For translation purposes only

A French Limited Company with a share capital of €2,031,435.50 €
Registered office: Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac
Bordeaux B 493 845 341

ANNUAL FINANCIAL REPORT
AS OF DECEMBER 31, 2018

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GENERAL COMMENTS

Definitions

The following terms are defined as follows in this report, unless otherwise indicated to the contrary:

- The "**Company**" or "**Implanet**" means Implanet SA, which has its registered office at Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France, and is registered in the Bordeaux Trade and Companies Register, under number 493 845 341;
- The "**Group**" refers to Implanet SA, Implanet GmbH and its US subsidiary, Implanet America, Inc.;

Notice

The report contains information relative to the Company's business and the markets in which it operates. This information is based on research carried out either within or outside the Company (e.g.: industry publications, specialist studies, information published by market research companies and analysts' reports). The Company considers that this information gives a true and fair image of its reference market to date and its competitive positioning in this market. Nonetheless, it has not been possible to have this information verified by an independent expert and Company cannot guarantee that the same results would be obtained by a third party using different methods to collate, analyze or calculate this market information.

The report also contains information on the Company's objectives and growth priorities. This information may be identified by the use of the future or conditional tenses and words relating to future situations, such as "estimate", "consider", "aims to", "expect", "intend", "should", "wish" and "could" or variations on these expressions or similar terminology. Readers are advised that these objectives and growth priorities are not historical facts and may not be interpreted as a guarantee that the facts and data set out will materialize, or that the underlying assumptions will be verified or that the objectives will be reached. By their nature these objectives may not be attained and the information presented in the report could prove erroneous. The Company is in no way obliged to update the information, subject to applicable regulations.

1. PERSONS RESPONSIBLE

1.1. PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

Ludovic Lastennet, CEO of Implanet

1.2. STATEMENT OF THE PERSON RESPONSIBLE

(Art. 222-3 – 4° of the “AMF” General Regulation)

Martillac, April 29, 2019

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true picture of the Company's assets, financial position and results and of all of the companies included in the consolidation, and that the information in the management report give a true picture of the development of the Company's business, results and financial position and of all of the companies included in the consolidation as well as a description of the main risks and uncertainties they face.

Ludovic Lastennet
Chief Executive Officer

2. ANNUAL MANAGMENT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH FRENCH STANDARDS FOR 2018

Dear Shareholders,

It is our pleasure to present you the management report established by the Board of Directors, pursuant to the provisions of Article L. 232-1 of the French Commercial Code.

Your Board of Directors invited you to the General Shareholders' Meeting tp present the Company's operations for the fiscal year ended December 31, 2018, the annual financial statements which are submitted for your approval.

The reports of the Statutory auditors, the Board of directors' management report, the annual financial statements and other documents and information referred to in articles L. 225-115 and R. 225-83 of the French Commercial Code (Code de commerce) has been released in a legal timely manner.

On April 18, 2019, the Board of directors reviewed the consolidated financial statements and the company's financial statement for the fiscal year ended December 31, 2018 and approved them. The consolidated financial statements have been prepared in accordance with IFRS Gaap.

2.1. INFORMATION ON THE ISSUER

2.1.1. History and development of the Company

2.1.1.1. Registered name of the Company

The Company's registered name is: Implanet SA.

2.1.1.2. Company's place and registration number

The Company is registered in the Bordeaux Trade and Companies Register under identification No. 493 845 341.

The Company's NAF code is 4646Z.

2.1.1.3. Date of incorporation and duration

The Company was incorporated on January 23, 2007 for a term of 99 years ending on January 23, 2106, excluding the event of early dissolution or extension.

2.1.1.4. Company's registered office, legal form and applicable legislation

The Company's registered office is located in the Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France. The Company's contact details are:
Telephone: +33 (0)5 57 99 55 55
Fax: +33 (0)5 57 99 57 00
Website: www.implanet.com
The Company is a Société Anonyme (French public limited liability company) with a Board of Directors.
The Company is governed by French law; its operations are mostly subject to Articles L. 225-1 et seq. of the French Commercial Code.

