 29, 2013; May 28, 2014; May 28, 2015; and May 26, 2016.

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.

In accordance with IFRS 2, 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**
Initial number of options granted	26,000	41,700	5,000	17,700	134,100
Forfeited shares	9,800	12,700		1,000	7,400
Number of shares remitted in 2016	6,200				
Total number of vested shares		6,000			
Number of shares to be remitted as of 12/31/2016	10,000	23,000	5,000	16,700	126,700

Between 2012 and 2016, 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 lock-up period is no longer mandatory 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 2016, the Group recognised a net expense of €3.5 million in personnel costs in respect of share-based payment (*versus* a net expense of €0.9 million in 2015).

At December 31, 2016, bioMérieux SA held 104,800 of its own shares for allocation under the above-described share grant plans. The Company would have to purchase a maximum of 76,600 additional shares at a cost of €10.9 million based on the share price at December 31, 2016. Taking into account the forecast achievement of performance conditions at December 31, 2016 has no impact on this assessment.

17.3 Allocation plan for free shares delivered under cash and cash equivalents

The Group has 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 €5.2 million in 2016.

17.4 Stock option plans

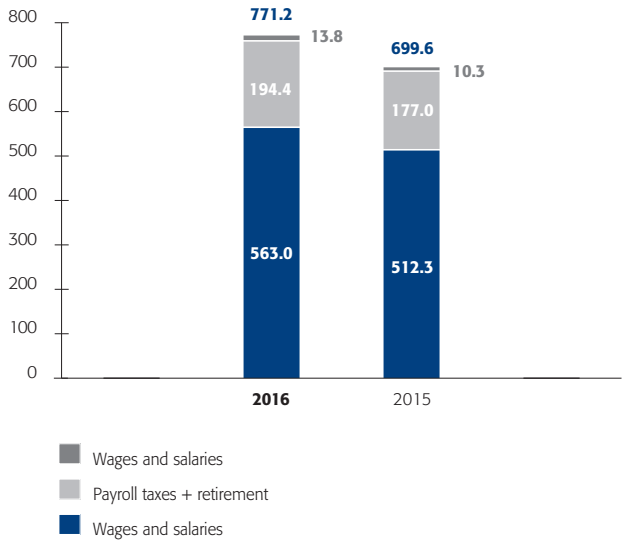
Following the deconsolidation of bioTheranostics, there is no stock option plan within the Group.

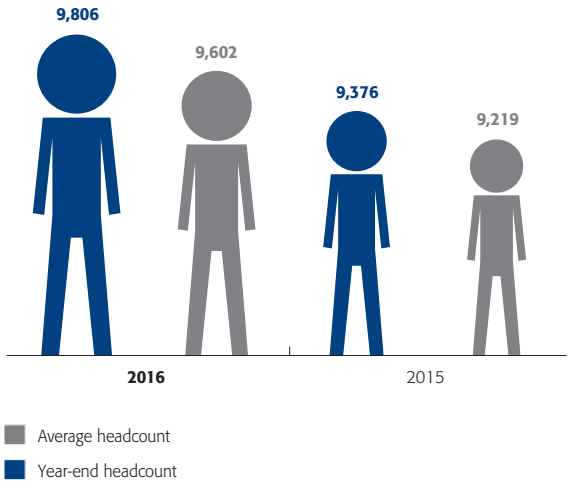
Note 18 Other operating income and expenses

In millions of euros	2016	2015
Net royalties received	13.7	13.8
Research tax credits	21.3	23.1
Research grants	2.3	2.0
Other	1.2	
TOTAL	**38.5**	**38.9**

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 €12.9 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 2016.

The growth in headcount mainly reflects employees hired to support the development of the FilmArray® platform.

Note 20 Depreciation, amortisation, provisions and impairment

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Depreciation and amortisation of non-current assets	161.8	171.9
Impairment	11.7	5.0
Impairment of current assets	(2.9)	5.2
Impairment of non-current financial assets	(5.0)	(9.8)
TOTAL	**165.6**	**172.3**

Depreciation and amortisation expense includes €143.1 million shown within contributive operating income before non-recurring items and €18.7 million relating to the amortisation of the fair value of BioFire.

Note 21 Net financial expense

21.1 Accounting policies

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"**, which includes interest income on instruments sold under finance lease arrangements, the impact of disposals and write-downs 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, 2016	Dec. 31, 2015
Finance costs	17.1	17.3
Interest rate hedging derivatives	(0.9)	1.4
Foreign exchange losses	1.3	5.9
TOTAL	**17.6**	**24.6**

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, 2016	Dec. 31, 2015
Interest income on leased assets	1.6	2.1
Impairment and disposals of shares in non-consolidated companies	(0.9)	5.6
Currency hedging derivatives	(5.2)	(3.0)
Other	(1.2)	1.6
TOTAL	**(5.6)**	**6.3**

21.4 Foreign exchange 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, 2016	Dec. 31, 2015
Sales	0.8	(20.4)
Purchases	4.9	(12.8)
Financial items	(1.3)	(7.1)
TOTAL	**4.4**	**(40.3)**

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 includes:

- the amortisations of the assets acquired and valued during the purchase price allocation (technologies) for €18.7 million at the end of December 2016;
- the expense related to the retention bonus in respect of certain BioFire employees recognised at December 31, 2016 for €6.5 million (see Note 1.3.2).

Note 23 Other non-recurring income and expenses from operations, net

23.1 Accounting policies

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 Changes during the year

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
bioTheranostics	9.9	(32.9)
Impairment of receivables owed by the Greek State	0.0	(0.6)
Disposals of fixed assets	0.0	0.1
TOTAL	**9.9**	**(33.4)**

Note 24 Current and deferred income tax

24.1 Accounting policies

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, consolidation adjustments and tax losses carried forward 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

	2016		2015	
In millions of euros	**Income tax**	**Rate**	Income tax	Rate
Theoretical tax at standard French tax rate	**89.3**	**34.4%**	**67.1**	**38.0%**
• Impact of income tax at reduced tax rates and				
• foreign tax rates	(8.7)	(3.3%)	(6.1)	(3.5%)
• Impact of permanent differences	7.7	3.0%	15.6	8.8%
• Impact of tax on the payment of dividends	2.9	1.1%	2.3	1.3%
• Deferred tax assets not recognised on tax losses carried forward	0.7	0.3%	0.7	0.4%
• Impact of presenting research and CICE tax credits in operating income	(8.6)	(3.3%)	(10.5)	(5.9%)
• Tax credits (other than research tax credits)	(2.3)	(0.9%)	(1.0)	(0.6%)
• Utilisation of prior-period deferred tax assets	(1.2)	(0.5%)	(2.2)	(1.2%)
ACTUAL INCOME TAX EXPENSE	**79.8**	**30.8%**	**65.9**	**37.4%**

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%.

At December 31, 2016, the effective tax rate for the Group was 30.8% compared to 37.4% for the 2015 financial year. The effective tax rate in 2016 was marked by the recognition of non-recurring items, notably the deconsolidation of bioTheranostics, which generated non-taxable income in 2016 as described in the previous paragraph, after strongly adverse effects in 2015 and tax disputes for a net amount of €6.5 million.

In 2015, the difference between the theoretical tax rate of 38% and the effective tax rate was mainly attributable to the positive impact of the tax credits (-5.9%), offset by the non-deductible impairment charged against bioTheranostics (+6.6%).

The Group's effective tax rate benefited from the reduction in tax rates in France, from 38% in 2015 to 34.4% in 2016, offset by the decrease in the positive impact of certain tax credits recorded in operating income (particularly the Research Tax Credit).

The deferred tax was adjusted to 28.92% for transfers from January 1, 2020, to take into account the provisions in the 2016 Finance law.

24.3 Change in deferred tax

In millions of euros	Deferred tax assets	Deferred tax liabilities
DEC. 31, 2014	**86.0**	**145.1**
Translation adjustments	7.8	12.9
Changes in Group structure	0.3	1.0
Movements recognised in income	(11.4)	0.0
Other comprehensive income (expense)	(3.3)	
Other movements	0.7	3.7
DEC. 31, 2015	**80.1**	**162.8**
Translation adjustments	2.4	3.9
Changes in Group structure	0.2	11.6
Movements recognised in income	6.1	(11.1)
Other comprehensive income (expense)	3.5	
Other movements	0.4	0.0
DEC. 31, 2016	**92.8**	**167.3**

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 (€40.8 million at the acquisition date, of which €14.2 million in respect of tax loss carryforwards). At December 31, 2016, tax loss carryforwards were recognised in an amount of €1.6 million, compared to €10.5 million at December 31, 2015;
- 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 (+€2.5 million in 2016) and deferred taxes on actuarial differences relating to pension obligations (+€1.0 million in 2016) and on treasury shares.

At December 31, 2016, unrecognised 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).

At December 31, 2015, unrecognised deferred tax assets amounted to €10.5 million (including €8.0 million in respect of unrecognised tax loss carryforwards), representing a potential tax saving of €3.1 million (including €2.1 million in respect of unrecognised tax loss carryforwards).

The deferred tax liabilities primarily relate to the recognition at fair value of the non-current assets of BioFire (€121.0 million), bioMérieux SA (€25.3 million), and Hyglos (€7.8 million).

Note 25 Statutory Auditors' fees

	Dec. 31, 2016							Dec. 31, 2015						
In thousands of euros	Ernst & Young		PwC		Other		Total	Ernst & Young		PwC		Other		Total
Statutory audit	**1,332**	**95%**	**142**	**18%**	**46**	**100%**	**1,519**	**1,350**	**94%**	**138**	**19%**	**50**	**100%**	**1,538**
• bioMérieux SA	162	12%	132	16%		0%	293	162	11%	131	18%		0%	293
• fully consolidated subsidiaries	1,170	84%	10	1%	46	100%	1,225	1,188	83%	6	1%	50	100%	1,245
Related assignments	**68**	**5%**	**6**	**0%**			**68**	**80**	**6%**		**0%**		**0%**	**80**
Audit	**1,399**	**100%**	**148**	**18%**	**46**	**100%**	**1,593**	**1,430**	**100%**	**138**	**19%**	**50**	**100%**	**1,618**
Legal, tax, labour-related services	0	0%	655	82%			655		0%	598	81%			598
Other	0	0%		0%			0		0%		0%			0
Other services	**0**	**0%**	**655**	**82%**	**0**	**0%**	**655**	**0**	**0%**	**598**	**81%**	**0**	**0%**	**598**
TOTAL	**1,399**	**100%**	**803**	**100%**	**46**	**100%**	**2,248**	**1,430**	**100%**	**736**	**100%**	**50**	**100%**	**2,217**

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 below);
- "cash and cash equivalents", including marketable securities (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, 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 Available-for-sale financial assets

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 fair value hedges (*e.g.* 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 2016 or 2015.

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 Changes during the year

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:

	Dec. 31, 2016						
In millions of euros	Financial assets at fair value through income (excl. derivatives)	Available-for-sale financial assets	Receivables and borrowings at amortised cost	Derivative instruments	Carrying amount	Fair value	Level
Financial assets							
Other shares in non-consolidated companies		30.7			30.7	30.7	1-3
Other non-current financial assets			6.2		6.2	6.2	-
Other non-current assets			18.0		18.0	18.0	
Derivative instruments (positive fair value)				18.0	18.0	18.0	2
Trade receivables			465.8		465.8	465.8	-
Other receivables			5.1		5.1	5.1	-
Cash and cash equivalents	178.6				178.6	178.6	1
TOTAL FINANCIAL ASSETS	**178.6**	**30.7**	**495.1**	**18.0**	**722.4**	**722.4**	
Financial liabilities							
Bonds[(a)]			298.2		298.2	320.1	1
Other financing facilities			67.2		67.2	67.2	2
Derivative instruments (negative fair value)				69.0	69.0	69.0	2
Borrowings - current portion			87.9		87.9	87.9	2
Trade payables			175.6		175.6	175.6	-
Other current liabilities			53.6		53.6	53.6	-
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**682.5**	**69.0**	**751.5**	**773.4**	

(a) The carrying amount of the bond issue is shown net of issue fees and premiums.

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, 2016 was a net negative exposure of €51 million *versus* a net exposure of €54.8 million at end-2015.

No inter-category reclassifications were carried out in 2016. 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).

	Dec. 31, 2015						
In millions of euros	Financial assets at fair value through income (excl. derivatives)	Available-for-sale financial assets	Receivables and borrowings at amortised cost	Derivative instruments	Carrying amount	Fair value	Level
Financial assets							
Other shares in non-consolidated companies		53.6			53.6	53.6	1-3
Other non-current financial assets			6.4		6.4	6.4	-
Other non-current assets			21.8		21.8	21.8	
Derivative instruments (positive fair value)				16.3	16.3	16.3	2
Trade receivables			445.1		445.1	445.1	-
Other receivables			5.9		5.9	5.9	-
Cash and cash equivalents	147.1				147.1	147.1	1
TOTAL FINANCIAL ASSETS	**147.1**	**53.6**	**479.2**	**16.3**	**696.2**	**696.2**	
Financial liabilities							
Bonds[(a)]			297.7		297.7	319.2	1
Other financing facilities			11.2		11.2	11.2	2
Derivative instruments (negative fair value)				71.1	71.1	71.1	2
Borrowings - current portion			61.8		61.8	61.8	2
Trade payables			176.9		176.9	176.9	-
Other current liabilities			47.3		47.3	47.3	-
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**594.9**	**71.1**	**666.0**	**687.5**	

(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, 2016 were as follows:

In millions of euros	Available-for-sale financial assets
DEC. 31, 2014	**25.5**
Gains and losses recognised in income	5.3
Gains and losses recognised in equity	3.0
Acquisitions	6.6
Disposals	(6.8)
Changes in Group structure, translation adjustments and other	0.3
DEC. 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	
DEC. 31, 2016	**30.7**

In 2016, 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 €8.8 million. Share disposals for the financial year correspond to Biocartis shares and include the reclassification in net income of impairment previously recognised for €3 million in other comprehensive income.

Note 27 Risk management

27.1 Exchange rate risk

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 39% of sales in 2016 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 a fall in these currencies. This exposure is spread over approximately 20 currencies, none of which accounts for more than 6% of the Group's sales. This exposure thus becomes significant 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, 2016		Dec. 31, 2015	
Euro	**624**	**30%**	**601**	**31%**
Other currencies				
Dollars[(a)]	821	39%	724	37%
Chinese yuan	134	6%	121	6%
Pound sterling	55	3%	60	3%
Japanese yen	49	2%	44	2%
Brazilian real	43	2%	38	2%
Canadian dollar	37	2%	37	2%
South Korean won	35	2%	33	2%
Australian dollar	31	1%	31	2%
Other currencies	276	13%	276	14%
SUB-TOTAL	**1,480**	**70%**	**1,364**	**69%**
TOTAL	**2,103**	**100%**	**1,965**	**100%**
Sensitivity	**(15)**		**(14)**	

(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:

In millions of euros	2016	2015
Net income for the year	(10.8)	(2.9)
Shareholders' equity[(a)]	(63.4)	(55.4)

(a) Translated at the year-end (closing) exchange rate.

Exposure of assets and liabilities

The table below shows the five main currencies to which the Group is exposed at December 31, 2016:

In millions of currency units	USD	CNY	INR	BRL	KRW	JPY
Assets denominated in foreign currencies	37.6	140	664	59.9	8,469	907
Liabilities denominated in foreign currencies	(10.3)	(19)	(7)	0.0	0	(60)
Net exchange exposure before hedging	**27.3**	**121**	**657**	**59.9**	**8,469**	**847**
Impact of hedging	28.4	46	0	0.0	4,450	409
Net exchange exposure after hedging	**(1.1)**	**75**	**657**	**59.9**	**4,019**	**439**
In millions of euros						
Net exchange exposure after hedging	**(1.0)**	**10.3**	**9.2**	**17.4**	**3.2**	**3.6**
SENSITIVITY	**0.1**	**(0.9)**	**(0.8)**	**(1.6)**	**(0.3)**	**(0.3)**

The sensitivity analysed above shows the impact of a 10% increase in the exchange rate on the net foreign exchange exposure at December 31, 2016, 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 the Group cannot 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, 2016:

Currency hedges at December 31, 2016 *In millions of euros*	Expiration date 2016		Market value 2016[(a)]
	<1 year	1 to 5 years	
Hedges of existing commercial transactions			
• currency forward contracts	64.9	0.0	0.2
• options		0.0	0.0
TOTAL	**64.9**	**0.0**	**0.2**
Hedges of future commercial transactions			
• currency forward contracts	260.6	12.8	0.7
• options	55.5	0.0	(0.4)
TOTAL	**316.1**	**12.8**	**0.3**

(a) Difference between the hedging rate and the market rate at December 31, 2016.

Currency hedges in effect at December 31, 2015 were as follows:

Currency hedges at Dec. 31, 2015 *In millions of euros*	Expiration date 2015		Market value 2015[(a)]
	<1 year	1 to 5 years	
Hedges of existing commercial transactions			
• currency forward contracts	78.5	0.0	(1.7)
• options	5.9	0.0	0.0
TOTAL	**84.4**	**0.0**	**(1.7)**
Hedges of future commercial transactions			
• currency forward contracts	223.6	21.9	4.7
• options	56.4	0.0	0.5
TOTAL	**280.0**	**21.9**	**5.2**

(a) Difference between the hedging rate and the market rate at December 31, 2015.

The €0.3 million market value of hedges of future commercial transactions recorded in the balance sheet at December 31, 2016 included -€3.6 million in fair value gains recognised in other comprehensive income and -€1.3 million in fair value gains recognised in income.

At December 31, 2015, it amounted to €5.2 million and included €3.1 million in fair value gains recognised in other comprehensive income and €1.6 million in fair value gains recognised in income.

There were no net investment hedges of foreign operations at December 31, 2016.

All of the currency forward contracts and options outstanding at December 31, 2016 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 €3.1 million in 2016 and €3.1 million in 2015.

27.2 Credit risk

The Group is not exposed to significant credit risk. At December 31, 2016 and 2015, 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, 2016:

In millions of euros	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Bonds[(a)]	(8.6)	(325.9)	0.0
Cross currency swap	(19.9)	(50.9)	0.0
Options[(b)]	(0.8)	(0.7)	0.0
Interest rate swap[(b)]	2.7	7.2	0.0

(a) Contractual flows of principal and interest.
(b) Based on the IRS yield curve at December 31, 2016.

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 ranging from 0.30% to 1.20%. 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, thereby converting the debt into US dollars.

An indexed variable-rate real estate lease financing agreement in the amount of €44.4 million was set up to finance Campus de l'Etoile. This financing is not backed by any hedging mechanism.

27.4.2 Hedging instruments and sensitivity

At December 31, 2016, 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 €52.8 million. It breaks down as follows:

In millions of euros	Market value 2016
Cross currency swap	(61.3)
Options	(1.4)
Interest rate swap	10.0

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 yearend attributable to fluctuations in short-term interest rates is shown in the table below including the impact of interest rate hedging at December 31, 2015:

In millions of euros	Net income
50-bp increase	0,000
50-bp decrease	(0,001)

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, 2016 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	(1.8)
50-bp decrease	0.0	1.6

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	1.4
50-bp decrease	0.0	(1.7)

A change of 5% in the euro/U.S. dollar closing rate at year-end (1.054) as well as to transactions in effect at December 31, 2016 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	13.0
5% decrease	0.0	(14.4)

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 net 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 at December 31, 2015:

In millions of euros	Net income
50-bp increase	3.8
50-bp decrease	(4.2)

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, 2016 and the rating of bioMérieux's banking counterparties.

Note 28 Off-balance sheet commitments

Outstanding commitments given or received at December 31, 2016 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 end2015, 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 €110.7 million at December 31, 2016.

28.2.2 Commitments received

- bioMérieux SA has a syndicated credit facility for an amount of €350 million, set up in 2012 and amended in June 2014, repayable in full at maturity in 2019 (see Note 15.1). This loan was renegotiated in January 2017, bringing its amount to €500 million and its maturity to 2022.

28.3 Off-balance sheet commitments relating to the Group's operating activities

28.3.1 Commitments given

- bioMérieux SA participates in a research program coordinated by Institut Mérieux, together with bioMérieux, Transgène, Genosafe and the Genethon association. The aim of this program is to develop a new generation of diagnoses and therapies focusing on cancers, infectious diseases and genetic disorders. This program is known under the acronym "ADNA" (for "Advanced Diagnostics for New therapeutic Approaches"). It receives financing from the French government's Industrial Innovation Agency (*Agence de l'innovation industrielle*), which merged with OSEO ANVAR in 2007, and was renamed Bpifrance in July 2013. The public financing agreement was approved by the European authorities on October 22, 2008. In this context, and in light of the supplemental agreements modifying the initial research program, bioMérieux SA agreed to undertake research and development for an estimated amount of €67.5 million between 2007 and 2017. In return, bioMérieux SA will receive subsidies and repayable grants of up to €16.1 million and €8.9 million, respectively. If a project is successful, bioMérieux SA will have to pay back the grants according to a payment schedule based on sales generated, and then pay 3.4% of sales until 2029.
- bioMérieux 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 (€5.7 million).
- Real estate rent commitments given by Group companies amounted to €80.0 million at December 31, 2016, of which €70.6 million was payable beyond one year. Annual lease costs represented €14.5 million in 2016 and €15.4 million in 2015.
- Within the framework of the share grant plans approved by the Board of Directors, bioMérieux SA, which holds 104,800 shares as coverage, would need to purchase 76,600 additional shares if all of the promised shares were to be granted. This commitment represents an amount of €10.9 million based on the share price at December 31, 2016.
- 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. Discussions regarding commitments of industrial partners over the next collaborative period are currently in progress and bioMérieux SA's commitment to BIOASTER should remain unchanged.
- Other commitments given (endorsements and guarantees other than real estate rent obligations) amounted to €1.8 million.
- bioMérieux SA has committed to participate in a capital increase of ATI in the amount of €1.3 million.

28.3.2 Commitments received

- Other commitments received amounted to €10.5 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 €13.8 million in compensation in 2016.

Compensation allocated to directors and officers *In millions of euros*	2016	2015
Fixed compensation	5.0	4.8
Variable compensation	6.5	5.0
Benefits in kind	0.1	0.1
Free shares	1.9	0.0
Directors' fees	0.3	0.2
Termination benefits	0.0	0.0
TOTAL	**13.8**	**10.1**

29.2 Other transactions with non-consolidated affiliates

- bioMérieux Japan – which is 34%-owned by Sysmex under a joint venture agreement – paid Sysmex €8.3 million in commissions on sales generated in 2016. In addition, bioMérieux Japan provided Sysmex with €4.9 million worth of instruments and reagents during the year.
- Institut Mérieux, which held 58.9% of bioMérieux SA's shares at December 31, 2016, provided consultancy and support services to bioMérieux SA, bioMérieux Inc. and BioFire valued at €6.3 million for the year. Conversely, bioMérieux SA billed Institut Mérieux €0.5 million for expenses incurred on its behalf.
- During 2016, the Group supplied €9.5 million worth of reagents and instruments to entities of the Mérieux NutriSciences Corp. group, in which Institut Mérieux holds a majority interest.
- Thera Conseil, which is 99.2%-owned by Institut Mérieux, billed bioMérieux SA €1.4 million for services in respect of 2016.
- Also during the year, bioMérieux SA contributed €1.3 million to the Fondation Christophe and Rodolphe Mérieux and €0.2 million to the Fondation Mérieux for humanitarian projects. Conversely, bioMérieux SA billed Fondation Mérieux €0.2 million for expenses incurred on its behalf.
- bioMérieux Inc. provided services to ABL (wholly-owned by IMEurope SAS, itself 100%-controlled by Institut Mérieux), valued at €80,000 for the year. ABL billed bioMérieux SA for raw materials in the amount of €0.8 million in 2016.
- During the year bioMérieux SA billed €0.9 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 €1.6 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 2015 and paid €30,000 to bioMérieux SA in 2016.
- The Institut Mérieux held a non-controlling interest in Hyglos. As part of the acquisition of this company, bioMérieux Deutschland paid €1 million to Institut Mérieux to buy back the shares held by Institut Mérieux in Hyglos.

Note 30 Subsequent events

On January 19, 2017, bioMérieux and Banyan Biomarkers, an innovative biomarkers company based in San Diego (US), which develops blood tests capable of diagnosing traumatic brain injuries (TBI), announced that they had signed a partnership agreement.

Under the terms of the agreement, bioMérieux will participate in the capital of Banyan Biomarkers in the amount of US$ 7 million and obtain the rights to develop and market worldwide the markers owned by Banyan for use on the VIDAS® platform in the field of *in vitro* diagnostics. In addition, the two companies will continue to explore co-development opportunities in the area of TBI and critical care.

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, 2016

Changes of control that took place in 2016 are described in Note 1.3.

		2016[a]	2015[a]	2014[a]
bioMérieux SA	69280 Marcy l'Etoile – France – R.C.S. Lyon B 673,620,399			Parent company
AB bioMérieux	Dalvägen 10 – 169 56 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%	100%
Advencis SAS	1 Rue Gambrinus, Parc de la Brasserie – 67190 Mutzig – France	100%	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%
Argène Inc.	45 Ramsey Road – Shirley, NY 11967 – US	100%	100%	100%
Applied Maths Inc	11940 Jollyville Road, Suite 115N – Austin, Texas 78759 - US	100%		
Applied Maths NV	Keistraat 120 9830 Sint-Martens-Latem – Belgium	100%		
Bacterial Barcodes Inc.	425 River Road – Athens – GA 30602 – US	100%	100%	100%
BioFire Defense Inc.	79 W 4500 S, Suite 14 – alt 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 Vienna – 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%	100%
bioMérieux Canada	7815 boulevard Henri Bourassa - West - H4S 1P7 Saint Laurent (Québec) - Canada	100%	100%	100%

		2016[a]	2015[a]	2014[a]
bioMérieux Chile	Seminario 131 – Providencia – Santiago – Chile	100%	100%	100%
bioMérieux China	19/Floor Billion Plaza8 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%
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 Malaysia	A-15-13A Tower A, Menara Prima Avenue, Jalan PJU 1/39, 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 Poland	ul. Gen. J. Zaj czka 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 Switzerland	51 Avenue Blanc – Case Postale 2150 – 1202 Geneva – Switzerland	100%	100%	100%
bioMérieux Thailand	3195/9 Vibulthani Tower, 4th floor – Rama IV Road – Klongton – Klongtoey – Bangkok 10110 – Thailand	100%	100%	100%
bioMérieux Turkey	Isiklar Cad. N0 29, Atasehir – 34750 Istanbul – Turkey	100%	100%	100%
bioMérieux Vietnam	Floor 10, Vinaconex Tower, 34 Lang Ha, Lang Ha ward, Dong Da District, Hanoi – Vietnam	100%	100%	100%
bioTheranostics	9640 Towne Centre Dr., Ste 200 – San Diego CA 92121 – US		100%	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%		

		2016[(a)]	2015[(a)]	2014[(a)]
Hyglos GmbH	Am Neuland 3 – 82347 Bernried am Starnberger See Germany	100%		
Mérieux Université	113 Route de Paris – 69160 Tassin-La-Demi-Lune – France	40%	40%	40%
Quercus Scientific NV	Keistraat 120 9830 Sint-Martens-Latem Belgium	100%		
RAS Lifesciences	Plot N° 13, 4-7-18/13/2, Raghavendra Nagar, Nacharam, Hyderabad – 500,076 – India	70%	70%	60%
Shanghaï bioMérieux Bio-engineering	No. 1181, Qinzhou North Road, Caohejing Hi-Tech Zone, Xuhui Area – Shanghaï – 200233 – China		60%	60%
SSC Europe	ul. Gen. J. Zaj czka 9 -01-518 Warsaw – Poland	100%	100%	100%
Sysmex bioMérieux (formerly bioMérieux Japan)	Central Tower 8th -1 2 2 Osaki Shinagawa-ku Tokyo 141-0032 – Japan	66%	66%	66%
bioMérieux (Shanghai) Biotech Co. Ltd. (formerly Meikang)	N° 4633 Pusan Road, Kangqiao Industrial Park - Pudong New District – Shanghaï -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%
bioMérieux (Shanghai) Biological Products Co. Ltd. (formerly Zenka)	4/F Block 1 n°24 – Qingchi Road – Changning District – 200335 Shanghai – China			100%

(a) Percentage control is identical to percentage interest, except in the case of Quercus Scientific NV, for which the percentage interest is 95%, and Hyglos Invest GmbH, for which the percentage interest is 75%.

6.1.3 Report of the Statutory Auditors on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of bioMérieux;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de Commerce), relating to the justification of our assessments, we bring to your attention the following matters:

- As described in Note 14.3 of the consolidated financial statements, and in accordance with IAS 19 amended, provisions intended to cover pension obligations and other long-term employee benefits are calculated based on actuarial estimates performed by independent experts. Our work consisted in examining the data used, assessing the assumptions adopted and verifying that Note 14.3 to the consolidated financial statements provides appropriate disclosure.
- As described in Note 5 of the consolidated financial statements, at the end of each reporting period the Group tests its cash-generating units for impairment and also determines whether there are any indications that its non-current assets may be impaired. We examined the methods used to implement the impairment tests as well as the cash flow forecasts and assumptions used by the Group and verified that this note from the consolidated financial statements provides appropriate disclosure. We assessed the reasonableness of the estimates used to prepare the financial statements.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report..

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Lyon, February 28, 2017

The Statutory Auditors

DIAGNOSTIC REVISION CONSEIL
Hubert de Rocquigny du Fayel

ERNST & YOUNG et Autres
Nicolas Perlier

6.2 Parent company financial statements

6.2.1 Parent company financial statements for the years ended December 31, 2015 and 2016

Balance sheet

Assets

In millions of euros	Net Dec. 31, 2016	Net 31 Dec. 2015
Fixed assets		
• Intangible assets	190.7	192.1
• Property, plant and equipment	219.7	209.1
• Investments and related receivables	516.1	515.8
• Other non-current financial assets	1.6	10.7
TOTAL	**928.1**	**927.7**
Current assets		
• Inventories and work-in progress	139.8	129.9
• Trade receivables	297.7	277.5
• Other operating receivables	35.6	30.4
• Non-operating receivables	46.8	46.1
• Cash and cash pooling	307.1	212.9
TOTAL	**827.0**	**696.8**
Deferred charges	0.9	1.0
Bond redemption premiums	1.2	1.6
Unrealised foreign exchange losses	8.0	12.4
TOTAL ASSETS	**1,765.2**	**1,639.5**

Shareholders' equity and liabilities

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Shareholders' equity		
• Share capital	12.0	12.0
• Additional paid-in capital	63.5	63.5
• Retained earnings	744.2	707.9
• Statutory provisions and grants	54.0	46.0
• Net income for the year	69.1	75.7
TOTAL	**942.8**	**905.1**
Impairment	**56.3**	**51.0**
Liabilities		
• Borrowings and debt	423.6	387.2
• Trade payables	161.7	130.0
• Other operating payables	124.8	119.0
• Non-operating payables	25.5	24.6
TOTAL	**735.6**	**660.8**
Unrealised foreign exchange gains	30.5	22.6
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,765.2**	**1,639.5**

Income statement

In millions of euros	2016	2015
Sales of goods and finished products	909.1	851.8
Other income	129.8	110.2
SALES	**1,038.9**	**962.0**
Production included in inventories (work-in-progress and finished products)	(4.3)	(2.8)
Capitalised production	7.9	5.8
TOTAL PRODUCTION	**1,042.5**	**965.0**
Purchases	(366.9)	(329.7)
Change in raw material and instrument inventories	12.7	5.4
External charges	(249.4)	(222.4)
ADDED VALUE	**438.9**	**418.3**
Taxes other than income tax	(20.1)	(19.2)
Payroll and benefits	(272.5)	(257.9)
GROSS OPERATING INCOME	**146.4**	**141.2**
Depreciation, amortisation and provisions	(57.5)	(50.9)
Other operating income (expense)	(42.4)	(35.7)
OPERATING INCOME	**46.3**	**54.6**
Net financial expense	(3.3)	(15.9)
Net investment income	26.2	36.7
NET INCOME BEFORE NON-RECURRING ITEMS AND TAX	**69.2**	**75.4**
Non-recurring expense	(8.6)	(0.8)
Non-discretionary profit sharing	0.0	0.0
Income tax	8.5	1.1
NET INCOME FOR THE YEAR	**69.1**	**75.7**
EARNINGS PER SHARE	**1.75**	**1.92**

Basic earnings per share is calculated by dividing net income for the period by the weighted average number of shares outstanding during the period. As the Company has not issued any dilutive instruments, diluted earnings per share is identical to basic earnings per share.

6.2.2 Notes

Note 1 Summary of significant accounting policies

The financial statements have been prepared in accordance with regulation No. 2015-06 and No. 2016-07 of the French accounting standard-setter (*Autorité des normes comptables* – ANC).

The Company prepares consolidated financial statements which include the annual financial statements of its subsidiaries based on the full consolidation method whenever bioMérieux has effective control over those subsidiaries, or based on the equity method when the Company exercises significant influence over the entities concerned.

The Company's financial statements are fully consolidated in the financial statements of Compagnie Mérieux Alliance (17 rue Bourgelat, 69002, Lyon, France).

Note 2 Significant events in 2015

2.1 CEERAM merger

The merger of CEERAM in bioMérieux SA's accounts was effective as from September 30, 2016 with a retroactive accounting effect to January 1, 2016. Contributions were recorded at their carrying amount.

A merger loss in the amount of €2.4 million, fully allocated to technology, was recorded for the financial year.

2.2 Marcy l'Etoile extension

On March 31, 2015, bioMérieux SA signed a 12-year, €45-million lease financing agreement to fund the extension of the Marcy l'Etoile site, which was expected to be completed in second-half 2016. The land acquired and the work capitalised were sold to the lessor in April 2015 for an amount of €16.7 million.

The acquisitions of fixtures and equipment over the financial year amounted to €7.4 million (of which €1.6 million in progress which will be sold to the financial lessor).

The Campus de l'Etoile site was accepted at the end of September 2016, and the lease financing agreement took effect at that date.

2.3 Significant subsequent events

On January 19, 2017, bioMérieux and Banyan Biomarkers, an innovative biomarkers company based in San Diego (US), which develops blood tests capable of diagnosing traumatic brain injuries (TBI), announced that they had signed a partnership agreement. Under the terms of the agreement, bioMérieux will participate in the capital of Banyan Biomarkers in the amount of US$ 7 million and obtain the rights to develop and market worldwide the markers owned by Banyan for use on the VIDAS® platform in the field of *in vitro* diagnostics. In addition, the two companies will continue to explore co-development opportunities in the area of TBI and critical care.

Note 3 Fixed assets

3.1 Intangible assets

3.1.1 Accounting policies

Intangible assets include the technical merger losses arising on full asset transfers and merger transactions. In accordance with regulation ANC No. 2015-06, the technical merger losses recognised during the mergers with CEERAM and AES Chemunex and assigned to underlying assets other than acquired goodwill were reclassified in January 2016 from the acquired goodwill account to specific fixed asset accounts linked to the underlying assets to which these losses are assigned. These merger losses will follow the amortisation and impairment rules of the underlying assets to which they are assigned.

Intangible assets also include software applications, amortised over periods of three to ten years based on their estimated useful lives, and patents and licences amortised over the contractual or statutory term of use. In practice, a period of five years is usually applied.

These assets are measured at cost (purchase price and incidental costs).

Intangible assets acquired in exchange for the payment of indexed royalties are measured at the time of acquisition on the basis of estimated future royalties to be paid over the term of the contract. These estimates are subsequently adjusted based on royalties effectively paid.

3.1.2 Changes during the year

Breakdown *In millions of euros*	Gross value	Depreciation & impairment	Carrying amount Dec. 31, 2016	Carrying amount Dec. 31, 2015
R&D expenses	16.7	14.7	2.0	3.5
Software	66.6	49.9[(b)]	16.7	11.4
Acquired goodwill	143.2[(a)]	0.0	143.2	165.7
Advances and downpayments	7.0	0.0	7.0	9.9
Other	68.9[(c)]	47.1[(d)]	21.8	1.6
TOTAL	**302.4**	**111.7**	**190.7**	**192.1**

(a) Including merger losses for €130.4 million.
(b) Including impairment of Global LIMS project for €1.4 million.
(c) Including merger losses linked to technologies and customer relationships for €33.2 million.
(d) Including amortisation of merger losses linked to technologies for €12.2 million.

Movements *In millions of euros*	Gross value	Depreciation and impairment	Carrying amount
DECEMBER 31, 2015	**288.8**	**96.7**	**192.1**
Acquisitions/Increases	17.7	16.2	1.5
CEERAM merger	1.2	0.9	0.3
Disposals/Decreases	(5.3)	(2.1)	(3.2)
DECEMBER 31, 2016	**302.4**	**111.7**	**190.7**

The increase in amortisation and impairment during the financial year result chiefly from the amortisation of merger losses for €3.2 million and amortisation and impairment of research and development expenses previously capitalised by AES Chemunex for €2.6 million.

These research and development expenses are being amortised over a period of five years.

Research and development programs that AES Chemunex had capitalised for an amount of €1 million were suspended in 2016. Their net residual value was brought down to zero through recognition of an additional amortisation in the amount of €0.6 million.

On January 1, 2016, in accordance with regulation ANC No. 2015-06, the technical merger losses (AES and Argène) were reclassified from the acquired goodwill account to specific fixed asset accounts linked to the type of underlying assets to which these losses are assigned.

Technical merger losses are allocated as follows:

Allocation of merger gains and losses *In millions of euros*	Gross value	Accumulated depreciation	Carrying amount
AES CHEMUNEX			
Acquired goodwill	111.0		111.0
Technology	12.5	5.0	7.5
Customer relationships	5.4	1.6	3.8
TOTAL	**128.9**	**6.6**	**122.3**
ARGENE			
Acquired goodwill	19.4		19.4
Technology	12.8	5.3	7.5
TOTAL	**32.2**	**5.3**	**26.9**
CEERAM			
Technology	2.4	0.3	2.1
TOTAL	**2.4**	**0.3**	**2.1**
TOTAL	**163.5**	**12.2**	**151.3**

3.2 Property, plant and equipment

3.2.1 Accounting policies

Property, plant and equipment is shown on the balance sheet at purchase or production cost.

In accordance with rules concerning the recognition of assets in effect since January 1, 2005, components are separately recognised and depreciated whenever their cost represents a significant portion of the total cost of the asset to which they relate and their useful life is not the same as that of the main asset.

The only property, plant and equipment assets to which this method is applied are buildings.

For buildings, the depreciation periods are adapted to each group of components:

Depreciation period	Accounting	Tax
Shell	30-40 years	Straight line basis 30 years
Finishing work, fixtures and fittings	10-20 years	Straight line basis 15 years

The depreciation is calculated using the straight-line method over the estimated useful lives of the various asset categories. The main durations used are:

Depreciation period	Accounting	Tax
Machinery and equipment	3-10 years	Degressive 5-10 years
Instruments*	3-5 years	Degressive 3-5 years

* *Instruments either installed at third-party sites or used in-house.*

Impairment tests are carried out for property, plant and equipment whenever events or market developments indicate that an asset may have declined in value. If the carrying amount exceeds the recoverable amount, an impairment loss is recognised to reduce the assets to their realisable value.

Most capitalised instruments are installed at customers' sites.

3.2.2 Changes during the year

Breakdown *In millions of euros*	Gross value	Depreciation and impairment	**Carrying amount Dec. 31, 2016**	Carrying amount Dec. 31, 2015
Land	16.6	0.8	15.8	15.8
Buildings	237.1	134.6	102.5	93.6
Machinery and equipment	191.0	131.2	59.8	55.3
Capitalised instruments	43.0	32.3	10.7	9.1
Other fixed assets	38.9	27.7	11.2	5.8
Fixed assets in progress	19.7	0.0	19.7	29.5
TOTAL	**546.3**	**326.6**	**219.7**	**209.1**

Movements *In millions of euros*	Gross value	Depreciation and impairment	Carrying amount
DECEMBER 31, 2015	**520.2**	**311.1**	**209.1**
Acquisitions/Increases	47.0	33.3	13.7
CEERAM merger	0.6	0.4	0.2
Disposals/Decreases	(21.5)	(18.2)	(3.3)
DECEMBER 31, 2016	**546.3**	**326.6**	**219.7**

The main acquisitions for the financial year primarily concern the construction, equipment and fixtures and fittings for the Campus de l'Etoile site at Marcy for €7.4 million (of which €1.6 million of assets under contruction to be rebilled to the financial lessor), and the building and equipment for the VIDAS® packaging line on the Marcy l'Etoile site for €1.3 million, as well as the rehabilitation of the buildings in the Tubes and Bottle area in Craponne for €1.5 million.

3.3 Non-current financial assets

3.3.1 Accounting policies

Non-current financial assets are recognised at their purchase price.

An impairment loss is recognised against investments whenever their value in use falls below their acquisition cost. Value in use is initially estimated taking into account the net carrying amount of the subsidiary's assets at the reporting date. This may be adjusted to reflect the value of any unrecognised identifiable assets (particularly real estate or technologies). Depending on the economic and financial situation of the subsidiary, value in use may also be estimated taking account of sales, borrowings and any associated technological assets and real estate. Given the specific nature of certain investments, in some cases value in use may be measured by estimating the enterprise value based on discounted future cash flows or on observable market financial inputs.

Non-controlling interests held in unlisted companies are measured based on various criteria including the economic outlook, the net equity of the investment or the valuation used based on recent investments in these shares.

Other investments are written down whenever their market value falls below cost. The market value of listed securities corresponds to the average trading price during the last month of the year.

Other non-current financial assets include treasury shares purchased under a liquidity agreement entered into with an investment firm for the specific purpose of maintaining an orderly market in the Company's shares. Own shares held are measured at their average trading price during the last month of the year.

3.3.2 Changes during the year

Breakdown *In millions of euros*	Gross value	Impairment	Carrying amount Dec. 31, 2016	Carrying amount Dec. 31, 2015
Investments	313.9	93.0	220.9	235.5
Other financial assets	4.3	3.4	0.9	9.9
Related receivables	295.3	0.0	295.3	280.3
Other	0.8	0.2	0.6	0.8
TOTAL	**614.3**	**96.6**	**517.7**	**526.5**

Movements *In millions of euros*	Gross value	Impairment	Carrying amount
DECEMBER 31, 2015	**663.4**	**136.9**	**526.5**
Acquisitions/Increases	75.0	18.6	56.4
Disposals/Decreases	(124.1)	(58.9)	(65.2)
DECEMBER 31, 2016	**614.3**	**96.6**	**517.7**

In 2015, the Company granted a credit line to its subsidiary BioFire Diagnostics, a Group company, to finance the construction of its new industrial and administrative site in Salt Lake City, for a maximum amount of US$ 95 million. In 2016, several drawdowns, totalling US$ 57.4 million (€55.6 million), were made from this credit line. At December 31, 2016, the total amount drawn down since December 31, 2015 amounts to US$ 79.5 million (€75.7 million).

bioMérieux SA granted a loan in 2016 of €9.5 million to bioMérieux Germany to enable it to finance the acquisition of Hyglos Invest GmbH. A first repayment in the amount of €1.6 million was made in 2016.

In 2016, the Company subscribed to the capital increase of its subsidiary AB bioMérieux for SEK 42 million (€4.5 million).

The decrease in 2016 concerns the cancellation of the shares of the subsidiary bioMérieux BV, which was liquidated during the year for an amount of €53.3 million, the repayment of the loan granted to the subsidiary bioMérieux Inc. for an amount of €49.2 million, the disposal of Biocartis shares for €7.8 million, and the cancellation of the shares of Oscient Pharma, which was liquidated during the year for €3.5 million.