2.1.1.5. History of the Company

2006 to 2012	• Rounds of financing totaling €34 million. • CE marking and placement of the first Madison knee prostheses in 2010. • Sale of the Beep N Track business to the American company GHX, global leader in hospital logistics, in 2011. • FDA(510 (k)) approvals for Jazz in October 2012.
2013	• Signing of distribution agreements for Jazz in Italy, Australia and New Zealand. • Submission of regulatory filings for the Spinal range in Brazil. • Opening of US subsidiary Implanet America in February. • Deployment of Jazz in France and Europe. • Signing by Implanet America of sales agents agreements with Spine specialists on the East and West coasts of the United States. • First placements of Jazz in the United States in June. • Issue of bonds redeemable in shares for an amount of €1.5 million in January 2013, and of convertible bonds for a total amount of €2.9 million in May and July 2013, fully converted into shares on the IPO. • Issue of €5 million in bonds in favor of KREOS CAPITAL IV (UK) LTD. • Listing on the Euronext Paris regulated stock market in November.
2014	• Discontinuance of marketing of hip prostheses during the first half of 2014. • The Company's CEO, Ludovic Lastennet, oversees the operations of the subsidiary Implanet America Inc. in the United States from Boston. • FDA validation of the Martillac site in February 2014. • Signing of several sales agents agreements in the United States, enabling the Company to extend its sales network to 25 partners, covering over 60% of the US market. • White paper published in July 2014 by Professor Ilharreborde's team on the results of a clinical study on the restoration of frontal and sagittal balance in scoliosis surgery in adolescents. • First white paper on the use of Jazz in elderly patients suffering from degenerative diseases, published by Dr. Cavagna in December 2014. First results of the efficacy of surgery for degenerative lumbar scoliosis with an average follow-up period of 16 months.
2015	• Definitive intellectual ownership obtained for the Jazz technology in Europe until 2031 (patent number EP 2521500). • Capital increase with preferential subscription rights for shareholders amounting to €11.2 million, including issue premiums. • Final results of a clinical study demonstrating the efficacy of the Jazz implant in the treatment of idiopathic scoliosis in adolescents. • CE marking and FDA approval (US) obtained for all new Jazz diameters. • FDA 510(k) approval obtained in the US for the use of the Jazz platform with all thoracolumbar fixation systems (screws, rods, hooks) available on the market. • Set up of a financing agreement involving the issue of convertible bonds coupled with share subscription warrants ("OCABSA") for potential funding of €5 million, liable to be matched by an equivalent amount if the attached share subscription warrants are exercised, and drawdown of the first tranche in the amount of €1 million. • Regulatory authorization obtained from the Brazilian health authority (ANVISA) for the marketing of the Jazz Band™ platform.

2016	• Successful outcome of the first Jazz implant in Brazil, the biggest market in Latin America. • Appointment of Brian Ennis as head of the subsidiary Implanet America Inc. • Green light for a new implant: Jazz LOCK® • Issue of the remaining bonds convertible into shares with share subscription warrants attached ("BEOCABSA") as part of the financing implemented in October 2015. Drawdown of a second and third tranche of €350 thousand and €250 thousand, respectively. • €800 thousand interest-free innovation loan obtained for the "development and clinical assessment of the Jazz type braided implant for degenerative spinal surgery (particularly the securing or replacement of pedicle screws)". • Patent for the Jazz® technological platform issued in the United States by the US Patent and Trademark Office (USPTO). • Successful outcome for the first surgeries with the new Jazz Lock® implant in France, Italy and the United States. • Capital increase with preferential subscription rights for shareholders amounting to €6.9 million. • Publication of a new White Paper *"Correction of Adolescent Idiopathic Scoliosis in hypokyphotic patients using Jazz sublaminar bands: preliminary results of a multicentric study using 3D reconstruction"*, presenting the results of the clinical analyses carried out on a group of adolescents suffering from thoracic hypokyphotic scoliosis treated with sublaminar Jazz implants.
2017	• European Patent granted by the European Patent Office (EPO) for the universal tensioning system for the Jazz® implant. • FDA 510(k) and European (CE) regulatory marketing authorization obtained for the new Jazz Frame® implant. • French patent granted by the French Patent Office (OEB) for the Jazz Lock® implant. • Signature of an exclusive distribution partnership in Australia and New Zealand • Renegotiation of the financing terms with EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND) with the aim of canceling the share subscription warrants (the "warrants") attached to the remaining OCAs to be issued. • Issue of an additional tranche of OCAs for an amount of €1,500 thousand. • American FDA 510(k) and European (CE) authorizations obtained for the marketing of the new JAZZ™ braid. • Transfer of listing to Euronext Growth. • Publication of a White Paper and presentation to the SRS Conference (Scoliosis Research Society) of the results of an independent radiological analysis on the use of the Jazz implant (perfect axial derotation whilst maintaining saggital balance). • American FDA 510(k) and European (CE) regulatory authorizations obtained for the JAZZ™ Passer solution, dedicated to posterior fixation spinal treatments, compatible with all JAZZ™ platform connector implants. • Two new patents obtained for the JAZZ™ platform from the US Patent and Trademark Office - USPTO). • Completion of a €1.75 million fund raising with American institutional investors. • Signature of a Memorandum of Understanding for the purpose of implementing a strategic partnership with the Korean company, L&K BIOMED. • End of the redemption of the bond issue signed with KREOS CAPITAL IV (UK) LTD.

2.1.2. Position and activity of the Group in the fiscal year 2018

€6.7M
Turnover

Implanet is a company which manufactures implants designed for orthopedic surgery, with the mission of identifying, designing and producing major innovations in the most promising orthopedic segments (knee and spine). The Company markets its products throughout the world and recorded consolidated revenues of €6.7 million in 2018.

36,052
Jazz™ sold

Implanet has been marketing its star product, Jazz, since 2013. Its purpose is to improve the treatment of spinal disorders requiring spinal fusion. This product complements the range of products routinely used, such as pedicle screws and hooks, and has already been used in more than 7,500 surgical procedures, representing almost 36,000 Jazz implants.

Implanet has designed and marketed a complete range of knee prostheses which range can be used for all conventional surgical techniques. This knee prosthesis preserves the patient's bone reserves as much as possible and more than 17,000 have been used since 2010.

17,000
Madison™ sold

2.1.2.1. Singificant events in the fiscal year ending december 31, 2018

<u>January 2018:</u>

- The first JAZZ Lock® procedures took place in Brazil, following ANVISA clearance in November 2017;
- Signature of a distribution agreement with Aegis Spine, the US subsidiary of L&K BIOMED and initial operational synergies realized.

<u>February 2018:</u>

- Signature of cross-distribution agreements between the Company and L&K BIOMED covering their respective products in Asia and Europe.

March 2018:

- Implementation of a bond financing line allowing potential funding of €5 million, at the Company's discretion. This new financing, provided by the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND, cancels and replaces the balance of €1.9 million outstanding on the previous financing program signed in October 2015.
  Issue of a first tranche of €1 million.

May 2018:

- The launch of JAZZ Evo, a new evolution of the JAZZ® implant developed to respond to the constraints of vertebral fusion indications in adults.

June 2018:

- Opening of a branch in the United Kingdom, accelerating expansion and direct growth in the growing adult degenerative market.

July 2018:

- Opening of the German subsidiary (Implanet GmbH).
- Signature of a marketing insurance interest free loan agreement with BPI France covering the "Germany" and "United Kingdom" areas. The amount of the marketing expenses covered by the contract for the whole coverage period €300 thousand, to be multiplied by a 65% ratio. The Company received €89 thousand in August 2018.