The Adiagène shares were subject to a disposal during the 2016 financial year with an insignificant impact on the financial statements.

The increase in the impairment of non-current financial assets corresponds to additional impairment recognised on the AB bioMérieux shares for €12.1 million, Advencis shares for €4.8 million, and My Cartis shares for €1 million. The reversals of impairment on shares concern the shares of the companies that were liquidated during the year, namely bioMérieux BV for €53.3 million and Oscient Pharma for €3.5 million.

3.3.3 List of subsidiaries and investments

	Share capital		Net equity excl. share capital	Percentage ownership	Carrying amount of shares held before impairment	Carrying amount of shares held after impairment	Outstanding loans and advances granted by the Company	Prior year sales	Prior year net income or loss	Dividends received by the Company during the year	Notes
	In millions of currency units		*In millions of currency units*		*In millions of euros*	*In millions of euros*	*In millions of euros*	*In millions of currency units*	*In millions of currency units*	*In millions of euros*	
A – Subsidiaries (up to 50%-owned by bioMérieux)											
AB bioMérieux	SEK	42.2	19.2	100.0%	74.2	12.4			(64.0)		01/01/16 -12/31/16
ABG Stella	USD		460.8	100.0%	55.5	55.5					01/01/16 -12/31/16
ADVENCIS	EUR		(1.9)	100.0%	9.2	4.4	2.8	0.2	(1.0)		01/01/16 -12/31/16
AES Canada	CAD		(0.2)	100.0%			0.6	1.2	(0.3)		01/01/16 -12/31/16
AES GMBH (Germany)	EUR		0.4	100.0%	0.9	0.4					01/01/16 -12/31/16
bioMérieux West Africa	CFA	50.0	87.1	100.0%	0.1	0.1			7.2		01/01/16 -12/31/16
bioMérieux Algeria	DZD	58.0	30.4	100.0%	0.6	0.6		45.4	25.2		01/01/16 -12/31/16
bioMérieux Germany	EUR	3.5	15.5	100.0%	3.8	3.8	8.5	105.3	5.3		01/01/16 -12/31/16
bioMérieux Argentina	ARS	0.5	34.5	99.1%	5.4	2.2		234.5	3.9		01/01/16 -12/31/16
bioMérieux Austria	EUR	0.1	1.6	100.0%	0.1	0.1		14.7	1.0	1.7	01/01/16 -12/31/16
bioMérieux Belgium	EUR	0.3	3.3	100.0%	0.3	0.3		27.1	0.5	0.7	01/01/16 -12/31/16
bioMérieux Benelux BV	EUR		5.7	100.0%	0.1	0.1	1.2	98.0	1.2		01/01/16 -12/31/16
bioMérieux Brazil	BRL	48.8	(57.8)	100.0%	24.0	10.7	10.1	173.6	(11.7)		01/01/16 -12/31/16
bioMérieux Chile	CLP	1,686.6	3,876.6	100.0%	3.1	3.1		12,940.1	592.4		01/01/16 -12/31/16
bioMérieux China	HKD	193.0	132.9	100.0%	24.6	24.6	12.3	256.3	37.4	11.0	01/01/16 -12/31/16
bioMérieux Colombia	COP	502.9	14,444.2	100.0%	2.2	2.2		56,761.7	1,345.4		01/01/16 -12/31/16
bioMérieux Korea	KRW	1,000.0	9,700.0	100.0%	0.7	0.7		44,888.6	1,640.7		01/01/16 -12/31/16
bioMérieux Denmark	DKK	0.5	4.4	100.0%	0.5	0.5		56.8	0.6	0.5	01/01/16 -12/31/16
bioMérieux Spain	EUR	0.2	29.3	100.0%	0.6	0.6		75.1	3.3	5.0	01/01/16 -12/31/16
bioMérieux Finland	EUR		0.4	100.0%	0.1	0.1	0.3	6.1	0.3	0.6	01/01/16 -12/31/16
bioMérieux Greece	EUR	2.0	3.2	100.0%	4.1	4.1		10.1	3.3		01/01/16 -12/31/16

	Share capital		Net equity excl. share capital	Percentage ownership	Carrying amount of shares held before impairment	Carrying amount of shares held after impairment	Outstanding loans and advances granted by the Company	Prior year sales	Prior year net income or loss	Dividends received by the Company during the year	Notes
	In millions of currency units		*In millions of currency units*		*In millions of euros*	*In millions of euros*	*In millions of euros*	*In millions of currency units*	*In millions of currency units*	*In millions of euros*	
bioMérieux HK Investment LTD	HKD	68.8	12.7	100.0%	6.1	6.1			18.5		01/01/16 -12/31/16
bioMérieux Hungary	HUF	3.0	151.0	100.0%			0.6	1,499.0	2.4	0.1	01/01/16 -12/31/16
bioMérieux India	INR	66.0	882.3	99.9%	2.9	2.9		3,524.6	190.4		01/01/16 -12/31/16
bioMérieux International SAS	EUR		1.0	100.0%							01/01/16 -12/31/16
bioMérieux Italy	EUR	9.0	29.5	100.0%	12.8	12.8		128.4	(2.4)	4.5	01/01/16 -12/31/16
bioMérieux Japan	JPY	480.0	268.8	66.0%	3.9	3.9		5,814.0	206.2		01/01/16 -12/31/16
bioMérieux Malaysia	MYR	0.1		100.0%			0.1				01/01/16 -12/31/16
bioMérieux Middle East	AED	0.1	0.6	100.0%			1.0		0.3	0.4	01/01/16 -12/31/16
bioMérieux Norway	NOK	2.8	1.0	100.0%	0.3	0.3	0.1	49.6	0.9	0.1	01/01/16 -12/31/16
bioMérieux Poland	PLN	0.4	31.3	100.0%	1.5	1.5		119.9	8.2	2.0	01/01/16 -12/31/16
bioMérieux Portugal	EUR	1.6	6.6	99.9%	2.0	2.0		17.0	0.5	4.9	01/01/16 -12/31/16
bioMérieux Russia	RUB	55.7	104.6	100.0%	1.3	1.3		1,013.5	121.3	2.3	01/01/16 -12/31/16
bioMérieux Russia Old	RUB										
bioMérieux Serbia	RSD	1.2	5.7	100.0%					3.5		01/01/16 -12/31/16
bioMérieux Singapore	SGD	0.1	6.9	100.0%	0.1	0.1	1.0	6.6	0.5		01/01/16 -12/31/16
bioMérieux South Africa	ZAR	50.0	43.7	100.0%	5.4	5.4		247.0	10.7	1.0	01/01/16 -12/31/16
bioMérieux Sweden	SEK	0.5	1.5	100.0%	0.2	0.2		191.3	5.6		01/01/16 -12/31/16
bioMérieux Switzerland	CHF	0.4	3.8	100.0%	0.6	0.6		33.1	2.9	1.8	01/01/16 -12/31/16
bioMérieux Czech Republic	CZK	0.2	6.5	100.0%			1.9	419.1	1.4	1.0	01/01/16 -12/31/16
bioMérieux Thailand	THB	35.0	86.5	100.0%	0.9	0.9		337.6	28.0	0.1	01/01/16 -12/31/16
bioMérieux Turkey	TRY	3.3	48.4	100.0%	2.7	2.7		69.5	7.1	0.8	01/01/16 -12/31/16
bioMérieux UK	GBP		8.5	100.0%	1.2	1.2		52.0	3.3	0.4	01/01/16 -12/31/16
bioMérieux Vietnam	VND	6,306.0	722.6	100.0%	0.2	0.2			324.2		01/01/16 -12/31/16
BTF	AUD	4.1	10.1	100.0%	13.6	13.6		20.8	8.7	4.3	01/01/16 -12/31/16
Quercus Scientific NV	EUR	3.9	(2.4)	94.8%	18.8	18.8		0.0	0.0		01/01/16 -12/31/16
TOTAL SUBSIDIARIES					**284.9**	**201.2**					

	Share capital		Net equity excl. share capital	Percentage ownership	Carrying amount of shares held before impairment	Carrying amount of shares held after impairment	Outstanding loans and advances granted by the Company	Prior year sales	Prior year net income or loss	Dividends received by the Company during the year	Notes
	In millions of currency units		*In millions of currency units*		*In millions of euros*	*In millions of euros*	*In millions of euros*	*In millions of currency units*	*In millions of currency units*	*In millions of euros*	
B – Investments (5%-50% owned by bioMérieux)											
GeNeuro	CHF	0.6	(2.5)	6.4%	0.1	0.1		2.1	(6.7)		01/01/15 -12/31/15
Labtech LTD	AUD	13.2	6.0	7.6%	1.3	1.3		7.7	3.5		07/01/15 -06/30/16
Mérieux Université	EUR	1.7	(0.5)	40.0%	1.6	0.4		2.2	(0.5)		01/01/16 -12/31/16
Quanterix	USD	125.5	(108.9)	11.5%	17.9	17.9		19.0	(18.1)		01/01/15 -12/31/15
TOTAL EQUITY INVESTMENTS					**20.9**	**19.7**					
C – Other securities											
Avesthagen	INR	76.1	(639.5)	3.2%	1.4	0.0		49.4	92.1		04/01/15 -03/31/16
My Cartis	EUR	22.4	(14.2)	2.0%	1.2	0.2		0.5	(10.0)		01/01/15 -12/31/15
Dynavax	USD	889.7	(702.7)	0.0%	0.7	0.0		3.4	(106.8)		01/01/15 -12/31/15
Amorçage Technologie Invest.	EUR	23.0	(6.0)	2.4%	0.7	0.7		0.0	(2.7)		01/01/15 -12/31/15
Inodiag	EUR			0.6%	0.9						In liquidation
Tafkak	USD			0.3%	7.3						In liquidation
Théra conseil	EUR	0.5		0.8%				2.5			01/01/15 -12/31/15
TOTAL OTHER SECURITIES					**12.2**	**0.9**					
GRAND TOTAL					**318.0**	**221.8**					

Note 4 Inventories

4.1 Accounting policies

Inventories are measured at the lower of cost and net realisable value.

Inventories of raw materials, consumables and goods for resale are measured at their purchase price plus related expenses using the FIFO method. Work-in-progress and finished products are measured at their actual production cost.

Inventories are written down where necessary, taking into account selling prices, obsolescence, residual shelf life, product condition, sale prospects and, in the case of spare parts, changes in the corresponding instruments' installed base.

4.2 Changes during the year

In millions of euros	Dec. 31,2016	Dec. 12, 2015
Raw materials	35.9	36.1
Work-in-progress	25.6	26.3
Finished products and goods held for resale	87.8	78.3
TOTAL GROSS VALUE	**149.3**[a]	**140.7**
Impairment losses	(9.5)[b]	(10.8)
TOTAL CARRYING AMOUNT	**139.8**	**129.9**

(a) Of which relating to instruments and the related spare parts: 26.2%, compared to 22.9% in 2015.
(b) Of which impairment of inventories and work-in-progress: -€0.1 million versus -€1.3 million in 2015.

Note 5 Trade and operating receivables

5.1 Accounting policies

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

5.2 Changes during the year

Trade receivables *In millions of euros*	Dec. 31, 2016	Dec. 31, 2015
Gross trade receivables	302.8	281.9
Impairment losses	(5.1)	(4.4)
CARRYING AMOUNT	**297.7**	**277.5**

Other operating receivables *In millions of euros*	Dec. 31, 2016	Dec. 31, 2015
Advances and downpayments	8.8	7.9
Prepaid expenses	6.0	4.1
Other operating receivables	20.8[(a)]	18.4
TOTAL GROSS VALUE	**35.6**	**30.4**

(a) Including a VAT receivable for €12.7 million.

Breakdown of prepaid expenses *In millions of euros*	Dec. 31, 2016	Dec. 31, 2015
Relating to purchases	5.6	3.8
Relating to external services and other	0.3	0.2
Relating to other operating expenses	0.1	0.1
TOTAL	**6.0**	**4.1**

Maturities of trade and other receivables *Carrying amount in millions of euros*	Dec. 31, 2016	Dec. 31, 2015
TRADE RECEIVABLES	**297.7**	**277.5**
Due in less than 1 year	297.3	277.1
Due in more than 1 year	0.4	0.4
OTHER OPERATING RECEIVABLES	**35.6**	**30.4**
Due in less than 1 year	33.4	29.8
Due in more than 1 year	2.2	0.6

Note 6 Cash at bank and in hand

6.1 Accounting policies

Cash and cash equivalents include available cash and short-term investments.

Changes in the cash pool are valued at the average monthly exchange rate. At the end of the month, cash pool accounts are remeasured at the closing rate with an offsetting entry to unrealised foreign exchange gains or losses. A provision for financial risk is set aside for any unrealised losses.

6.2 Changes during the year

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Short-term investments	33.8	18.5
Cash pooling	223.6	174.1
Cash at bank and in hand, and financial instruments	49.7	20.3
TOTAL	**307.1**	**212.9**

Short-term investments break down as follows:

	Dec. 31, 2016	Dec. 31, 2015
Investment	BNP PARIBAS DEPOSIT money-market fund	BNP PARIBAS DEPOSIT money-market fund
Net amount	€11.8 million	€9.0 million
Type	Euro money-market fund	Euro money-market fund
ISIN code	FR0011046085	FR0011046085
Investment	SWISS LIFE SHORT TERM € money-market fund	SWISS LIFE SHORT TERM € money-market fund
Amount	€8.0 million	€0.0 million
Type	Euro money-market fund	Euro money-market fund
ISIN code	FR0011060870	FR0011060870
Investment	AMUNDI TRESO EONIA money-market fund	AMUNDI TRESO EONIA money-market fund
Amount	€0.0 million	€9.5 million
Type	Euro money-market fund	Euro money-market fund
ISIN code	FR0007435920	FR0007435920
Investment	Treasury shares	Treasury shares
Amount	€14.0 million	€0.0 million
Type	Equities	Equities
ISIN code	FR001096479	FR0010096479

The short-term investments include:

- 10,000 treasury shares purchased in connection with a share grant plan.

  As prescribed by the French National Accounting Board (*Commission des Normes Comptables* – CNC) in its November 6, 2008 notice No. 2008-17, treasury shares allocated to existing plans are not written down to reflect market prices.

- 94,800 shares purchased within the framework of the establishment of a hedging program intended to ensure the cost of the various share grant plans.

Note 7 Translation adjustments

7.1 Accounting policies

Income and expenses in foreign currencies are recognised at their value in euros on the transaction date based on the average monthly exchange rate. Foreign exchange gains or losses on commercial transactions resulting from differences in rates between the transaction date and payment date are recognised under the corresponding line in the income statement (sales and purchases).

Receivables and payables denominated in foreign currency are translated at the closing rate or at the hedging rate, where applicable. Any differences resulting from this valuation are recognised under unrealised foreign exchange gains and losses. Provisions are set aside for unrealised foreign exchange losses and are recognised in income (sales and purchases) whenever the receivable or payable is related to a commercial transaction.

Unrealised foreign exchange gains and losses are offset insofar as they concern the same currency and third party, and have similar maturities.

7.2 Unrealised foreign exchange losses

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
On operating payables	0.7	0.5
On borrowings and financial receivables	5.4	5.0
On operating receivables	1.9	6.9
TOTAL	**8.0**	**12.4**

7.3 Unrealised foreign exchange gains

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
On operating payables	0.1	0.5
On operating receivables	4.0	0.4
On borrowings	2.0	0.8
On financial receivables	24.4	20.9
TOTAL	**30.5**	**22.6**

Note 8 Shareholders' equity and share grant plans

8.1 Accounting policies

Investment grants are recognised in equity. The Company has elected to spread an investment grant financing an amortisable fixed asset over several periods. The investment grant is reversed over the same period based on the same pattern as the value of the asset acquired or created as a result of the grant.

Share grant plans

Shares were acquired as part of a hedging plan, allocating the shares specifically to a share grant plan or as hedging for plans without precise allocation.

8.2 Changes during the year

The Company's share capital amounted to €12,029,370 at December 31, 2016 and was divided into 39,453,740 shares with a total of 65,621,793 voting rights (of which 26,256,930 shares carrying double voting rights). Following a decision taken by the Annual 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, 2016.

At December 31, 2016, the Company held:

- 1,706 treasury shares under a liquidity agreement with an independent investment service provider. During 2016, the Company purchased 449,348 and sold 450,761 of its own shares;
- 10,000 treasury shares were set aside for free share grants and allocated to a specific plan. During 2016, the Company purchased 15,901 and awarded 6,237 of its own shares;
- 94,800 treasury shares purchased within the framework of a hedging program covering the various share grant plans.

Change in shareholders' equity *In millions of euros*	Share capital	Additional paid-in capital	Retained earnings	Statutory provisions	Grants	Total
DECEMBER 31, 2015	**12.0**	**63.5**	**783.6**	**45.9**	**0.2**	**905.2**
Net income for the year	0.0	0.0	69.1	0.0	0.0	69.1
Dividends paid	0.0	0.0	(39.4)	0.0	0.0	(39.4)
Other movements	0.0	0.0	0.0	7.9	0.0	7.9
DECEMBER 31, 2016	**12.0**	**63.5**	**813.3**	**53.8**	**0.2**	**942.8**

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

	Year in which plan opened				
Number of shares	2012	2013	2014	2015	**2016**
Initial number of options granted	26,000	41,700	5,000	17,700	134,100
Forfeited shares	9,800	12,700		1,000	7,400
Number of shares remitted in 2016		6,000			
Total number of vested shares	6,200				
Number of shares to be remitted as of 12/31/2016	10,000	23,000	5,000	16,700	126,700

Between 2012 and 2016, the Board of Directors granted free shares (out of existing shares) to certain employees and corporate officers, subject to presence and performance conditions, as applicable.

Under the terms of the different plans, the free shares subject to a presence and sometimes a performance condition fully vest only after a period of two, three or four years.

The performance shares will only fully vest if certain objectives based on sales or 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 2016, a net expense of €4.6 million was recognised in operating income (*versus* a net income of €0.9 million in the previous financial year).

Considering the 10,000 shares held on December 31, 2016 and specifically allocated to a share grant plan and the 94,800 shares purchased to cover the other grants, the Company will have to purchase an additional 76,600 shares for an amount of €10.9 million based on the share price at December 31, 2016. Taking into account the forecast achievement of performance conditions at that date, the Company will have to purchase 76,600 treasury shares, representing a cost of €10.9 million based on the same market price.

8.3 Changes in statutory provisions

Statutory provisions *In millions of euros*	Accelerated amortisation	Provisions for price increases	Total
DECEMBER 31, 2015	**44.6**	**1.2**	**45.8**
Additions	17.7	0.3	18.0
Reversals	(9.7)	(0.3)	(10.0)
DECEMBER 31, 2016	**52.6**	**1.2**	**53.8**

Note 9 Provisions for contingencies and losses

9.1 Accounting policies

Contingency and loss provisions are recognised in accordance with French accounting rules applicable to liabilities (CRC notice 2000-06).

The Company is a party to a certain number of claims and litigation arising in the ordinary course of business. It believes that these claims and litigation will not have a materially adverse impact on its ability to continue as a going concern. When a risk is identified, a provision is recognised as soon as it can be reliably estimated. The provision for claims and litigation amounted to €2.1 million at December 31, 2016.

9.2 Changes during the year

Impairment *In millions of euros*	Other employee benefits [a]	Product warranties[b]	Other provisions	Total
DECEMBER 31, 2015	**28.2**	**0.7**	**22.1**	**51.0**
Merger contributions	0.0	0.0	0.2	0.2
Additions	4.3	0.8	18.0	23.1
Reversals (utilisations)	(1.5)	(0.7)	(15.6)	(17.8)
Reversals (surplus)	0.0	0.0	(0.2)	(0.2)
Net additions (reversals)	2.8	0.1	2.2	5.1
DECEMBER 31, 2016	**31.0**	**0.8**	**24.5[c]**	**56.3**

(a) Provisions for other employee benefits comprise retirement benefits, long-service awards and mutual health insurance benefits.
(b) Estimate of the costs relating to warranties issued on the sale of instruments in the period that may be incurred over the remaining warranty period.
(c) Including provisions for foreign exchange losses (€8 million), for free share grants (€8.7 million), and for Lyme disease dispute fees (€1.4 million).

9.3 Provisions for pensions and other post-employment benefits

9.3.1 Accounting policies

The Company applies ANC recommendation No. 2013-02 of November 7, 2013 and applies the principles of IAS 19 as amended in June 2011 for its statutory financial statements, with the exception of the option to recognise actuarial gains and losses in equity.

9.3.2 Changes during the year

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

	Dec. 31, 2016	Dec. 31, 2015
Salary increase rate	2.5%	2.5%
Discount rate	1.65%	2.25%
Employee mobility rate[a]	0% to 5%	0% to 5%
Average duration	15.0	14.6

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

At December 31, 2016, the Company recognised provisions for retirement benefits in an amount of €17.3 million.

The provision for long-service awards amounts to €13.7 million.

9.4 Contingent liabilities

The declared dispute with regard to the collective action of patients against bioMérieux as manufacturer of diagnostic tests for Lyme disease has not given rise to a provision for risk in the consolidated financial statements for the year ended December 31, 2016 as at this stage it is not possible to assess the risk incurred by the Company.

Note 10 Net debt

10.1 Statement of changes in net debt

The statement of changes in net debt includes all changes in borrowings and debt, regardless of maturity, net of cash and short-term bank borrowings.

It lists separately:

- cash flow relating to operating activities;
- cash flow relating to investing activities;
- cash flow relating to shareholders' equity.

Cash flow from operating activities corresponds to the aggregate of net income, depreciation and amortisation, net additions to provisions (impairment and contingencies and losses), less capital gains or losses on disposals of fixed assets.

Net debt corresponds to the Company's financial situation with regard to financing third parties outside of operating payables. This aggregate is determined by the sum of mandatory and bank debt (short, medium and long term) and bank overdrafts, less cash at bank and in hand and investment securities.