August 2018:

- Issue at par value of a new convertible bonds tranche for €500 thousand with European Select Growth Opportunities Fund.

October 2018:

- Completion of the first surgery in the United Kingdom. The recent listing of Implanet UK and its Jazz® platform on the NHS (National Health Service), the United Kingdom's public health system providing the bulk of care, particularly in hospitals, allows Implanet UK to offer Jazz® to all public hospitals in the country.
- Completion of the first surgery Jazz® in Belgium illustrating its direct sales strategy.

November 2018:

- Implementation of a bond financing line associated to a profit sharing plan with Nice & Green. This financing allows a funding of a maximum of €1 million.
  Issue of four convertible bonds for a par value of €200 thousand in 2018.
- Signature of distribution agreement with privately owned KICO KNEE INNOVATION COMPANY PTY LTD ("KICO") for the MADISON Knee prosthesis business covering the United States and other future markets.
  This distribution agreement will initially cover the high-potential markets of the United States and Australia on a non-exclusive basis. KICO will then gain exclusive rights to MADISON knee prostheses once it hits the threshold of 1,000 MADISON implants in a 12-month period, as well as an option for a manufacturing license.

- Award of CE marking for the Jazz Cap System®, developed to meet the constraints of vertebral fusion indications in adults.

The Company also carried out a capital increase of €326 thousand following the conversion of 142 OCAs held by the European Select Growth Opportunities Fund and 3 OCAs held by Nice & Green.

2.1.3. Overview of activities over the fiscal year 2018

Over the fiscal year 2018, Implanet decided to halt its Arthroscopy business (€0.2 million of its revenue in 2018 versus €0.6 million in 2017) and to reorganize its marketing of the Jazz® range in Europe. The reorganization concerns the main European markets for the treatment of adult degenerative spine disease and involves switching from sales via a distributor to direct sales, replicating the tried and tested model in France and the United States. Implanet has opened a branch in the UK and a subsidiary in Germany; the first surgery was performed in the fourth quarter of 2018

That switch is the main reason for the 14% drop in revenue, which amounted to €6.7 million in full-year 2018.

IFRS data	France	United State	Rest of the World	**WW**
	Direct distribution		**Indirect distribution**	
Revenue	€3.9 million	€1.9 million	€0.9 million	€6.7 million
Jazz revenue	*€1.6 million*	*€1.9 million*	*€0.6 million*	*€4.1 million*
Jazz growth	*+8%*	*+2%*[1]	*-54%*	*-13%*