In millions of euros	**Dec. 31, 2016**	31 Dec. 2015
Net income for the year	69.1	75.7
Depreciation, amortisation and provisions, net	20.8	75.9
Gains and losses on corporate actions	57.5[a]	(0.3)
Investment grants	0.0	(0.1)
Cash flow from operating activities	**147.4**	**151.2**
Increase in inventories	(8.5)	(2.6)
Increase of requirements in accounts receivable	(12.1)[b]	(43.7)
Change in trade payables and other operating working capital	31.3[c]	(10.1)
Operating working capital requirement	**10.7**	**(56.4)**
Decrease in receivables, net of tax	(0.7)	7.2
Other non-operating working capital	0.0	0.7
Total change in working capital requirement	**10.0**	**(48.5)**
NET CASH GENERATED FROM OPERATING ACTIVITIES	**157.4**	**102.7**
Capital expenditure	(59.4)	(57.4)
Disposals of fixed assets	13.8	27.5
Change in payables on fixed assets	0.9	(7.0)
Increase in equity interests	(5.4)[d]	(26.6)[e]
Net change in advances and loans to subsidiaries	(14.6)[f]	32.6[g]
Decrease in non-current financial assets	0.1	0.0
NET CASH USED IN INVESTING ACTIVITIES	**(64.4)**	**(30.9)**
Dividends paid	(39.4)[h]	(39.4)
Net cash used in shareholders' equity	**(39.4)**	**(39.4)**
Change in net debt (excluding exchange rate impact)	**53.6**	**32.4**
Breakdown of change in net debt		
Net debt at beginning of year	174.3	221.8
Net debt from mergers	(0.2)	0.0
Cash pooling impairment	0.0	(3.4)
Impact of changes in exchange rates on net debt	(4.0)	(11.7)
Change in net debt:	**(53.6)**	**(32.4)**
• Committed debt	11.3	2.3
• Cash and bank overdrafts	(64.9)	(34.7)
NET DEBT AT END OF YEAR (NOTE 4.1.3)	**116.5**	**174.3**

(a) Including bioMérieux BV shares following the liquidation of the company for €53.3 million.
Expense offset by an equivalent amount of reversals of impairment provisions.
(b) Including amounts owed by Group customers (+€7.7 million) and by export customers (+€4.4 million).
(c) Including Group suppliers (+€22.9 million) and non-Group suppliers (+€7 million)
(d) Including capital increase of AB bioMérieux (-€4.5 million), and Mérieux University (-€0.4 million).
(e) Including acquisitions of shares in Quercus Scientific NV (-€18.7 million), Quanterix (-€6.1 million) and other amounts owed on Quercus Scientific NV shares (-€1 million).
(f) Including the bioMérieux Inc. loan (+€49.2 million), the bioMérieux GmbH loan (-€7.9 million), and the BioFire loan (-€55.9 million).
(g) Including the bioMérieux Inc. loan (+€49.2 million), the bioMérieux Taiwan loan (+€2.3 million), and the bioMérieux Brazil loan (-€3.0 million).
(h) Dividend approved by the Annual General Meeting of May 26, 2016.

10.2 Debt refinancing

bioMérieux SA has a syndicated credit facility for an amount of €350 million, set up in March 2012 and amended in June 2014. The loan matures in 2019 and is subject to the following covenant: bioMérieux Group net debt may not exceed 3.5 times operating income before non-recurring items (EBITDA) before depreciation/amortisation and acquisition expenses. The Company complied with this covenant at December 31, 2016. No amounts were drawn down under this facility during the year.

In January 2017, the Group signed an addendum with its bank pool bringing this loan to €500 million maturing on January 26, 2022 (five years with the option of two one-year extensions). The covenant is unchanged.

bioMérieux SA had €40.0 million in outstanding commercial paper at December 31, 2016 (€30.5 million at December 31, 2015).

In early October 2013, bioMérieux carried out its first bond issue, placing €300 million worth of seven-year bonds (maturing October 14, 2020) with institutional investors. The bonds pay interest at an annual rate of 2.875% and the third instalment was paid in October 2016 for €8.6 million. The bonds were issued with an issue premium. The expense relating to the issue premium and issue fees is being amortised over the term of the bonds.

10.3 Maturities of borrowings

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Due beyond 5 years	2.6	
Due in 1 to 5 years	305.3[a]	305.1
TOTAL LONG-TERM BORROWINGS	**307.9**	**305.1**
Due within 1 year	115.7[b]	82.1
TOTAL BORROWINGS	**423.6**	**387.2**
Short-term investments	(33.8)[c]	(18.5)
Cash at bank and in hand, and financial instruments	(273.3)[d]	(194.4)
NET DEBT	**116.5**	**174.3**

(a) Including the €300 million bond issue.
(b) Including cash pooling for €59.1 million.
(c) The carrying amount of short-term investments is identical to their market value, except for treasury shares, which are carried at historical cost.
(d) Including cash pooling for €223.6 million.

Note 11 Trade and operating payables

Trade and other operating payables *In millions of euros*	Dec. 31, 2016	Dec. 31, 2015
TRADE PAYABLES	**161.7**	**130.0**
Accrued payroll and other taxes	109.2	104.4
Deferred income	3.4[a]	5.0
Other	12.1	9.6
OTHER OPERATING PAYABLES	**124.8**	**119.0**

(a) Including a lease agreement for €2.7 million and the sale of reagents and instruments for €0.7 million.

Maturities of trade and other payables *In millions of euros*	Dec. 31, 2016	Dec. 31, 2015
TRADE PAYABLES		
Due within 1 year	161.6	130.0
Due beyond 1 year	0.1	0.0
TOTAL	**161.7**	**130.0**
OTHER OPERATING PAYABLES		
Due within 1 year	124.8	119.0
TOTAL	**124.8**	**119.0**

Note 12 Accrued expenses and accrued income

Accrued expenses *In millions of euros*	Dec. 31, 2016	Dec. 31, 2015
Miscellaneous borrowings	3.5	3.5
Trade payables	70.0	48.8
Accrued payroll and other taxes	97.9	87.6
Other operating payables	7.8	7.1
Due to suppliers of fixed assets	14.8[(a)]	13.7
TOTAL	**194.0**	**160.7**

(a) Including a €3.4 million earn-out relating to Advencis and €1 million relating to Quercus Scientific NV.

Furthermore, accrued income amounted to €23 million at December 31, 2016, *versus* €16.4 million at December 31, 2015. It comprised mainly unbilled customer payables (€17.2 million *versus* €9.7 million at December 31, 2015), accrued interest on loans to subsidiaries (€2.8 million), and operating subsidies receivable (€1.5 million).

Note 13 Sales

13.1 Accounting policies

Revenue from the sale of products (reagents and instruments) and related services (technical support, training, shipping, etc.) is reported under "sales" in the consolidated income statement.

Revenue arising from the sale of products is recognised when all of the following criteria have been satisfied:

- the significant risks and rewards of ownership have been transferred to the buyer;
- the Company no longer has a continuing involvement in the effective control over the goods sold;
- the revenue and the costs incurred or to be incurred in relation to the transaction can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company.

These criteria are satisfied when reagents are delivered and when sold instruments are installed.

In the case of services (training, technical support, etc.), revenue is recognised only after the services have been rendered. Revenue from instrument maintenance contracts is deferred and recognised on the basis of the elapsed portion of the service contract.

Sales are measured at the fair value of the consideration received or receivable, net of any discounts and rebates granted to customers. Sales taxes and value-added taxes are not included in sales.

13.2 Changes during the year

Breakdown of sales *In millions of euros*	France	Export	Total Dec. 31, 2016	Total Dec. 31, 2015
Sales of goods for resale	11.9	107.9	119.8	108.9
Sold production (goods)	157.0	617.4	774.4	727.4
Sold production (services)	19.0	125.7	144.7	125.7
TOTAL	**187.9**	**851.0**	**1,038.9**	**962.0**

Sales by geographic area *In millions of euros*	Dec. 31, 2016	Dec. 31, 2015
France	188.2	191.5
DOM TOM (French overseas territories)	8.3	7.2
Europe	420.2	385.4
South America	43.8	43.7
North America	141.0	128.2
Asia-Pacific	138.1	128.1
Other	99.3	77.9
TOTAL	**1,038.9**	**962.0**

Note 14 Research and development expenses

Research and development expenses are expensed as incurred except for research and development programs capitalised following the merger with the companies AES Chemunex and CEERAM.

Research and development expenses for 2016 amounted to €120.7 million.

Note 15 Personnel costs and employee benefits

15.1 Accounting policies

When an expense is not considered as definitive on recognition, the expense transfer accounts are used to subsequently reclassify the expense based on the appropriate economic nature.

In 2016, income relating to the tax credits promoting competition and employment (CICE) was recorded as and when the compensation deemed eligible for inclusion in the tax base was recognised. This income is presented in operating items as a deduction from personnel costs for €3.8 million.

CICE tax credits in respect of compensation paid in 2015 amounted to €3.7 million. These tax credits have helped improve the Company's competitiveness, in particular through production capacity investments in France, new hires and staff training, and expenditure on occupational health and safety.

15.2 Changes during the year

Personnel costs *In millions of euros*	Dec. 31, 2016 12 months	Dec. 31, 2015 12 months
Wages and salaries	175.1	167.1
Discretionary profit-sharing	11.3	8.6
Payroll taxes	86.1	82.2
TOTAL	**272.5**	**257.9**
AVERAGE HEADCOUNT	**3,427**	**3,326**
HEADCOUNT AT YEAR-END	**3,484**	**3,371**

In accordance with the law, no non-discretionary profit-shares could be granted to employees out of net income for 2016.

Compensation allocated to members of the administrative, management and supervisory bodies and senior management (Company directors and members of the Executive Committee who are employees of the Company) in respect of their duties in 2016 consisted of directors' fees of €0.3 million, and fixed and variable compensation of €8.2 million.

Breakdown of headcount *In FTE*	Dec. 31, 2016 12 months	Dec. 31, 2015 12 months
AVERAGE HEADCOUNT		
Managers	1,629	1,576
Supervisors	63	58
Employees	25	25
Technicians	1,149	1,117
Blue-collar workers	561	550
TOTAL	**3,427**	**3,326**
HEADCOUNT AT YEAR-END		
Managers	1,657	1,592
Supervisors	64	58
Employees	24	27
Technicians	1,156	1,140
Blue-collar workers	583	554
TOTAL	**3,484**	**3,371**

Note 16 Net financial expense

16.1 Accounting policies

Dividends received are recognised net of withholding taxes applicable in the country of origin.

16.2 Changes during the year

In millions of euros	Dec. 31, 2016 12 months	Dec. 31, 2015 12 months
Net finance costs	4.8	4.1
Impairment of investments	(16.9)[a]	(22.1)[b]
Debt waiver	0.0	(3.6)
Provisions for financial contingencies and losses	(0.1)	0.3
Cash pool impairment	0.0	3.4
Dividends	43.3	58.7
Foreign exchange losses	(8.2)	(20.0)
TOTAL	**22.9**	**20.8**

(a) Including net additions relating to shares in subsidiaries for €16 million and €0.9 million relating to other investments.
(b) Including net additions relating to shares in subsidiaries for €22.3 million and net reversals relating to other investments for €0.2 million.

In 2015, a financial debt waiver was granted to the subsidiary bioMérieux BV in an amount of €3.6 million.

16.3 Foreign exchange losses

Foreign exchange gains and losses result from differences between the transaction exchange rate and the settlement rate (or the year-end rate if the payment has not yet been made). These differences only partially reflect the impact of currency fluctuations.

Foreign exchange gains and losses on commercial transactions are recognised under the relevant headings in the consolidated income statement. The table below shows their income statement impact:

In millions of euros	**Dec. 31, 2016 12 months**	Dec. 31, 2015 12 months
Sales	1.3	(21.0)
Purchases	(0.6)	1.5
Financial items	(8.2)	(20.0)
TOTAL	**(7.5)**	**(39.5)**

Note 17 Non-recurring expense

In millions of euros	Income	Expenses	**Net Dec. 31, 2016**	Net Dec. 31, 2015
Deconsolidations and disposals of fixed assets	13.8	71.3	(57.5)	0.3
Statutory provisions	10.0	18.0	(8.0)	(5.6)
Other non-recurring income and expenses	57.8	0.9	56.9	4.5
TOTAL	**81.6**	**90.2**	**(8.6)**	**(0.8)**

Retirements and disposals of non-current assets primarily comprise the disposal of bioMérieux BV and Oscient Pharma shares for the amounts of €53.3 million and €3.5 million, respectively.

Other non-recurring income and expenses include the reversal of impairment on bioMérieux BV shares for €53.3 million and Oscient Pharma BV shares for €3.5 million.

Note 18 Income taxes

18.1 Accounting policies

The Company has opted to present CICE tax credits promoting competitiveness and employment in France as a deduction from personnel costs (see Note 15.1).

Taxes on dividends are recognised in income tax expense.

18.2 Changes during the year

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

At January 1, 2015, this tax consolidation group was extended to include CEERAM and Advencis.

On January 1, 2016, CEERAM left the tax consolidation group due to it being absorbed by bioMérieux SA on September 30, 2016, with retroactive effect to January 1, 2016.

The parent company can therefore benefit from consolidated tax relief.

At December 31, 2016, the Company recognised various tax credits totalling €23.8 million, including a research tax credit for an estimated €18.4 million.

The various tax credits accumulated since 2011 represent the majority of the Company's non-operating receivables at December 31, 2016 and break down as follows: €35.8 million maturing in less than one year and €9.7 million maturing beyond one year.

Since the Steria ruling represented case law, bioMérieux recognised accrued income of €0.9 million immediately after filing its claim with the tax authorities regarding the overpayment of its share of expenses and charges on dividends.

A corporate tax income in the amount of €2.8 million was recognised as a consequence of the bioMérieux Italy tax adjustment for the 2004 to 2007 financial years, resulting from the commitment taken by the French authorities not to impose double taxation on bioMérieux SA following tax increases in Italy during the period under review.

The net income tax benefit totalled €16.2 million in 2016, *versus* €1.1 million one year earlier.

2016 income tax includes the tax on dividend pay-outs amounting to €1.2 million and was reduced by a consolidated tax saving of €0.4 million.

18.2.1 Breakdown of corporate income tax

In millions of euros	Before tax	Tax[(a)]	Dec. 31, 2016 After tax	Dec. 31, 2015
Recurring income	69.2	2.6	71.8	75.3
Non-recurring expense	(8.6)	3.1	(5.5)	0.0
Prior-year tax adjustment and other	0.0	2.8	2.8	0.4
NET INCOME FOR THE YEAR	**60.6**	**8.5**	**69.1**	**75.7**

(a) CICE tax credits for €3.8 million are recognised in personnel costs and not in income tax.

18.2.2 Net income for the year excluding valuation allowances

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Net income for the year	69.1	75.7
Income tax	8.5	1.1
Net income before tax	60.6	74.6
Accelerated depreciation/amortisation and statutory provisions	(8.0)	(5.5)
NET INCOME BEFORE TAX AND EXCLUDING VALUATION ALLOWANCES	**68.6**	**80.2**
Income tax	8.5	1.1
Income tax on valuation allowances at 34.43% in 2016 and 38% in 2015	2.8	2.1
NET TAX BENEFIT (EXPENSE)	**5.7**	**(1.0)**
NET INCOME FOR THE YEAR EXCLUDING VALUATION ALLOWANCES	**74.3**	**79.2**

18.2.3 Deferred taxes

In millions of euros	Dec. 31, 2016 34.43%	Dec. 31, 2015 38%
Accelerated depreciation, amortisation and statutory provisions	18.5	17.4
Investment grants	0.1	0.1
Provision for accrued receivables on treasury shares	0.8	1.0
TOTAL DEFERRED TAX LIABILITIES	**19.4**	**18.5**
Non-deductible provisions and expenses	(12.9)	(12.5)
Unrealised foreign exchange gains	(10.5)	(8.6)
Amortisation of acquisition costs	0.0	(0.1)
TOTAL DEFERRED TAX ASSETS	**(23.4)**	**(21.2)**
TOTAL DEFERRED TAX BENEFIT OR EXPENSE	**(4.0)**	**(2.7)**

Note 19 Hedging instruments

19.1 Accounting policies

The Company only uses financial instruments for hedging purposes, in order to limit risks stemming from changes in exchange rates and interest rates, whether related to assets and liabilities at the end of the period or to future transactions.

19.2 Exchange rate risk

In view of the significant proportion of bioMérieux SA's operations conducted outside the eurozone, its sales, earnings and assets and liabilities may be impacted by changes in exchange rates between the euro and other currencies. Sales are particularly affected by euro/US dollar exchange rate variations and, more occasionally, by fluctuations in the rate of the euro against other currencies.

bioMérieux SA's current policy is to seek to hedge the impact of exchange rate fluctuations on budgeted net income. It uses hedging instruments, when they are available at a reasonable cost, in order to mitigate risks relating to currency fluctuations. Hedging contracts are purchased to cover transactions included in the budget and not for speculative purposes.

Hedges consist mainly of forward currency sales and purchases (maturing within 18 months at December 31, 2016).

Hedging instruments are used to hedge trade and financial receivables and payables.

Unrealised foreign exchange gains and losses on hedging instruments, measured on the basis of trading prices at December 31, 2016, are recognised in the balance sheet whenever they are in a hedging relationship with receivables or payables.

Hedges in effect at December 31, 2016 were as follows:

- forward sales of €42.5 million to hedge trade receivables;
- forward sales of €242.5 million to hedge financial receivables;
- forward purchases of €14.3 million to hedge borrowings.

Furthermore, currency hedges were set up to cover the budget positions of the 2017 financial year. The net amount of these hedges is €232.6 million.

Based on their market value at December 31, 2016, all of these hedges taken together represented an unrealised loss of €4.6 million.

At December 31, 2016, the Company had no hedges covering the earnings of foreign subsidiaries.

The table below shows the currencies in which sales are generated:

	Dec. 31, 2016		Dec. 31, 2015	
In millions of euros	**12 months**	**%**	12 months	%
Euro	**578.2**	**56%**	**536.5**	**56%**
Other				
US dollar	180.1	17%	169.0	18%
Chinese yuan	52.5	5%	45.4	5%
Indian rupee	28.5	3%	23.4	2%
Pound sterling	27.0	3%	26.0	3%
Swiss franc	20.2	2%	18.7	2%
Polish zloty	17.0	2%	15.8	1%
Swedish krona	16.7	1%	17.0	2%
Czech koruna	14.3	1%	7.6	1%
Turkish lira	13.6	1%	12.2	1%
Other currencies	90.9	9%	90.5	9%
TOTAL	**1,038.9**	**100%**	**962.0**	**100%**

19.3 Interest rate risk

19.3.1 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, bioMérieux SA hedges its debt by using fixed and floating interest rate instruments.

The bond issue, after taking account of interest rate derivatives, breaks down as €150 million at fixed rates and €150 million at floating rates (capped at 1.2%). The expense in respect of the related premiums is being amortised over the term of the hedges.

The real estate lease financing agreement in the amount of €45 million set up to finance Campus de l'Etoile is variable-rate and indexed. At December 31, 2016, there was no hedging mechanism set up to back this financing.

Exposure to interest rate risk on other borrowings is not material and is not subject to hedging.

19.3.2 Hedging instruments

At December 31, 2016, the interest rate risk hedging portfolio comprised interest rate swaps for €150 million and options for €150 million.

The market value of interest rate swaps was €10 million, while the market value of interest rate options was a negative €1.4 million.

19.4 Exchange rate and interest rate risk

19.4.1 Exposure to exchange rate and interest rate risk

In 2013, bioMérieux SA issued bonds in connection with its US dollar-denominated acquisition of US-based BioFire by bioMérieux Inc., which closed in January 2014. In January 2014, bioMérieux SA granted a loan of US$ 470 million to bioMérieux Inc. These transactions generated exchange rate risk and interest rate risk that needed to be hedged.

19.4.2 Hedging instruments

In order to mitigate the above-described exchange rate and interest rate risk, the Company set up a cross currency swap in January 2014.

Cross currency swaps in the amount of US$ 470 million have been exchanged. This nominal amount is payable in six-monthly instalments.

At December 31, 2016, the outstanding nominal amount of cross currency swaps stood at US$ 268.6 million. The market value of these instruments amounted to a negative €61.3 million.

Note 20 Off-balance sheet commitments

20.1 Financial commitments

20.1.1 Commitments given

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Endorsements and guarantees	102.2[a]	154.8
Finance lease and rent commitments	46.1	0.8
TOTAL	**148.3**	**155.6**

(a) Of which related parties for €100.9 million.

At December 31, 2016, bioMérieux SA made a commitment to BioFire Diagnostics for US$ 15.5 million (€14.7 million) in connection with a loan to finance new buildings.

Finance leases *In millions of euros*	Gross	Royalties financial year	Royalties cumulative	Amortisation and depreciation financial year	Amortisation and depreciation cumulative
Land	2.3	0.0	0.0	0.0	0.0
Buildings	42.9	1.1	1.3	0.6	1.7
Other property, plant and equipment	0.1	0.0	0	0	0.0
TOTAL	**45.3**	**1.1**	**1.3**	**0.6**	**1.7**

Finance leases *In millions of euros*	Outstanding royalties <1 year	Outstanding royalties 1-5 years	Outstanding royalties beyond 5 years	Outstanding royalties Total	Residual value
Land	0.2	1.0	1.1	2.3	0.0
Buildings	3.7	18.5	21.3	43.5	0.0
Other property, plant and equipment	0.0	0.0	0.0	0.0	0.0
TOTAL	**3.9**	**19.5**	**22.4**	**45.8**	**0.0**

20.1.2 Commitments received

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Credit facilities with a banking syndicate	350.0	350.0
TOTAL	**350.0**	**350.0**

20.2 Research and development commitments

At December 31, 2016, commitments given in respect of various research agreements amounted to €5.6 million.

bioMérieux SA participates in a research program coordinated by Institut Mérieux, together with bioMérieux, Transgène, Genosafe and the Genethon association. The aim of this program is to develop a new generation of diagnoses and therapies focusing on cancers, infectious diseases and genetic disorders. This program is known under the acronym "ADNA" (for "Advanced Diagnostics for New therapeutic Approaches"). The program receives financing from the French government's Industrial Innovation Agency (*Agence de l'innovation industrielle*), which merged with OSEO ANVAR in 2007, and was renamed Bpifrance in July 2013. The public financing agreement was approved by the European authorities on October 22, 2008. In this context, and in light of the supplemental agreements modifying the initial research program, bioMérieux SA agreed to undertake research and development for an estimated amount of €67.5 million between 2007 and 2017. In return, bioMérieux SA will receive subsidies and repayable grants of up to €16.1 million and €8.9 million, respectively. If a project is successful, bioMérieux SA will have to pay back the grants according to a payment schedule based on sales generated, and then pay 3.4% of sales until 2029.

bioMérieux SA entered into a ten-year partnership with BIOASTER, a Technological Research Institute in Lyon specialised in infectious diseases. In the period 2012-2015, its contribution to research activities resulted in new partnership agreements being put in place with BIOASTER for almost €4 million. bioMérieux's own employees are also involved in these partnership agreements. Discussions regarding commitments of industrial partners over the next collaborative period are currently in progress and bioMérieux SA's commitment to BIOASTER should remain unchanged.

20.3 Commitments relating to equity investments

bioMérieux SA granted a commitment to Amorçage Technologique Investissement (ATI) to submit further competitive bids in an amount of €1.3 million.

20.4 Other commitments

The Company granted a formal raw material purchase price commitment to ABL Inc. up to 2018.

Note 21 Related parties

21.1 Affiliated companies: balance sheet captions

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
TOTAL NON-CURRENT FINANCIAL ASSETS	**609.2**	**647.1**
Operating receivables	205.2	186.3
TOTAL RECEIVABLES	**205.2**	**186.3**
TOTAL CASH AND CASH EQUIVALENTS[a]	**223.5**	**174.1**
Operating payables	78.2	52.7
Non-operating payables	0.1	0.9
Borrowings[b]	59.1	44.0
TOTAL PAYABLES	**137.4**	**97.6**

(a) Advances to subsidiaries under cash pooling agreements.
(b) Advances from subsidiaries under cash pooling agreements.

21.2 Affiliated companies: financial income and expenses

In millions of euros	Dec. 31, 2016 12 months	Dec. 31, 2015 12 months
Net impairment of investments	(16.0)	(22.3)
Financial expenses	(5.6)	(8.8)
Dividends received	43.3	58.7
Financial income	25.1	26.6
TOTAL	**46.8**	**54.2**

Financial expenses include provisions for foreign exchange losses on the cash pool and on long-term loans granted to subsidiaries for €5.3 million.

Financial income includes reversals of provisions for foreign exchange losses on the cash pool and on long-term loans granted to subsidiaries for €5 million, and interest on the bioMérieux Inc. loan for €13.4 million, the bioMérieux Brazil loan for €1.2 million, and on the BioFire loan for €1.8 million, and interest on the cash pooling with bioMérieux Inc. for €2.3 million.

21.3 Between related parties

Institut Mérieux, which owned 58.9% of bioMérieux SA at December 31, 2016, billed bioMérieux SA €3.2 million for advice and services provided during the financial year. Conversely, bioMérieux SA billed Institut Mérieux €0.5 million for expenses incurred on its behalf.

The Company supplied €2.1 million worth of services and reagents to entities of the Mérieux NutriSciences Corp. group, in which Institut Mérieux holds a majority interest.

Théra Conseil, which is 99.20%-owned by Institut Mérieux, billed bioMérieux SA €1.4 million for services in respect of 2016.

bioMérieux SA contributed €1.3 million to the Fondation Christophe and Rodolphe Mérieux, and €0.2 million to the Fondation Mérieux for humanitarian projects.

Conversely, bioMérieux SA billed the Fondation Mérieux €0.2 million for expenses incurred on its behalf.

bioMérieux SA billed Geneuro €1.0 million for patent maintenance fees and royalties in 2016.

In 2015, bioMérieux SA paid €1.6 million to Mérieux University (in which bioMérieux SA and Institut Mérieux each hold a 40% interest, and Mérieux NutriSciences Corporation holds a 20% interest) in respect of training fees, and rebilled €0.9 million in other services.

ABL Inc., in which Institut Mérieux indirectly holds the entire share capital through IM Europe, billed bioMérieux SA for raw materials in 2016 in an amount of €0.7 million.

The LyonBiopôle competitiveness cluster billed bioMerieux SA €0.1 million for fees and services in 2016.

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

BIOASTER billed bioMérieux SA €1.6 million for research expenses. Conversely, bioMérieux rebilled BIOASTER €0.2 million for services.

Lastly, bioMerieux SA paid Quanterix US$ 2.0 million in the form of an upfront payment for a new licence agreement.

6.2.3 Analysis of the results and other financial information

6.2.3.1 Sales and financial position

Sales

During the year ended December 31, 2016, the Company's sales amounted to €1,039 million compared to €962 million for the previous year, representing a year-on-year increase of 8%.

The growth in sales was mainly attributable to the 9.4% rise in sales to subsidiaries in a context of global Group growth, in the same way as export sales (mainly to distributors) have been another important growth driver (+4.3%) for bioMérieux SA.

Meanwhile, domestic sales fell 1.6%, due to the consolidation of laboratories and the health policies in force.

Gross operating income

Gross operating income came in at €146.4 million, *i.e.* 14.1% of sales. It rose by €5.2 million (3.6%) compared to the previous financial year.

Gross operating income benefited from the growth in higher-margin activities (8%), which outpaced growth in personnel costs (5.7%). However, it was penalised by the growth in external services (12.1%).

Operating income

After depreciation, amortisation and provisions, operating income declined €54.6 million in 2015 to €46.3 million at December 31, 2016.

This drop of 15.1% chiefly reflects the rise in depreciation, amortisation, provisions and impairment of 13%, as well as the increase in other operating income and expenses of 18.8%.

Net financial income

In 2016, net financial income came in at €22.9 million *versus* €20.8 million the previous year.

The €15.4 million decrease in dividends received from subsidiaries was partly offset by €11.8 million in net financial foreign exchange gains and the reduction in losses and provisions booked on subsidiary investments for €5.1 million.

Recurring income

Net income before non-recurring items and tax totalled €69.2 million *versus* €75.4 million one year earlier.

Non-recurring income

The Company reported a net non-recurring income of €8.6 million at December 31, 2016 *versus* a loss of €0.8 million at December 31, 2015.

Net accelerated depreciation/amortisation expense amounted to €8 million, up from €5.7 million in 2015.

Non-recurring expense at December 31, 2015 benefited from the recovery of impairment provisions on shares in the Relia company for an amount of €5.1 million.

Income tax and tax credits

Income tax amounted to net income of €8.5 million, compared to €1.1 million at December 31, 2015.

It mainly comprises provisioned research tax credits totalling €18.4 million, representing a decrease of €1 million in 2015. In 2015, an additional research tax credit for previous financial years was obtained for €1.1 million.

Net income for the year

Net income for the financial year came in at €69.1 million compared to €75.7 million in the previous year, *i.e.* a year-on-year drop of €6.6 million. It represented 6.65% of sales, compared to 7.87% of sales one year earlier.

Investments

Investments in property, plant and equipment amounted to €14.8 million, of which €11.3 million for developing IT solutions and €2.4 million in merger losses relating to CEERAM.

The carrying amount of intangible assets scrapped or sold amounted to €4.1 million, of which €3.2 million in IT projects rebilled to subsidiaries.

Non-current financial assets (acquisitions less disposals) fell to €49.1 million in gross value terms, due mainly to the sale of bioMérieux BV shares (€53.3 million) and the €49.2 million repayment on the loan granted to bioMérieux Inc., partially offset by the drawing down of the credit line granted to BioFire Diagnostics in 2015, to finance the construction of its new industrial and administrative site at Salt Lake City, for an amount of €55.6 million.

6.2.3.2 Income appropriation and non-deductible expenses

Shareholders will be invited to appropriate distributable net income for the year ended December 31, 2016, totalling €161,262,204.06, consisting of €92,150,464.73 in net income and €69,111,739.33 in retained earnings, as follows:

- €25,000,000 is to be transferred to the general reserve, increasing the balance from €650,000,000.28 to €675,000,000.28.
- €56,481.61 is to be transferred to the special sponsorship reserve, increasing the balance from €766,174.11 to €822,655.72.

- €39,453,740.00 is to be distributed as dividends, representing a dividend of €1 for each of the 39,453,740 shares comprising the Company's share capital, to be paid on June 8, 2017;
- The remaining €96,751,982.45 is to be transferred to retained earnings.

In accordance with the provisions of article L.225-210 of the French Commercial Code, the Company will not receive any dividends on treasury shares held on the ex-dividend date. The corresponding dividend amount will be allocated to "retained earnings."

The dividend is eligible for the 40% tax basis deduction. Individuals domiciled in France for tax purposes benefit from a 40% tax deduction in accordance with paragraph 2, article 158.3 of the French General Tax Code and will be subject, except in specific cases, to the mandatory, non-discharging levy of 21% for income tax and social security withholdings.

The dividends paid for each of the past three years are presented in section 7.6.

Non-tax-deductible expenses

The 2016 financial statements include non-tax-deductible expenses as provided for in articles 223 quater and 223 quinquies of the French Tax Code amounting to €402,152.21. These correspond to the non-deductible portion of rental payments and depreciation charges for vehicles leased and purchased by bioMérieux SA. Income tax at the base rate paid in this respect amounted to €134,051

6.2.3.3 Five-year financial summary (article R.225-102 of the French Commercial Code)

	Financial year Dec. 31, 2016	Financial year Dec. 31, 2015	Financial year Dec. 31, 2014	Financial year Dec. 31, 2013	Financial year Dec. 31, 2012
I. Share capital at year-end					
Share capital (in euros)	12,029,370	12,029,370	12,029,370	12,029,370	12,029,370
Number of ordinary shares outstanding	39,453,740	39,453,740	39,453,740	39,453,740	39,453,740
Number of preferred shares (without voting rights) outstanding	0	0	0	0	0
Maximum number of potential shares to be issued	0	0	0	0	0
By conversion of bonds	0	0	0	0	0
By exercise of subscription rights	0	0	0	0	0
II. Transactions and net income for the year (in euros)					
Sales	1,038,853,374	961,955,147	901,590,987	880,986,860	782,568,044
Income before tax, employee profit-sharing,depreciation, amortisation and provisions	81,341,294	150,431,236	95,469,356	169,316,060	195,495,032
Income tax	(8,533,578)	(1,081,437)	(13,187,405)	(6,561,154)	(13,233,445)
Employee profit-sharing for the year	0	0	0	0	0
Income after tax, employee profit-sharing, depreciation, amortisation and provisions	69,111,739	75,654,871	65,214,395	109,668,415	162,212,781
Dividends paid[(a)]	39,453,740	39,453,740	39,453,740	38,664,665	38,664,665
Special dividend paid from the general reserve	0	0	0	0	0
III. Earnings per share[(b)] (in euros per share)					
Income after tax and employee profit-sharing, but before depreciation, amortisation and provisions	2.28	3.83	2.74	4.46	5.29
Income after tax, employee profit-sharing, depreciation, amortisation and provisions	1.75	1.92	1.65	2.78	4.11
Dividend per share	1.00	1.00	1.00	0.98	0.98
IV. Employee data					
Average number of employees during the year (in euros)	3,427	3,326	3,330	3,385	2,860
Total annual payroll	187,804,208	177,082,713	170,319,174	167,535,748	145,946,062
Total employee benefits paid during the year (social security, charities) (in euros)	84,651,059	80,796,671	78,084,404	78,937,503	69,933,181

(a) Subject to the non-payment of dividends on treasury shares held on the ex-dividend date.
(b) Excluding interns and international work experience volunteers (VIE), data changed from that previously published in order to homogenise the headcount.

6.2.3.4 Information on payment periods

TRADE PAYABLES AT DECEMBER 31, 2016 BY DUE DATE

Trade payables at December 31, 2016 break down as follows:

Trade payables at Dec. 31, 2016 *In thousands of euros by due date*	Accrued expenses	Trade payables Operations payables and Fixed asset payables + Notes payable	Total
More than 1 year overdue		(163)	(163)
More than 10 days overdue		4,253	4,253
Less than 10 days overdue		(1,961)	(1,961)
Due in 0 to 30 days		30,431	30,431
Due in 31 to 60 days		66,176	66,176
Due in 61 to 90 days		14	14
Accrued expenses	74,582		74,582
TOTAL	**74,582**	**98,750**	**173,332**

These balances do not take into account €4.4 million in payables to suppliers of non-current financial assets relating to the Advencis and Quercus Scientific acquisitions.

The above trade payable balances include €6.2 million in debit balances recorded in the balance sheet under "Other operating receivables" and "Non-operating receivables". French suppliers represent 41% of payables due and the majority percentage of other outstanding payables at December 31, 2016.

TRADE PAYABLES AT DECEMBER 31, 2015 BY DUE DATE

Trade payables at December 31, 2015 break down as follows:

Trade payables at Dec. 31, 2015 *In thousands of euros by due date*	Accrued expenses	Trade payables Operations payables and Fixed asset payables + Notes payable	Total
More than 1 year overdue		(600)	(600)
More than 10 days overdue		(3,646)	(3,646)
Less than 10 days overdue		473	473
Due in 0 to 30 days		25,893	25,893
Due in 31 to 60 days		61,246	61,246
Due in 61 to 90 days		(97)	(97)
Accrued expenses	55,065		55,065
TOTAL	**55,065**	**83,269**	**138,334**

6.2.4 Report of the Statutory Auditors on the annual financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying financial statements of bioMérieux SA;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- As described in Note 3.3.1 of the financial statements, the Company recognises impairment losses against investments whose purchase price exceeds their value in use. Our work consisted in assessing the assumptions and data used by the Company to value these investments, reviewing the calculations made and assessing the reasonableness of the estimates.
- As part of merger transactions, the Company recognised technical merger losses in intangible assets for a gross total amount of €163.5 million, the breakdown of which is shown in Note 3.1.2 of the annual financial statements. As indicated in Note 3.1.1 to the annual financial statements, from now on, these merger losses will follow the amortisation and impairment rules of the underlying assets to which they are assigned. We assessed the reasonableness of these impairments based on the present value of the underlying assets to which they are allocated.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III - Specific verifications and information

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information disclosed in accordance with the requirements of article L.225 102-1 of the French Commercial Code relating to compensation and benefits received by corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of shareholders and holders of voting rights has been properly disclosed in the management report.

Lyon, February 28, 2017

The Statutory Auditors

DIAGNOSTIC REVISION CONSEIL
Hubert de Rocquigny du Fayel

ERNST & YOUNG et Autres
Nicolas Perlier

7 Information on the Company and its share capital

7.1 General information on the Company

The Company's name is bioMérieux.

No trade name has been registered. In this Registration Document, bioMérieux is referred to as the "Company", "bioMérieux", or the "Group".

bioMérieux is a French joint stock company (*société anonyme*) with a Board of Directors, governed by the French Commercial Code (*Code de commerce*) and all other applicable laws and regulations, registered with the Trade and Companies Registry of Lyon under number 673,620,399. Its APE industry code is 2059 Z.

The Company was incorporated on December 13, 1967 for a period of 50 years from its registration with the Trade and Companies Registry, unless said period is extended or the Company is dissolved before the end of said period. The Ordinary and Extraordinary Shareholders' Meeting of April 16, 2004 resolved to extend the Company's duration (article 5 of the bylaws) to 99 years, expiring April 15, 2103.

The Company's registered office is located in Marcy l'Etoile (Rhône department), France. The Company has been established in France since its incorporation.

7.2 Articles of incorporation and bylaws

7.2.1 Corporate purpose

Article 2 of the bylaws stipulates that the Company's purpose, in France and elsewhere, is to:

- manufacture, produce, process, package, distribute, buy, sell, import and export any products and devices and any techniques and know-how used in particular for diagnostics, prevention and treatment, notably in the field of healthcare;
- carry out all studies and research and develop, acquire, grant, keep, control, use, improve, including through the use of licenses and sub-licences, all trademarks, brand names, patents, techniques, inventions, improvements, formulas, designs, processes, etc. in any way related to the abovementioned products or to the manufacturing and trading of such products;
- participate, either directly or indirectly, in all business and manufacturing transactions related in any way whatsoever to the abovementioned purposes or likely to promote them, either through the creation of new companies, the contribution, subscription or purchase of securities or company rights, through mergers, alliances, joint holdings, or by any other means;
- perform all transactions in its line of business, either alone and on its own behalf or on behalf of a third party, on commission, as a broker, for a fee, on a cost basis, as representative or proxy for any entity or in any other capacity;
- provide all services relating to the organisation of bioMérieux's systems including laboratory automation, the purchase and assembly of equipment and specialised software; propose training courses for all healthcare professionals working within the key fields of industrial and medical biology;
- generally, perform all business, manufacturing, financial or other transactions directly or indirectly related to the above purposes or to any similar purposes, including the development of ways to expand, promote, advertise, trade or transport raw materials, semi-finished or finished products, as well as the ability to purchase, acquire, hold, transfer, lease, mortgage or dispose of goods, whether movable or immovable, tangible or intangible, related to the above purposes or likely to develop them.

7.2.2 Provisions relating to the administrative, management and supervisory bodies

The provisions relating to the administrative, management and supervisory bodies are laid down in articles 11 to 17 of the bylaws and in the internal rules of the Board of Directors and are listed in section 4.2.2.

The Company is managed by a Board of Directors composed of at least three members and up to the maximum number permitted by law. The Board of Directors elects a Chairman from among its members. The Chairman must be a natural person, failing which his/her appointment will be deemed invalid. The Board of Directors sets the Chairman's compensation. The Board of Directors may also appoint one or more Vice-Chairmen from among its members. The Chairman of the Board of Directors organises and coordinates the Board of Directors' work and reports thereon to the Shareholders' Meeting.

The members of the Board of Directors are elected for terms of four years, expiring at the end of the Ordinary Shareholders' Meeting called during the year in which the term of the director in question expires to approve the financial statements for the previous year. All directors are eligible for reelection.

The internal rules of the Board of Directors require each member of the Board of Directors to hold a minimum of ten Company shares for the duration of his/her term of office.

The Shareholders' Meeting may decide to allocate a fixed annual sum to the Board of Directors as directors' fees, until a subsequent Shareholders' Meeting decides otherwise. directors' fees are allocated among the members of the Board as the latter deems appropriate. Directors who are members of Board Committees receive higher fees than other directors.

The Company's Chief Executive Officer is the Chairman of the Board of Directors.

7.2.3 Rights and privileges attached to shares

7.2.3.1 Appropriation of income

Article 10 of the bylaws stipulates that each share entitles its holder to a proportionate share of income corresponding to the percentage of capital it represents.

Article 22 specifies that the income for the year, less any accumulated losses, is subject to a deduction of (i) at least five per cent allocated to the legal reserve, a deduction which ceases to be mandatory once the reserve represents one tenth of the share capital but becomes mandatory again if the legal reserve falls to below one tenth of the share capital for any reason, and (ii) any amount to be set aside as reserves as required by law.

The balance, plus any retained earnings, represents distributable net income that the Shareholders' Meeting may, on recommendation of the Board of Directors, distribute in whole or in part as dividends, or allocate to reserve accounts, capital amortisation or retained earnings.

The Shareholders' Meeting may allow shareholders the option to receive all or part of dividends or interim dividends distributed in either cash or shares, in accordance with the law. The Shareholders' Meeting may decide to use the reserves at its disposal to pay a dividend on shares. If this occurs, the relevant resolution must expressly state from which accounts funds are to be withdrawn.

In addition, the Shareholders' Meeting may resolve to use income or reserves, other than the legal reserve, to pay off some or all of the shares and to repay them up to their par value.

Article 23 of the bylaws specifies that the terms of payment of dividends are set by the Shareholders' Meeting or, failing that, by the Board of Directors. Dividends must be paid no more than nine months after the year end, unless otherwise authorised by a court. The Board of Directors may, subject to the provisions of the law, distribute one or more interim dividends prior to the approval of the financial statements for the year.

7.2.3.2 Attendance at Shareholders' Meetings

Article 19 of the bylaws stipulates that all shareholders are entitled to take part in Ordinary and Extraordinary Shareholders' Meetings and in deliberations, either in person or by proxy, as provided by law.

Shareholders may be represented at all meetings, in accordance with applicable laws and regulations. They may also vote by mail by way of a form, which can be obtained under the conditions outlined in the convening notice, in accordance with applicable laws and regulations. Proxy or voting forms of shareholders attending meetings in person will be declared null and void.

Shareholders may take part in meetings by videoconference or by other means of telecommunication in accordance with the terms of applicable laws and regulations referred to in the published notice of meeting or the convening notice. In 2013, the Annual General Meeting decided to introduce voting by electronic mail.

Minutes of Shareholders' Meetings are prepared, and copies are certified and delivered in accordance with the law.

7.2.3.3 Voting rights

Voting rights attached to shares are proportionate to the fraction of capital represented and each share entitles its holder to at least one vote (article 20 of the bylaws).

All paid-up shares which have been held in registered form by the same shareholder for five years or more, based on the proportion of share capital they represent and irrespective of their class, carry double voting rights. The double voting right was approved by the Annual General Meeting in 1999. Shares converted to bearer form or whose ownership changes, subject to the exceptions provided by law, automatically lose their double voting rights. Registered shares are not stripped of voting rights and the five-year period continues to run in the event of transfers following an inheritance, the liquidation of community property between spouses and inter vivos gifts made to a spouse or relatives entitled to inherit.

The Company's merger or demerger would not affect double voting rights, which may be exercised within the successor entity(ies) if their bylaws so permit.

In the event of a capital increase through the capitalisation of reserves, profit or paid-in capital, new shares allocated in respect of existing shares carrying double voting rights will also have double voting rights from the date of issue.

7.2.3.4 Form of shares and identification of the shareholders

Fully paid-up shares may be held in registered or bearer form, at the shareholders' discretion, subject to the applicable laws and regulations. Shares must be held in registered form until they are fully paid up (article 8 of the bylaws).

The Company may apply statutory and regulatory provisions relating to the identification of holders of securities granting immediate or future voting rights at Shareholders' Meetings.

7.2.4 Changes in capital and shareholders' rights

Any changes in the share capital or the shareholders' rights (voting rights attached to shares) are governed by French law, as the bylaws do not any contain specific provisions in this respect.

7.2.5 Convening of Shareholders' Meetings

Shareholders' Meetings are called and deliberate in accordance with the law.

Shareholders' Meetings take place either at the Company's registered office or at another location indicated in the convening notice. The Board of Directors can decide, upon issuing the convening notice, to publicly hold the entire meeting by videoconference and/or by other means of telecommunication, in accordance with the law. Where applicable, this decision is made known in the published notice of meeting or the convening notice.

The Company publishes a notice in the French bulletin of mandatory legal notices (*Bulletin des annonces légales obligatoires* – BALO) containing the text of the resolutions which will be presented at the Shareholders' Meeting in accordance with the law.

Shareholders' Meetings are called by a notice published in the BALO and in a newspaper authorised to publish legal notices in the same *département* (French administrative division) as the Company's registered office, within the timeframe provided for by law.

Holders of registered shares who have held their shares for at least one month at the date of publication of the convening notice are convened by ordinary letter; they may request to receive notice by registered letter if they provide the Company with the amount of postage required.

All shareholders are entitled to take part in Ordinary and Extraordinary Shareholders' Meetings and in deliberations, either in person or by proxy, as provided by law.

Shareholders may be represented by their spouse or by another shareholder at all meetings.

7.3 Share capital

7.3.1 History and amount of the issued capital

The Company's share capital has not been modified in the last three years.

The number of shares issued is 39,453,740 (all Company shares are of the same class). The issued capital amounts to €12,029,370, fully paid up. The Annual General Meeting of March 19, 2001 decided that there would no longer be any reference to par value in the Company's bylaws.

On the date of filing of this Registration Document:

- there are no securities which do not represent share capital;
- no pledging of shares had been notified to the Company;
- there are no other securities granting access to the Company's share capital;
- there are no options on the share capital of any Group member.

7.3.2 Share buyback program

The Ordinary and Extraordinary Shareholders' Meetings of May 28, 2015 and May 26, 2016 authorised the Board of Directors to buy back shares of the Company in accordance with articles L.225-209 *et seq*. of the French Commercial Code.

Under the authorisations given, the acquisition, sale and transfer of the Company's shares may be carried out by any means, in particular through the use of derivatives, whether on the stock market or over the counter, excluding the sale of put options, save in the case of exchanges that comply with applicable regulations. No restriction applies to the portion of buybacks carried out through block trades, which may account for the entire program, subject to the share ownership limit of 10%.

In accordance with these authorisations, the Company can purchase its shares, depending on prevailing market conditions, in order to (i) maintain a liquid market in the Company's shares through market-making transactions carried out by an independent investment services provider under a liquidity agreement that complies with the AMAFI code of ethics approved by the AMF; (ii) deliver shares upon the exercise of rights attached to the issue of securities giving access to Company shares and stock option plans, or in connection with share grants to employees and corporate officers of the Company or companies within the same Group, or the allocation or transfer of shares to employees under profit-sharing plans, employee share ownership plans or employee savings plans; (iii) hold shares for subsequent delivery as payment or exchange in connection with external growth transactions; and (iv) reduce the Company's share capital by cancelling shares.

Pursuant to the 12th resolution of the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2016, the Board of Directors was also authorised to reduce the share capital by cancelling all or some of the shares purchased under the share buyback program.

At December 31, 2016, the Company held 106,506 shares, *i.e*. 0.27% of the share capital.

Summary of transactions in treasury shares between January 1, 2016 and December 31, 2016

Pursuant to the authorisations given by the Annual Shareholders' Meetings of May 28, 2015 and May 26, 2016, as well as the ensuing share buyback programs:

- Under the liquidity agreement complying with the AMAFI code of ethics, approved by the AMF and entered into with the Company, Kepler Cheuvreux (for the period from January 1 to May 26, 2016) and Natixis (for the period from May 27 to December 31, 2016) performed the following transactions in their capacity as investment services providers.

Shares purchased	449,348
Average purchase price	€119.56
Shares sold	450,761
Average selling price	€119.39
Fees and commissions	0
Treasury shares held at December 31, 2016	1,706
Value of shares held at the end of the year based on their average purchase price	€203,969
Carrying amount at December 31, 2016	€242,081
Nominal value of shares	/
Purpose of transactions	Maintaining an orderly market
Percentage of treasury shares held at year-end	0.00%

The shares purchased by Kepler Cheuvreux and later by Natixis were acquired exclusively to maintain a liquid market in the Company's shares through market-making transactions carried out by an independent investment services provider under a liquidity agreement that complies with the AMAFI code of ethics approved by the AMF.

- Under an agency agreement entered into with Natixis and Société Générale with the sole objective of delivering shares upon the exercise of rights in connection with free share grants to employees of the Company or companies within the Group, pursuant to the authorisations granted by the Shareholders' Meeting.

Shares purchased	110,664
Average purchase price	€131.93
Shares sold	0
Average selling price	/
Treasury shares held at December 31, 2016	104,800
Value of shares held at the end of the year based on their average purchase price	€13,826,264
Carrying amount at December 31, 2016	€14,871,120
Nominal value of shares	/
Purpose of transactions	Delivery of shares upon the exercise of rights in connection with share grants to employees
Percentage of treasury shares held at year-end	0.27%

Use of derivatives

The Company did not use derivatives as part of this share buyback program and there were no open positions to buy or sell derivatives at the date this Registration Document was filed.

7.3.3 Other securities

In addition to the shares issued by the Company as indicated in section 7.3.1 and the free share grants (see section 7.4.3), the Company carried out a bond issue, placing €300 million worth of seven-year bonds (maturing on October 14, 2020), with institutional investors. The bonds pay interest at an annual rate of 2.875%.

The bonds were listed on Euronext Paris in October 2013 but have not and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"). The bonds are being offered outside the United States, in accordance with the regulations of the Securities Act, and may not be offered, sold or delivered within the United States or to, or for the account of, US persons.

This bond issue enabled bioMérieux to (i) lengthen the average maturity of its debt under favourable financial conditions, (ii) diversify its sources of financing in addition to its existing syndicated lines of credit, and (iii) contribute to funding the acquisition of the US company BioFire.

7.3.4 Authorised unissued capital

TABLE SUMMARISING VALID AUTHORISATIONS

Relevant securities	Date and duration of the authorisation	Maximum nominal amount of capital increase	Amount authorised and used
Issue with pre-emptive subscription rights Capital increase with pre-emptive subscription rights through the issue of shares or securities (15th resolution)	AGM of May 28, 2015 26 months, i.e., until July 27, 2017	Maximum nominal amount of €4,210,280 for capital increases(a) and of €500 million for issues of debt securities(b)	N/A
Issue without pre-emptive subscription rights Capital increase without pre-emptive subscription rights through the issue of shares or securities (16th resolution)	AGM of May 28, 2015 26 months, i.e., until July 27, 2017	Maximum nominal amount of €4,210,280 for capital increases(a) and of €500 million for issues of debt securities(b)	N/A
Capital increase without pre-emptive subscription rights as part of an offer provided for in article L.411–2 II of the French Monetary and Financial Code (Code monétaire et financier) (17th resolution)	AGM of May 28, 2015 26 months, i.e., until July 27, 2017	Maximum nominal amount of 20% of the share capital per year(a) and of €500 million for issues of debt securities(b)	N/A
Increase in the number of shares issued in the event of a capital increase (19th resolution)	AGM of May 28, 2015 26 months, i.e., until July 27, 2017	15% of the initial issue, up to the amounts authorised by the 15th to 17th resolutions(a) (b)	N/A
Capital increase without pre-emptive subscription rights as consideration for contributions in kind made to the Company (20th resolution)	AGM of May 28, 2015 26 months, i.e., until July 27, 2017	Maximum nominal amount of 10% of the share capital (as of the implementation of the authorisation)(a)	N/A
Capital increase through the capitalisation of additional paid-in capital, reserves, profit or other items (21st resolution)	AGM of May 28, 2015 26 months, i.e., until July 27, 2017	Maximum nominal amount of €4,210,280(a) as of the AGM of May 28, 2015	N/A
Capital increase without pre-emptive subscription rights as part of the issue by subsidiaries or by the parent company of securities giving access to the Company's securities (22nd resolution)	AGM of May 28, 2015 26 months, i.e., until July 27, 2017	Maximum nominal amount of €4,210,280 for capital increases(a) and of €500 million for issues of debt securities(b)	N/A
Capital increase reserved for employees participating in an employee savings plan (PEE) (23rd resolution)	AGM of May 28, 2015 26 months, i.e., until July 27, 2017	Maximum nominal amount of 3% of the share capital at the date of the AGM of May 28, 2015	N/A
Grant of shares (existing or to be issued) (13th resolution)	AGM of May 26, 2016 26 months, i.e., until July 25, 2018	0.95% of the share capital as of the date of the AGM	133,200 shares(c) (0.34% of the share capital)

(a) This percentage/amount must be offset against the total authorised capital increase of €4,210,280 (nominal amount).
(b) This amount must be offset against the aggregate capital increase through the issue of debt securities of €500 million (nominal amount).
(c) Board of Directors meetings of May 26 and December 15, 2016. This number does not take into account the 900 shares granted by the Board on March 1, 2016, pursuant to the 26th resolution of the Annual General Meeting of May 28, 2015.

7.3.5 The bioMérieux share in 2016

7.3.5.1 bioMérieux equity market

bioMérieux shares have been traded publicly since July 6, 2004 on the CAC Mid 60®, SBF 120®, CAC Mid & Small®, CAC All-Tradable® and CAC All-Share® French market indices. They are listed on compartment "A" of the Eurolist market and are eligible for deferred settlement service (*Service de Règlement Différé* – SRD).

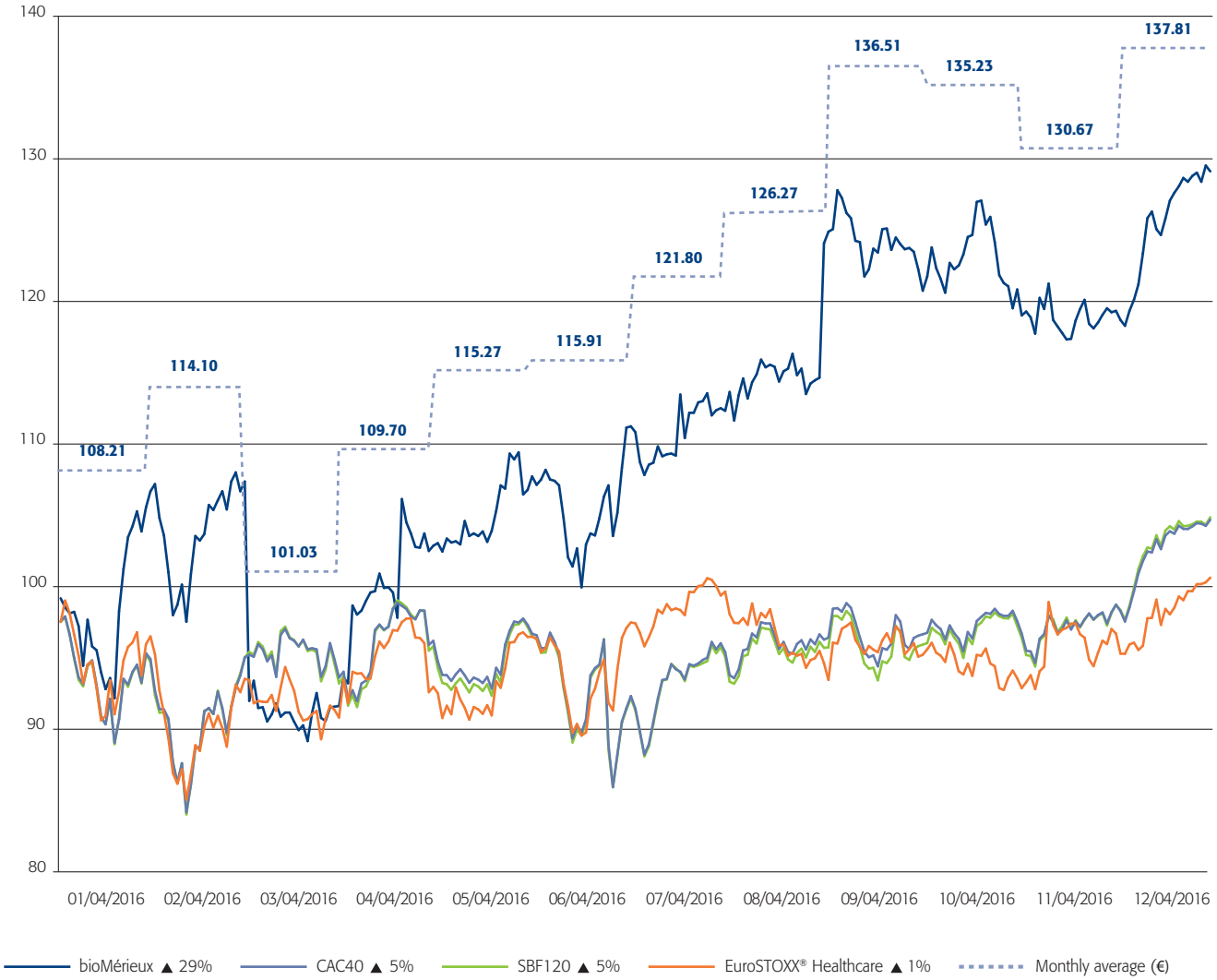
bioMérieux is also included in the following indices: "Gaia Index 2015/2016", "FTSE4Good Index" and "Ethibel Sustainability Index Excellence Europe".

At end-December 2016, the closing price for the bioMérieux share was €141.90 (€109.90 at end-2015) and the Company's market capitalisation was €5.6 billion. In 2016, 10,518,084 of the Company's shares were traded on Euronext (8,996,198 in 2015).

During 2016, the average liquidity of the bioMérieux share was as follows (source: Thomson Reuters Eikon):

- average closing price: €121.19;
- average daily trading volume: 40,926 shares;
- average trading day: approximately €4,828,000.

7.3.5.2 bioMérieux share price performance in 2016 based at 100 compared to benchmark indices (Code: BIM – ISIN code: FR0010096479)



	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Low	101.30	107.20	98.00	100.70	112.60	109.85	118.50	122.70	132.70	131.35	128.95	130.00
High	116.00	118.70	118.00	116.65	120.25	122.15	124.80	136.35	140.45	139.65	133.25	142.35
Closing	116.00	117.25	100.65	112.65	117.35	122.15	123.65	136.35	132.70	132.80	131.15	141.90

Source: Thomson Reuters Eikon, data extracted on 1/10/2017.

7.3.5.3 bioMérieux historical share price performance

Period	High In euros	Low In euros	Closing In euros
2011	84.00	53.25	55.24
2012	75.79	54.50	72.00
2013	81.92	68.75	76.27
2014	87.42	73.59	85.74
2015	110.30	84.29	109.90

Source: Thomson Reuters Eikon.

7.4 Main shareholders

7.4.1 History of the ownership structure

The table below shows the Company's ownership structure on the dates indicated.

	Dec. 31, 2016				Dec. 31, 2015				Dec. 31, 2014			
Shareholders[a]	Number of shares	% of capital	Number of theoretical voting rights[f]	% of voting rights	Number of shares	% of capital	Number of theoretical voting rights[f]	% of voting rights	Number of shares	% of capital	Number of theoretical voting rights[f]	% of voting rights
Institut Mérieux[b]	23,240,090	58.90	46,480,180	70.85	23,240,090	58.90	46,480,180	70.73	23,240,090	58.90	46,480,180	70.78
GIMD[c]	2,013,470	5.10	4,026,940	6.14	2,013,470	5.10	4,026,940	6.13	2,013,470	5.10	4,026,940	6.13
Employees[d]	189,790	0.48	354,740	0.54	187,600	0.48	375,200	0.57	203,420	0.52	340,314	0.52
Treasury stock[e]	106,506	0.27	0	0	3,455	0.01	0	0	5,320	0.01	0	0.00
Public	13,903,884	35.25	14,742,304	22.47	14,009,125	35.51	14,831,191	22.57	13,991,440	35.47	14,819,911	22.57
TOTAL	**39,453,740**	**100**	**65,604,164**	**100**	**39,453,740**	**100**	**65,713,511**	**100**	**39,453,740**	**100**	**65,667,345**	**100**

(a) Only the shareholders representing more than 5% of the capital are named in this table. All other shareholders are included under Public.
(b) Institut Mérieux is the holding company of the Mérieux family.
(c) Groupe Industriel Marcel Dassault.
(d) This line includes employee share ownership through the corporate mutual fund ("FCPE").
(e) The shares are held pursuant to the liquidity agreement with Kepler Cheuvreux and later Natixis and an agency agreement with Natixis and later Société Générale.
(f) Theoretical voting rights are identical to actual voting rights.

Employee share ownership has not changed materially since December 31, 2015. Differences between the number of shares and the number of voting rights reflect the existence of double voting rights. As of the date of this Registration Document, all shares held by Institut Mérieux and GIMD have double voting rights.

To the Company's best knowledge, no other shareholder directly or indirectly holds, alone or in concert, more than 5% of the Company's share capital or voting rights.

7.4.2 Control of the issuer

Institut Mérieux, which is the holding company owned by the Mérieux family through Compagnie Mérieux Alliance, held 58.90% of the share capital and 70.85% of the voting rights of the Company at December 31, 2016. Institut Mérieux is therefore able to adopt all the resolutions submitted for the approval of shareholders at Shareholders' Meetings.

Despite Institut Mérieux's position as the majority shareholder, the Company, which is managed by a Board of Directors, five of whose nine members are independent and which has assessed its own performance to be satisfactory (see section 4.2.2), considers that there is no risk that control be exercised in an abusive manner.

To the best of the Company's knowledge, there are no shareholders' agreements, parties acting in concert and/or other joint actions, nor any other agreement whose implementation could result in a change of control of the Company.

7.4.3 Employee share ownership

7.4.3.1 Statement of employee profit-sharing

As of December 31, 2016, employees held:

- 189,790 shares under the Opus Classic corporate mutual fund ("FCPE"), representing 0.48% of the share capital.

  In 2016, the French employees received a matching employer contribution when they contributed to the OPUS Classis corporate mutual fund (a fund made up entirely of bioMérieux shares) within the framework of the Employee Savings Plan under the following conditions: minimum amount of €100, 100% matched; any contribution invested above €100 is 20% matched up to the total net profit-sharing amount that each employee benefits from.

- a total of 51,705 registered shares, or 0.13% of the share capital.

In 2017, the Group's employees (excluding France and the United States) will be offered new employee share ownership plans, to be validated by the Board of Directors, under which the Company will grant free shares to employees that have subscribed to a certain number of shares. These shares will be granted permanently, after the vesting period defined by the Board, subject to a presence condition.

In the United States, a bioMérieux Inc. phantom share plan was implemented in 2015 and continued in 2016 and 2017. The employees are not shareholders of the Company as such, but the plan makes it possible to link their individual contributions more closely to the Company's performance. BioFire implemented a similar plan in 2016, which will be continued in 2017.

7.4.3.2 Special report on free share grants and stock options

This report was prepared in accordance with the provisions of articles L.225-184 and L.225-197-4 of the French Commercial Code.

The Company does not currently have any stock option plans. No stock options were granted to corporate officers or employees by the Company or Group companies in 2016. At the date of this report, no stock options are exercisable.

The Board of Directors granted 134,100 free shares in 2016 under share grant plans set up by the Board – after consulting with the Human Resources, Appointment and Compensation Committee – pursuant to the authority granted to it by the Ordinary and Extraordinary Shareholders' Meetings of May 28, 2015 and May 26, 2016.

On this basis, the Company proceeded with a free grant of 20,000 shares to a corporate officer. No free share grants were made to corporate officers for their mandates in a controlled company within the meaning of article L.233-16 of the French Commercial Code.

The table below shows the number of free shares granted and not fully vested at the end of 2016:

Grant date	Number of shares granted	Share price In euros
March 1, 2016	900	118
May 26, 2016	108,200	119.70
December 15, 2016	25,000	138.25

On May 26, 2016, the Board of Directors granted 20,000 free shares to Jean-Luc Belingard, Chairman and Chief Executive Officer.

Grant date	Share price *(In euros)*	Company employing the beneficiary	Number of shares granted	Beneficiary category
March 1, 2016		bioMérieux Shanghai Biotech Co	300	2 Global Leaders
		bMx Shanghai	600	1 Global Leader
TOTAL GLOBAL LEADER 2015 PLAN	**118**		**900**	**3 GLOBAL LEADERS**
May 26, 2016		BioFire Diagnostics LLC	7,500	1 Global Leader
		bioMérieux Algeria	400	1 Global Leader
		bioMérieux Argentina	600	1 Global Leader
		bioMérieux Belgium	400	1 Global Leader
		bioMérieux Canada Inc.	4,500	1 Global Leader
		bioMérieux Germany GmbH	8,000	2 Global Leaders
		bioMérieux Greece Hellas SA	600	1 Global Leader
		bioMérieux Italy spA	5,600	3 Global Leaders
		bioMérieux Inc.	7,000	1 Global Leader
		bioMérieux SA	53,000	41 Global Leaders
		bioMérieux Spain SA	600	1 Global Leader
TOTAL GLOBAL LEADER 2016 PLAN	**119.70**		**88,200**	**55 Global Leaders**
May 26, 2016		bioMérieux SA	20,000	1 corporate officer
TOTAL CORPORATE OFFICER PLAN	**119.70**		**20,000**	**1 corporate officer**
December 15, 2016		bioMérieux Inc.	6,000	1 Global Leader
		bioMérieux SA	5,000	1 Global Leader
		BioFire Diagnostics LLC	14,000	7 Global Leaders
TOTAL GLOBAL LEADER 2016 PLAN	**138.25**		**25,000**	**9 Global Leaders**
GRAND TOTAL			**134,100**	

Vesting period

In the 2016 share grant plan, a three-year vesting period applies (four years for the plan of March 1, 2016), from the date of the decision to grant the shares before the beneficiary becomes the owner of the shares granted.

Eligibility and performance conditions

During the 2016 year, based on a recommendation of the Human Resources, Appointment and Compensation Committee, the Board of Directors decided to grant free shares that will vest provided that presence conditions are met, to which performance conditions are added for (i) the plan of May 26, 2016 for corporate officer, (ii) a part of the May 26, 2016 plan for the Global Leaders with the highest roles in the Company and (iii) the plan of December 15, 2016.

Delivery of shares

At the end of the vesting period and provided that the vesting conditions and criteria set by the Board of Directors are met, the Company will transfer to the beneficiary the number of free shares granted by the Board of Directors.

The beneficiaries will become shareholders but they are required to hold their shares during any lock-up period set by the plan if any.

Lock-up period

The 2016 share grant plans do not stipulate a lock-up period, except for Jean-Luc Belingard who must retain his shares throughout his term of office.

Beneficiaries' rights

Even though the shares will not be transferable, like any other shareholder, the beneficiaries of vested shares are entitled to exercise all other rights attached to such shares during the lock-up period, including:

- pre-emptive subscription rights;
- right to information;
- right to attend Shareholders' Meetings;
- right to vote;
- right to dividends and, if applicable, distributed reserves.

7.4.3.3 History of free share grants (table 10)

The table below summarises, at December 31, 2016, all the terms and conditions of the free share grants and the performance share grants, subject to the fulfilment of the presence conditions and, for certain grants, the performance criteria laid down by the Company's Board of Directors:

Date of Annual General Meeting	Name of plan	Date of Board meeting	Total number of free shares granted	Number of beneficiaries	Of which to corporate officers	Acquisition date of the shares	End date of the lock-up period	Cumulative number of forfeited or lapsed shares	Free shares granted during the year	Free shares remaining at the end of the year
May 26, 2016	Global Leader 2016 Plan	December 15, 2016	25,000[a]	9	0	December 15, 2019	December 15, 2019	0	0	25,000
May 26, 2016	Global Leader 2016 Plan	May 26, 2016	68,200[b]	55	0	May 26, 2019	May 26, 2019	7,400	0	80,800
May 26, 2016	Corporate Officer Plan	May 26, 2016	20,000[a]	1	1	May 26, 2019	At the end of his or her term	0	0	20,000
May 28, 2015	Global Leader 2015 Plan	March 1, 2016	900	3	0	March 1, 2020	March 1, 2020	0	0	900
May 28, 2015	Global Leader 2015 Plan	December 17, 2015	1,200	3	0	December 17, 2019	December 17, 2019	0	0	1,200
May 28, 2015	Expatriates Plan	August 28, 2015	16,500	26	0	August 28, 2019	August 28, 2019	1,000	0	15,500
May 29, 2013	US Plan	September 2, 2014	2,000	1	0	September 2, 2018	September 2, 2018	0	0	2,000
May 29, 2013	Global Leader 2014 Plan	May 28, 2014	3,000[a]	1	0	May 28, 2018	May 28, 2018	0	0	3,000
May 29, 2013	Global Leader 2013 Plan	December 17, 2013	14,000	3	0	December 18, 2017	December 18, 2017	0	0	14,000
May 29, 2013	Global Leader 2013 Plan	August 30, 2013	14,000	1	0	August 31, 2015	August 31, 2017	8,000	6,000	0
May 29, 2013	Global Leader 2013	May 29, 2013	13,700	22	0	May 29, 2017	May 29, 2017	4,700	0	9,000
June 10, 2010	EXCOM Plan	December 18, 2012	10,000[a]	1	0	December 18, 2016	December 18, 2016	0	10,000	0
June 10, 2010	Global Leader 2012 Plan	May 30, 2012	1,400[a]	2	0	May 31, 2016	May 31, 2016[c]	1,200	200	0
June 10, 2010	Global Leader 2012 Plan	March 13, 2012	14,600[a]	69	0	March 14, 2016	March 14, 2016[c]	8,600	6,000	0

(a) Free shares granted subject to performance criteria.
(b) Free shares granted subject to performance criteria except for 24,200 shares subject solely to presence criteria.
(c) Additional two-year period for French beneficiaries.

Performance share grants to employees during 2016

In 2016, the ten non-corporate-officer employees who were granted the most performance shares received a total of 60,000 shares.

7.4.4 Shares and stock options held by corporate officers

N/A

7.4.5 Other information on the shareholders

7.4.5.1 Crossing of thresholds

Obligations of the shareholders

Shareholders have a legal obligation to notify the Company and the AMF when a legal threshold is crossed, specifying in particular their fractional ownership of the Company's shares and voting rights, within the legal deadline.

Furthermore, article 10 of the Company's bylaws requires individuals or legal entities, acting alone or in concert, who directly or indirectly own (within the meaning of articles L.233-7 *et seq*. of the French Commercial Code) 1% of the Company's capital or voting rights, and thereafter for each additional 1%, to report to the Company by registered letter with acknowledgement of receipt, within five trading days of the date the threshold was crossed, the total number of shares and voting rights held, as well as the number of securities carrying immediate or future entitlement to shares and the potential voting rights attached thereto.

The same obligation applies whenever ownership of shares or voting rights falls below each of the aforementioned thresholds.

In the event of failure to comply with these requirements, the shares in excess of the relevant threshold will be stripped of voting rights for all Shareholders' Meetings held within the two-year period from the date when the omission is remedied, at the request of one or more shareholders holding at least 5% of the Company's capital or voting rights, as evidenced in the minutes of the Shareholders' Meeting.

Intermediaries acting as holders of securities for non-resident shareholders, pursuant to article L.228-1 of the French Commercial Code, are required to report increases or decreases if their aggregate holdings exceed or fall below the above thresholds, without prejudice to the reporting obligations of the securities' holders.

Disclosure thresholds in 2016

Jupiter Asset Management Limited reported:

- on January 29, 2016 that it had increased its interest to above the disclosure threshold of 1% of the capital;
- on March 9, 2016 that it had increased its interest to above the disclosure threshold of 1% of the voting rights;
- on March 11, 2016 that it had increased its interest to above the disclosure threshold of 2% of the capital;
- on December 8, 2016 that it had increased its interest to above the disclosure threshold of 3% of the capital.

AXA Investment Managers reported:

- on April 26, 2016 that it had decreased its interest to below the disclosure threshold of 1% of the capital;
- on June 2, 2016 that it had increased its interest to above the disclosure threshold of 1% of the capital and voting rights;
- on June 17, 2016 that it had decreased its interest to below the disclosure threshold of 1% of the voting rights;
- on July 8, 2016 that it had increased its interest to above the disclosure threshold of 1% of the voting rights;
- on December 22, 2016 that it had increased its interest to above the disclosure threshold of 2% of the capital.

OppenheimerFunds, Inc. reported:

- on July 5, 2016 that it had increased its interest to above the disclosure threshold of 1% of the capital.

Wellington Management Company reported:

- on July 7, 2016 that it had decreased its interest to below the disclosure threshold of 1% of the capital;
- on July 19, 2016 that it had increased its interest to above the disclosure threshold of 1% of the capital.

Furthermore, the Company has not received any declarations of threshold crossings since the beginning of 2017.

7.4.5.2 Trading in the Company's shares by senior executives or by their close relations

The Company has been informed that the following securities transactions were carried out by senior executives in 2016:

- number of shares sold: 575.

Alain Pluquet, Vice President, Chief Technology Officer, sold shares on May 2, 2016 for a total amount of €64,641.33.

- number of shares purchased: N/A;
- number of shares subscribed: N/A;
- number of shares exchanged: N/A.

7.5 Provisions delaying a change of control

The following factors contribute to delaying, if needed, a change of control:

- ownership structure: bioMérieux is a controlled company (see sections 7.4.1 and 7.4.2);
- existence of double voting rights (see section 7.2.3.3);
- bylaw restrictions on the exercise of voting rights and share transfers: crossing of thresholds (see section 7.4.5.1);
- there are no restrictions on the exercise of voting rights and share transfers or clauses to agreements brought to the Company's attention;
- control mechanisms within the framework of an employee share ownership plan: a mutual fund, Opus Classic, has been set up in connection with the share capital increase reserved for bioMérieux employees subsequent to the initial public offering of its shares;
- powers granted to the Board of Directors to buy back shares: The Annual General Meeting of May 26, 2016 granted the Board of Directors the necessary powers to launch a share buyback program (see section 7.3.2);
- authorisations and powers granted by the Shareholders' Meeting to the Board of Directors regarding the issuance of shares (see section 7.3.4);
- termination benefits payable to the Chairman and Chief Executive Officer in the event of a forced departure resulting from a change of control or strategy (see section 4.3.3);
- change-of-control clauses: some of the agreements to which the Company is party may be amended or terminated in the event of a change of control.

PRINCIPAL AGREEMENTS INCLUDING A CHANGE-OF-CONTROL CLAUSE

Nature of agreement	Contracting party	Purpose
Loan agreement	Eight banks	Syndicated loan of €500 million, maturing in January 2022 (with extension options for two additional years)
Bonds	Public	Bond issue of €300 million, maturing in October 2020
Real estate lease financing agreements	Two financial institutions	Financing of the extension of the Marcy l'Etoile site for €45 million for a period of 12 years
Licence agreement	Roche Diagnostics	NT-proBNP
Licence agreement	Paul Sabatier University/Pr. Serre	Filaggrin
Licence agreement	Wellcome Trust Limited	B-Raf genetic mutations associated with cancer

bioMérieux is not aware of any other factors likely to have an impact in the event of a public offer of its securities, as provided for in article L.225-100-3 of the French Commercial Code.

7.6 Dividend policy

The distribution policy is decided in light of the yearly analysis of the Company's profits, its financial position and other factors that the Board of Directors considers relevant.

Dividends that remain unclaimed five years after their payment date are time-barred and remitted to the French government.

At the Annual General Meeting to be held on May 30, 2017, the Board of Directors will recommend a dividend of €1 per share, representing a total of €39.5 million to be paid on June 8, 2017.

The table below presents the dividends paid by the Company for each of the past three years.

Year ended	Dividend paid *(In euros)**	Dividend per share *(In euros)**
Dec. 31, 2015	39,453,740.00	1.00
Dec. 31, 2014	39,453,740.00	1.00
Dec. 31, 2013	39,453,740.00	1.00

* *The Company did not receive any dividends on treasury shares held on the ex-dividend date. The corresponding dividend amount was allocated to "retained earnings". Individuals domiciled in France for tax purposes benefit from a tax deduction on the annual dividend in accordance with paragraph 2 of article 158.3 of the French Tax Code (Code général des impôts).*

7.7 Main related-party transactions

7.7.1 Description of the principal related parties

Institut Mérieux commits its experience in biology to serving medicine and public health across the globe. In order to fight infectious diseases and cancers, it conceives of and develops new global and interdisciplinary approaches in the fields of diagnostics, immunotherapy, food safety and nutrition. In addition to the R&D programs in place within each of its companies, Institut Mérieux has pioneered a unique system through which it aims to support and accelerate scientific innovation.

For several years now, Institut Mérieux and its companies have sought to develop international partnerships with public and private academic research institutions and the hospital community. An example of this strategy is the joint unit founded by Institut Mérieux and Fudan University Shanghai Cancer Center whose research focuses on tumour and immune markers.

Additionally, Institut Mérieux actively supports biological research in France and promotes such research around the world. Institut Mérieux is a founding member of LyonBioPôle, a global competitiveness cluster in the field of biology, and BIOASTER, a technology research institute whose work focuses on infectious diseases. It carries out interdisciplinary R&D activities at the crossroads of fundamental research and manufacturing. Collaborative projects are carried out in the four key areas of health microbiology and infectious diseases: vaccines, antibiotics, diagnostics and microbiota. Every such project has access to top academic researchers, a team of highly qualified scientists and engineers and cutting-edge technological equipment and infrastructure.

As part of its innovation policy, Institut Mérieux has set up the Mérieux Research Grants program with the aim of supporting doctors and scientists around the world whose projects have the potential to lead to conceptual or technological breakthroughs. This ambitious program of calls for projects is designed to give Institut Mérieux companies access to groundbreaking scientific, clinical and technological knowledge upon which new approaches in diagnostics, therapy and nutrition will be developed. The purpose of these research agreements is to finance particularly innovative projects, in both public and private laboratories, in the strategic fields in which Institut Mérieux operates. Following a rigorous selection process, the winning applicants receive financing for two years. In the event that their projects are successful, Institut Mérieux has the right of first refusal for entering into a partnership. Since the creation of the Mérieux Research Grants program in 2009, more than 100 grants have been awarded in almost 20 countries, creating an international community of highly qualified scientists and physicians from Europe, the United States, Latin America, the Middle East and Asia.

Lastly, in an effort to provide global responses to the major public health challenges, Institut Mérieux has launched interdisciplinary research programs that harness the specific and complementary expertise of its companies, leveraging some of the work carried out by Mérieux Research Grant researchers as well as partnerships with international research networks. These programs concern five strategic areas: neglected infectious diseases (particularly tuberculosis), antibiotic resistance and hospital-associated infections, host response analysis with regard to infectious diseases and cancer, the relationship between microbiota and health, and technological developments in diagnostics.

The Fondation Christophe and Rodolphe Mérieux, under the aegis of the Institut de France, is the reference shareholder of Institut Mérieux, holding one third of its shares (see 3.2.2.1). Its on-the-ground initiatives are financed through the dividends that it receives indirectly from Institut Mérieux (as the only shareholder to which Institut Mérieux distributes dividends). This independent family foundation takes action in underdeveloped countries in order to fight infectious diseases. In an effort to support high-level research in emerging countries, it inaugurated in 2007 the Christophe Mérieux Prize (€500,000), the aim of which is to sponsor researchers studying specific diseases in developing countries.

An independent family foundation created in 1967 and recognised as a public utility, the Fondation Mérieux fights infectious diseases in developing countries (see 3.2.2.1). Its mission is to enhance biological diagnostic capabilities in these countries by improving diagnostics, an essential tool in patient care and disease monitoring and control. Bringing together long-standing expertise in clinical biology and a global approach to public health challenges, the Fondation trains researchers, develops collaborative research programs with regard to the diseases affecting these countries, creates laboratories of excellence (Rodolphe Mérieux Laboratories), and sets up or renovates medical analysis laboratories in hospitals and trains the staff who work there, while encouraging skills sharing in the medical community through the Les Pensières Conference Centre, where it has hosted health professionals from across the world and from every discipline for more than 30 years.

7.7.2 Service agreements

None of the members of the administrative, management or supervisory bodies has a service agreement with the Company or one of its subsidiaries providing for the payment of benefits. There are service agreements between bioMérieux and certain Group companies that have executive officers in common, as described below.

7.7.3 Description of transactions

The Statutory Auditors' report on related-party agreements for the year ended December 31, 2015 is presented in section 19 of the 2015 Registration Document and the description of the transactions with related parties are presented in section 20.1.1 (Note 29 to the consolidated financial statements for 2015) and in section 20.1.2 (Note 21.3 to the parent company financial statements for 2015) of the 2015 Registration Document filed with the French financial markets authority (Autorité des marchés financiers – AMF) on March 17, 2016.

For 2016, transactions with related parties are described in this Registration Document in section 6.1.2 (Note 29) and 6.2.2 (Note 21.3).

In 2016, the following agreements, which fall outside the scope of related-party agreements as defined in articles L.225-38 *et seq*. of the French Commercial Code, were signed:

- two service and consulting agreements were signed between Institut Mérieux, which owns 58.9% of bioMérieux SA, and (i) bioMérieux Inc. for the amount of €2.5 million and (ii) BioFire Diagnostics, for the amount of €0.8 million;
- Institut Mérieux held a non-controlling interest in the Hyglos company. As part of the acquisition of this company, bioMérieux Deutschland paid €1 million to the Institut Mérieux to purchase the shares held by Institut Mérieux in Hyglos.

The Statutory Auditors' special report on related-party agreements for the year ended December 31, 2016 is presented below.

Two new agreements were authorised in 2016, the terms and conditions of which are described in the Statutory Auditors' special report. They will be submitted for approval to the Annual General Meeting of May 30, 2017.

The first concerns a sponsorship agreement with the Fondation Mérieux for an amount of €20,000 to contribute to the financing of the Advanced International Course on Antibiotics (AdCab) seminar, organised by Fondation Mérieux in collaboration with Institut Pasteur, and which took place from October 10 to 21, 2016. This agreement is in line with the Company's general sponsorship policy and is designed to allow the Company to support the training efforts of Fondation Mérieux, in particular as regards the fight against antimicrobial resistance, a public health challenge to which bioMérieux has been strongly committed for many years.

The second concerns the sponsorship agreement with the Fondation Christophe and Rodolphe Mérieux, whose annual allocation is raised from €1,325,000 to €2,000,000 as of 2017. This agreement with the Company's reference shareholder is in line with the Company's general sponsorship policy and is designed to allow the Company to support the humanitarian activities and goals of the Fondations over the long term, in the field of public health, which is the Company's area of operation.

All the other related-party agreements were authorised by the Board of Directors at its March 2015 meeting and then approved by the Annual General Meeting of May 28, 2015. The reasons for the authorisations granted by the Board of Directors in 2015 are described below.

The service agreement entered into with Institut Mérieux sees the Company receive assistance from Institut Mérieux, whose staff have a high level of expertise in strategy, public relations and human resources as well as in science, manufacturing and legal and financial matters. As the lead holding company, Institut Mérieux provides assistance to companies in the Group, thus ensuring efficiency and consistency that would be difficult to achieve if not for structured coordination at Group level of the policies of each company, including bioMérieux. This is the advantage of being part of the Institut Mérieux Group.

The agreement concerning the allocation of costs related to the termination of employment contracts with Institut Mérieux, Mérieux NutriSciences, Transgene, ABL, Thera Conseil or Mérieux Développement serves to provide the Company with a standard set of rules for application across the Group for allocating termination benefits to employees who have worked for any of the Institut Mérieux companies.

The addendum to the sponsorship agreement with the Fondation Mérieux is in line with the Company's general sponsorship policy and is designed to allow the Company to support the humanitarian activities and goals of the Fondations over the long term, in the field of public health, which is the Company's area of operation.

The addendum to the service agreement with the Fondation Mérieux enables the Company to share with the Fondation the skills and resources necessary for meeting some of the Fondation's needs so that it can carry out its public interest missions, financed by the Company through sponsorship agreements.

At its December 2016 meeting, the Board of Directors carried out an annual review of the related-party agreements and confirmed following discussion that the previously authorised agreements and addenda still met the criteria on which basis it had granted prior authorisation and that these authorisations therefore remained in force. The calculation methods applied to the agreements are set out in the Statutory Auditors' special report below.

7.7.4 Statutory Auditors' special report on related-party agreements and commitments

This is a free translation into English of the Statutory Auditors' special report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of bioMérieux, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the principal terms and conditions of the agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements and commitments. Under article R.225-31 of the French Commercial Code, it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France. These procedures consisted in verifying that the information provided to us is consistent with the underlying documents.

Agreements and commitments submitted for the approval of the shareholders' meeting

Agreements and commitments authorised during the year

Pursuant to article L.225-40 of the French Commercial Code, we were informed of the following agreements and commitments that were authorised by the Board of Directors.

With the Fondation Christophe and Rodolphe Mérieux

People concerned: Alain Mérieux and Alexandre Mérieux

Humanitarian projects

Nature and purpose: during its meeting of December 15, 2016, the Board of Directors authorised an increase in the annual sponsorship budget for the Fondation Christophe and Rodolphe Mérieux.

Terms and conditions: since January 1, 2017, the annual contribution amount has been set at €2,000,000 and the Board of Directors will confirm the allocated amount every year. The sponsorship agreement has been signed for an indefinite term from January 1, 2017.

Reasons for the agreement: the Board justified this agreement as follows: "this sponsorship agreement is in line with the Company's general sponsorship policy and is designed to allow the Company to support the humanitarian activities and goals of the foundations over the long term, in the field of public health, which is the Company's area of operation".

With the Fondation Mérieux

People concerned: Alain Mérieux and Alexandre Mérieux.

Humanitarian sponsorship activity

Nature and purpose: during its meeting of August 30, 2016, the Board of Directors authorised a sponsorship activity by the Fondation Mérieux in addition to the annual sponsorship budget.

Terms and conditions: the sponsorship agreement stipulates a contribution of €20,000 by the Company to take part in the financing of the AdCab ("Advanced International Course on Antibiotics") seminar, organised by the Fondation Mérieux in October 2016.

Reasons for the agreement: the Board justified this agreement as follows: "this contract is in line with the Company's general sponsorship policy and is designed to allow the Company to support the training activities of the Fondation Mérieux, particularly in the area of the fight against antimicrobial resistance, a public health concern to which bioMérieux has been strongly committed for a number of years".

Agreements and commitments already approved by the shareholders' meeting

Agreements and commitments approved in previous years

a) existing related-party agreements that remained in force during the year

Pursuant to article R.225-30 of the French Commercial Code, we were informed of the following agreements and commitments approved in prior years, which remained in force in 2015.

With the Fondation Mérieux

People concerned: Alain Mérieux and Alexandre Mérieux.

Sponsorship arrangement

Nature and purpose: an addendum to the sponsorship agreement of March 8, 2011, authorised by the Board of Directors on December 18, 2014, took effect on January 1, 2015 for an indefinite term.

Terms and conditions: the Company donates cash and assigns some of its employees to initiatives carried out on behalf of the Fondation Mérieux as part of its corporate sponsorship strategy. The total amount represented by these donations and by the employees made available to the Fondation Mérieux is determined and voted each year by the Board of Directors.

For the year ended December 31, 2016, the Company recognised a total expense of €191,000 in relation to donations.

Service agreement

Nature and purpose: an addendum to the service agreement of January 1, 2011, authorised by the Board of Directors on December 18, 2014, took effect on January 1, 2015 for an indefinite term. The agreement sets out the compensation due to the Company in respect of administrative and technical services (IT, instrument maintenance and biologist support) provided by the Company to the Fondation Mérieux.

Terms and conditions: these services are remunerated based on the costs and taxes associated with the employees involved, plus a margin of 8%, except in the case of technical services in biology, for which a 10% margin is applied. Assignment and travel expenses are rebilled at cost.

For the year ended December 31, 2016, the Company recognised income of €210,775 in relation to the agreement.

With the Fondation Christophe and Rodolphe Mérieux

People concerned: Alain Mérieux and Alexandre Mérieux

Humanitarian projects

Nature and purpose: An addendum to the humanitarian sponsorship agreement of January 1, 2004, authorised by the Board of Directors on December 18, 2014, took effect on January 1, 2015 for an indefinite term.

Terms and conditions: the Company makes donations to the Christophe and Fondation Rodolphe Mérieux as part of its corporate sponsorship strategy. The amount of the annual contribution is determined and voted each year by the Board of Directors.

For the year ended December 31, 2016, the Company recognised an expense of €1,325,000 in relation to the agreement.

With Institut Mérieux

People concerned: Alain Mérieux, Alexandre Mérieux and Jean-Luc Bélingard, along with Institut Mérieux, a shareholder of the Company.

Service agreement

Nature and purpose: A service agreement with Institut Mérieux, authorised by the Board of Directors on December 18, 2014, took effect on January 1, 2015 for an indefinite term.

The agreement sets out the rules for rebilling the Company for services provided by Institut Mérieux in its capacity as lead holding company of the Institut Mérieux group. The services include:

- ongoing administrative (legal, treasury and HR) and scientific support and representation services for all Institut Mérieux group companies, both in and outside France;
- specific services provided on an ongoing or as needed basis on behalf of the Company.

Terms and conditions: in consideration for services provided, Institut Mérieux is remunerated based on the costs incurred in providing those services (personnel costs including salaries and payroll taxes, as well as all other direct employee-related costs), plus an 8% margin. The allocation keys for the shared services provided to Institut Mérieux group companies are based on the respective weight of the companies' fixed assets, sales and payroll costs.

Business and travel expenses incurred by Institut Mérieux employees assigned to the provision of the services are billed at cost, on presentation of supporting documents.

Costs relating to Institut Mérieux's use of consultants are billed at cost, on presentation of supporting documents.

The services are billed on a quarterly basis by Institut Mérieux based on an estimated budget with an annual adjustment to be made before June 30 of the following year.

For the year ended December 31, 2016, the Company recognised an expense of €3,093,247 in relation to the agreement.

b) not implemented during the year

We were informed of the following agreements and commitments, already approved by the Shareholders' Meeting during previous financial years, which were not implemented during the past financial year.

With Institut Mérieux, Mérieux NutriSciences Corp., Transgène, ABL Inc. and Mérieux Développement

People concerned: Alain Mérieux, Alexandre Mérieux, Jean-Luc Bélingard and Philippe Archinard, along with Institut Mérieux, a shareholder of the Company.

Agreement concerning the allocation of termination benefits to Mérieux group employees

Nature and purpose: an agreement setting out the rules for allocating termination benefits to Mérieux group employees was signed with Institut Mérieux and some of its other subsidiaries. This agreement, authorised by the Board of Directors on December 18, 2014, took effect on January 1, 2015 for an indefinite term.

Terms and conditions: the agreement sets out the rules for allocating termination benefits (severance payments, retirement or early retirement indemnities) to employees having worked for at least two Mérieux group companies. The employees concerned will receive a severance payment from their last employer, which will be allocated among the other entities pro rata to the compensation paid by each company since the beginning of the employees' career with the Group. The compensation used as a basis for a previous severance payment is not included in the calculation.

This agreement had no impact on the year ended December 31, 2016.

With Jean-Luc Bélingard, Chairman and Chief Executive Officer

Revision of termination benefits

Nature and purpose: at its meeting of March 10, 2015 and in accordance with article L.225-42-1 of the French Commercial Code, the Board of Directors of the Company amended the termination benefits payable to Jean-Luc Bélingard, Chairman and Chief Executive Officer, in line with the recommendations of the AFEP-MEDEF Corporate Governance Code.

Terms and conditions: the termination benefits will now represent twenty-four months of his total fixed and variable compensation. The fixed compensation retained for the calculation will be his last annual basic salary.

The termination benefits will be payable only in the event of a forced departure resulting from a change of strategy or control. They will not be payable if Mr. Belingard resigns, retires or takes up another role within the Group.

In addition, they will be payable based on the achievement of growth targets set for sales and operating income before non-recurring items as per the guidance announced to the market in the two years preceding the year of Jean-Luc Bélingard's departure.

The termination benefits will only be paid after the Board of Directors has determined whether the above-mentioned performance conditions have been met.

Lyon, February 28, 2017

The Statutory Auditors

DIAGNOSTIC REVISION CONSEIL

Hubert de Rocquigny du Fayel

ERNST & YOUNG et Autres

Nicolas Perlier

7.8 Material contracts

The Company has not entered into any material contracts over the last two years other than those entered into in the ordinary course of business.

8 Additional information

8.1 Persons responsible for the Registration Document

8.1.1 Name and function of persons responsible

Jean-Luc Belingard, Chairman and Chief Executive Officer of bioMérieux and Alexandre Mérieux, Chief Operating Officer of bioMérieux.

8.1.2 Statement of the persons responsible

"We hereby certify that having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

We declare that, to the best of our knowledge, the annual financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the consolidated Group as a whole, and that the management report presented according to the concordance table in section 8.5 provides a fair view of the business, results and financial position of the Company and the consolidated Group as a whole, as well as a description of the principal risks and uncertainties to which they are exposed.

We obtained a statement from the Statutory Auditors at the end of their engagement in which they state that they have examined the information concerning the financial position and the financial statements presented in this Registration Document and that they have read this Registration Document in its entirety.

Marcy l'Etoile, March 14, 2017

Chairman and Chief Executive Officer
Jean-Luc Belingard

Chief Operating Officer
Alexandre Mérieux

8.1.3 Name and function of person responsible for financial information

Claire Giraut, Chief Financial Officer
bioMérieux
69280 Marcy l'Etoile
Phone: +33 (0)4 78 87 20 00
www.biomerieux-finance.com
www.biomerieux.com

8.2 Responsible for auditing the financial statements

8.2.1 Statutory Auditors

Ernst & Young et Autres

1-2 place des Saisons, Paris-La Défense 1
92400 Courbevoie, France

The company was appointed Statutory Auditor by the Annual General Meeting of May 30, 2012 for a term expiring at the end of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2017.

Ernst & Young et Autres is a registered audit firm, member of Compagnie régionale des Commissaires aux comptes de Versailles.

Ernst & Young et Autres is represented by Nicolas Perlier.

Diagnostic Révision Conseil (DRC)

20 rue Garibaldi, 69006 Lyon, France

The company was appointed Statutory Auditor by the Annual General Meeting of June 15, 2011 for a term expiring at the end of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2016.

Diagnostic Révision Conseil (DRC) is a registered audit firm, member of Compagnie régionale des Commissaires aux comptes de Lyon.

Diagnostic Révision Conseil (DRC) is represented by Hubert de Rocquigny du Fayel.

The Annual General Meeting of May 30, 2017 will vote on the appointment of Grant Thornton, replacing DRC, for a term expiring at the close of the General Meeting, which will approve the financial statements for the year ending December 31, 2022.

8.2.2 Deputy Statutory Auditors

AUDITEX

1-2 place des Saisons, Paris-La Défense 1
92400 Courbevoie, France

Auditex was appointed deputy Statutory Auditor by the Annual General Meeting of May 30, 2012 for a term expiring at the end of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2017.

Auditex is a registered audit firm, member of Compagnie régionale des Commissaires aux comptes de Versailles.

PricewaterhouseCoopers Audit

20 rue Garibaldi, 69006 Lyon, France

PricewaterhouseCoopers Audit was appointed deputy Statutory Auditor by the Annual General Meeting of May 26, 2016, replacing Commissariat Contrôle Audit (CCA), and, following the merger by absorption of CCA by Diagnostic Révision Conseil, for a term expiring at the end of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2016.

Commissariat Contrôle Audit (CCA) is a registered audit firm, member of Compagnie régionale des Commissaires aux comptes de Neuilly sur Seine.

In accordance with the Sapin 2 law, Pricewaterhouse Coopers' term as deputy Statutory Auditor will not be renewed due to the existence of a college of Statutory Auditors.

8.3 Documents on display

In accordance with article 28 of regulation No. 809/2004 of April 29, 2004 of the European Commission (EC), the following information is referenced in this Registration Document.

For the year ended December 31, 2015:

- the consolidated financial statements and the corresponding Statutory Auditors' report appear in section 20.1.1 (pages 179 to 244) and in section 20.4.1 (pages 274–275);
- the annual financial statements and the corresponding Statutory Auditors' report appear in section 20.1.2 (pages 245 to 273) and in section 20.4.2 (pages 276 to 277);
- financial information appears in section 9 (pages 119 to 128);
- capital expenditures appear in section 5.3 (pages 71 and 72);

of the 2015 Registration Document filed with the AMF on March 17, 2016 under No. D.16-0151.

For the year ended December 31, 2014:

- the consolidated financial statements and the corresponding Statutory Auditors' report appear in section 20.1.1 (pages 184 to 248) and in section 20.4.1 (pages 279 and 280);
- the annual financial statements and the corresponding Statutory Auditors' report appear in section 20.1.2 (pages 249 to 278) and in section 20.4.2 (pages 281 to 282);
- financial information appears in section 9 (pages 121 to 132);
- capital expenditures appear in section 5.3 (pages 71 and 72);

of the 2014 Registration Document filed with the AMF on April 27, 2015 under No. D.15-0410.

Other information in these Registration Documents is irrelevant to investors or is covered by another section in the 2016 Registration Document.

During the period of validity of this Registration Document, the Company's articles of incorporation and bylaws, as well as the minutes of Shareholders' Meetings, the Company's historical financial information, the Statutory Auditors' reports and all other Company documents may be consulted at the Company's registered office in Marcy l'Etoile, France.

In accordance with AMF recommendation No. 2014-15, the Company press releases and annual reports including historical financial information on the Company are available on the Company's website and kept on file for the required length of time.

More generally, and in accordance with article 221–3 of the AMF's General Regulation, all of the regulatory information within the meaning of article 221–1 of the aforementioned regulation, as well as the Company's updated bylaws (in French only), are available on the Company's website www.biomerieux-finance.com.

Social media:

Facebook	https://www.facebook.com/biomerieux
Twitter	https://twitter.com/biomerieux
YouTube	https://www.youtube.com/user/bioMerieuxTV https://www.youtube.com/user/biomerieuxdiagnostic https://www.youtube.com/user/biomerieuxindustry
LinkedIn	https://www.linkedin.com/company/biomerieux

8.4 2017 Provisional investor calendar

Date	Event
April 20, 2017	First quarter 2017 sales (before start of trading)
May 30, 2017	Annual General Meeting
July 20, 2017	Second quarter 2017 sales (before start of trading)
August 30, 2017	First-half 2017 results (before start of trading)
October 18, 2017	Third quarter 2017 sales (before start of trading)

The Company reserves the right to modify this calendar at any time.

8.5 Concordance tables

REGISTRATION DOCUMENT CONCORDANCE TABLE TO IDENTIFY THE INFORMATION REQUIRED BY ANNEX I OF REGULATION (EC) NO. 809/2004 OF APRIL 29, 2004

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8.6 Glossaries

8.6.1 Scientific terms

Acute coronary syndrome: decreased blood flow in the coronary arteries resulting in reduced circulation rate and inadequate oxygenation of the myocardial muscle.

Amplification: a technique, usually using enzymes, for multiplying nucleic acids in order to increase the sensitivity of detection methods.

ANSM *(Agence Nationale de Sécurité du Médicament et des produits de santé)*: a French regulatory agency, which carries out assessments, provides expertise and makes decisions regarding the safety of drugs and healthcare products.

Antibiotic: a substance of natural or synthetic origin capable of stopping the multiplication of bacteria.

Antibiotic susceptibility test: an analysis to determine the sensitivity of a bacterium to antibiotics.

Antibody: a complex protein molecule produced by the immune system to detect and neutralise disease-causing organisms, in particular viruses.

Antigen: a macromolecule recognised by an antibody or cells from an organism's immune system that triggers an immune response.

Bacterium: a unicellular microorganism lacking chlorophyll and visible only under a microscope. Bacteria do not belong to either the plant or the animal kingdom.

Biochemistry: an area of science which studies the correlation between the structure of natural molecules and the consequences on their activity.

Blood culture: an essential blood test in infectious disease, carried out by taking a sample of venous blood which is then cultured to reveal the presence or absence of germs.

CFDA (China Food and Drug Administration)**:** Chinese agency responsible for regulating food and medical products.

Chromogen: a substance that produces colouring under certain conditions. Related to an enzyme substrate and incorporated in a culture medium, it is used to reveal a particular enzyme metabolism and thereby assists in identifying the cultured bacterium.

Consumable: a single-use accessory, generally employed in an analysis instrument.

Contaminant: a substance present where it should not be.

Culture media: a simple or compound nutrient composition in liquid or solid form, used to maintain or increase the development of a microbial species under appropriate biological conditions.

Cytology (or cellular biology): an area of biology concerning the study of cells and their organelles, the vital processes taking place therein as well as the mechanisms allowing for their survival (reproduction, metabolism).

Cytomegalovirus: a virus responsible for infections, usually undetected. It becomes pathogenic especially in patients with weak immune defences. The virus is a member of the herpes virus family, which includes inter alia herpes simplex virus (HSV) or herpes virus hominis (HVH), cytomegalovirus (CMV), varicella-zoster virus (VZV) and Epstein-Barr virus (EBV).

Cytometry: the counting of cells.

Disease-causing organism: biological agent responsible for infectious disease. Infectious agents can be viruses, bacteria or parasites.

DNA: the acronym of "deoxyribonucleic acid". These nucleotides consist of a sugar (deoxyribose), a phosphate group and one of the following nitrogen-containing bases: adenine (A), cytosine (C), guanine (G) or thymine (T), and serve as a medium for genetic information.

DNA sequencing: method used to determine the order of the nucleotide bases in a molecule of DNA.

Enterobacteria: a family of aerobic or anaerobic (requiring or not requiring oxygen to live and reproduce) bacilli (bacteria), revealed by Gram-negative staining.

Enterococcus: oval-shaped bacterium of the group D of the Streptococcus family, usually resident in the intestine of healthy humans.

Enzyme: a protein macromolecule which speeds up a biochemical reaction.

Extraction: term applied to the steps which extract nucleic acids from the cells that contain them and process them so they can be used in molecular biology techniques such as amplification.

FDA (Food and Drug Administration): US agency responsible for regulating food and medical products.

Flow cytometry: technique of passing a stream of cells, particles or molecules at high speed within a stream of liquid through a laser beam. The light re-emitted (by diffusion or fluorescence) enables the population to be classified and sorted according to several criteria.

Fungal: that which relates to fungi.

Genotyping: determination of all the genes contained in the cells of an organism.

Gram staining: staining which reveals the properties of the bacterial wall so that they can be used to distinguish and classify bacteria. The main distinction is between Gram-positive and Gram-negative bacteria.

Healthcare-associated infection: a disease contracted in a hospital or other healthcare establishment by a patient who did not have this disease on admission.

Histology: the study of tissue in order to research tissue composition, structure and renewal and cellular exchanges within themselves.

ID/AST: a bacterial identification and antibiotic susceptibility test.

Immunoassay: detection of pathology markers using an antigen-antibody reaction.

***In vitro* diagnostics:** tests performed outside the human body using diagnostic tools.

IVD: abbreviation for *in vitro* diagnostics.

Laboratory P1, P2, P3 and P4: classification of laboratories based on biohazard level, Level 1 representing a minimum risk and Level 4 representing a high risk of transmission and mortality.

Listeria: a genus of bacteria which can cause listeriosis, an infectious disease which is potentially serious in new-born babies, pregnant women or individuals with low resistance.

Marker: a reagent used to detect the substance to which it is bound. A biological marker (biomarker) is a substance that is assayed to help diagnose a pathology.

Mass spectrometry: a technique used to identify and determine the chemical structure of multiple molecules simultaneously, analysing the mass and charge of their ions.

Methicillin: a semi-synthetic penicillin used primarily against non-resistant *Staphylococcus aureus*.

Microbiology: the study of microorganisms, including inter alia viruses, bacteria and fungi.

Microorganism: a living organism of microscopic size.

Molecular biology: technology that analyses genetic sequences of DNA or RNA that are characteristic of a bacterium, virus, protein or cell.

MRSA: methicillin-resistant *Staphylococcus aureus* bacterium.

Multiplex: the ability to transmit multiple data on a single physical medium.

Multi-resistant bacteria: bacteria are said to be multi-resistant to antibiotics when they are sensitive only to a small number of the antibiotics customarily used in therapy, as a consequence of the accumulation of natural and acquired resistances.

Mycobacteria: rod-shaped bacillus-type bacteria. Some species of mycobacterium are pathogenic: *M. leprae* responsible for leprosy; *M. tuberculosis,* responsible for tuberculosis.

Nucleic acid: a naturally-occurring molecule found in most cells. It has the ability to hold and transmit coded hereditary instructions allowing for an organism's development. There are two types of nucleic acids: DNA and RNA.

Oncology or cancerology: the medical speciality of the study, diagnosis and treatment of cancers.

Parasite: an organism that feeds off, lives or reproduces itself by establishing a lasting interaction with another organism (the host).

PCR (polymerase chain reaction): the polymerase chain reaction is a molecular biology method for *in vitro* genetic amplification that duplicates a large quantity (with a multiplication factor nearing one billion) of a known DNA or RNA sequence from a small initial quantity. This method is particularly appropriate for the detection of viruses.

POC (point-of-care) - POCT (point-of-care testing): services offered "at the bedside", including in particular the analysis of the diagnosis.

Procalcitonin: a marker used to assist in the early detection of bacterial infections.

Protein: a basic constituent of all living cells. A biological macromolecule is composed of one or more amino acid chains linked by peptide bonds.

Pulmonary embolism: obstruction of one of the branches of the pulmonary artery or of the pulmonary artery itself by a blood clot.

Quality indicator: term used in food processing to define the microorganisms responsible for visual or taste alterations (*e.g.*, mould or bacterial contamination). Quality indicator counts are used to assess product hygiene.

Rheumatoid arthritis: the most frequent chronic inflammatory rheumatism. Its cause is not fully known, but it is one of the autoimmune diseases (the body produces antibodies against its own tissues).

RNA: the acronym of "ribonucleic acid". A polymer similar to DNA which, like DNA, mainly has a role as a vector of genetic information. The sugar in RNA is a ribose.

Salmonella: a genus of enterobacteria called *Salmonella*. They cause two types of illness: gastrointestinal diseases through foodborne illnesses (salmonellosis) and typhoid and paratyphoid fevers.

Sepsis: an excessive reaction of an organism's immune system and coagulation system to an infection. This reaction is characterised by systemic inflammation and by blood coagulation problems, which can rapidly lead to organ failure (severe sepsis) and, in many cases, death.

Septicaemia: serious systemic infection of the organism by pathogenic germs, indicated by the presence of microorganisms in the blood.

Staphylococcus: a genus of Gram-positive bacteria, usually observed in clusters resembling bunches of grapes.

Substrate: a molecule used as a starting product which binds to the active site of an enzyme and is converted into one or more products.

Syndrome: a set of clinical signs and symptoms a patient is likely to display when suffering from certain medical conditions.

Test panel: a set of predetermined medical tests used in the diagnosis and treatment of medical conditions.

Theranostics: a diagnostic test that allows clinicians to take the most suitable therapeutic decision for each patient, thereby favouring more personalised treatment.

Typing: a method which can help in the assessment of the compatibility between two individuals, their organs, tissues or blood. A technique used to characterise bacteria.

Venous thrombosis: the formation of a blood clot in a vein. It usually occurs in a vein of the lower limbs, in the leg or hip, rarely in the upper limbs.

Virus: a rudimentary infectious microorganism, containing a single type of nucleic acid encaged in a protein capsid, which uses the materials of the cell that it parasitizes to synthesise its own constituents. It reproduces using just its own genetic material.

WHO (World Health Organization): executive authority in healthcare for international projects within the UN system.

8.6.2 Alternative performance indicators(1) and financial terms

Contributive operating income before non-recurring items: operating income before non-recurring items related to the acquisition and integration of BioFire and before accounting entries relating to the company's purchase price allocation. APM

Contributive operating income: operating income before material, extraordinary and non-recurring items, which are included in "other non-recurring income and expenses from operations."

Earning Before Interest, Taxes, Depreciation and Amortization (EBITDA): contributive operating income before non-recurring items, depreciation and amortisation. APM

Free Cash Flow: cash generated from operations, net of cash used in investing activities. APM

FTE: Full-time equivalent.

Net debt: sum of cash and cash equivalents with a maturity of less than three months, less committed debt and bank overdrafts and other uncommitted debt borrowings. APM

(1) Alternative Performance Measures (APM) that are not defined by accounting standards are indicated in the financial lexicon with the pictogram. APM

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