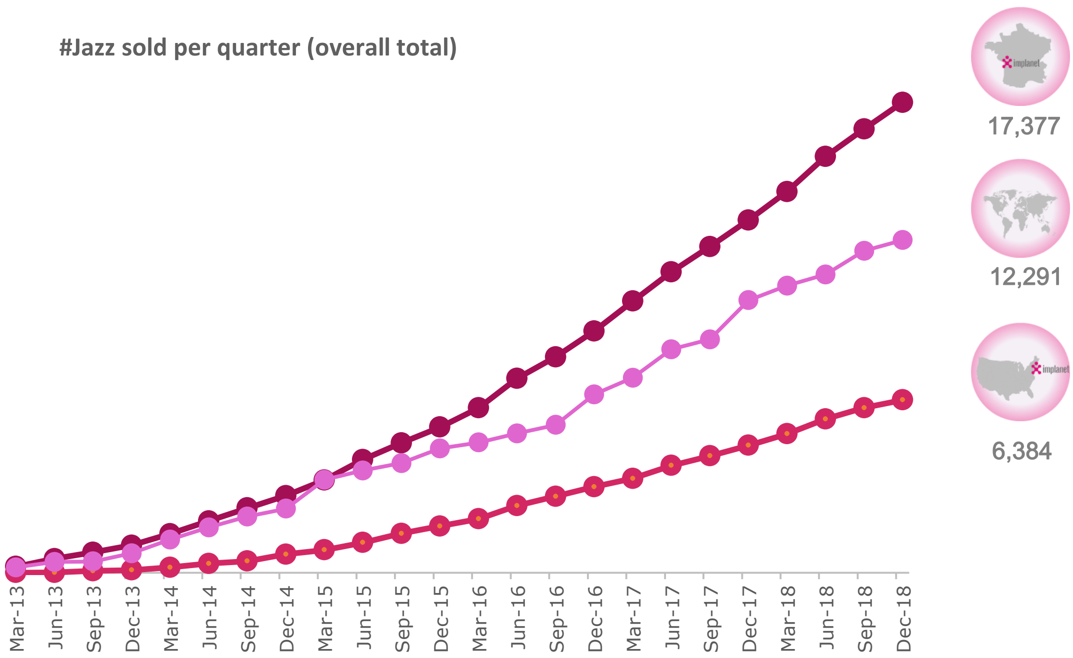
Sales of Jazz® continued to grow in countries where the company operates directly, rising by 8% in France to €1.6 million and by 2% in the United States to €1.9 million (at constant exchange rates). Sales of Jazz® in the rest of the world amounted to €0.6 million (54% lower than in 2017 due to the reorganization in Europe).

Implanet sold 8,246 Jazz® units in 2018 (versus 9,117 in 2017), including 4,347 in France (up 6% on 2017), 1,676 in the United States (up 9% on 2017) and 2,223 in the rest of the world (down 36% on 2017 due to the reorganization in Europe).

Cumulative number of units sold

	2013	2014	2015	2016	2017	2018
Cumulative units sold	1,829	5,889	11,690	18,691	27,806	**36,052**

[1] At constant exchange rate.



In addition, Implanet continued to recruit new surgeons, with 163 surgeons(1) using its Jazz technology at December 31, 2018, on its direct markets which are France and the United States of America.

Number of active surgeons[1]

	2013	**2014**	**2015**	**2016**	**2017**	**2018**
France	10	21	39	58	72	72
USA	6	17	43	69	76	81
UK & Germany						12
Number of active surgeons	16	38	82	127	148	**163**

(1) Number of active surgeons in the treatment of spinal disorders with activity over the previous rolling 12 months (source: Company).

IFRS data	France	Rest of World	**WW**
Knee + Arthro Revenue	€2.3 million	€0.3 million	€2.6 million
Madison Revenue	*€2.3 million*	*€0.1 million*	*€2.4 million*
Madison growth	*+1%*	*-65%*	*-5%*

The decline of the Knee + Arthro business is mainly due to the planned closure of arthroscopy distribution. Sales of the proprietary Madison product (knee prosthesis) were stable.

In addition, Implanet signed end of 2018 a distribution agreement with privately owned Kico Knee Innovation Company Pty Ltd ("KICO") for the MADISON Knee prosthesis business covering the United States and other future markets. This distribution agreement will initially cover the high-potential markets of the United States and Australia on a non-exclusive basis. KICO will then gain exclusive rights to MADISON knee prostheses once it hits the threshold of 1,000 MADISON implants in a 12-month period, as well as an option for a manufacturing license.

Implanet continued its momentum to improve operating profit in the fiscal year 2018. The full-year gross margin is expected to rise five points to 56% (versus 50% in 2017).

The policy of keeping a tight grip on operating costs continued to bear fruit, generating an 8% reduction in overheads over the year versus 2017. In 2018, the current operating loss improved by nearly 11% compared to 2017.

Implanet also restructured its operations in late 2018, which should enable the company to save a further €1,0 million on fixed expenses over a 12-month period.

2.2. REVIEW OF THE FINANCIAL STATEMENTS AND RESULTS

The following comments on the financial statements are made solely on the basis of the consolidated financial statements prepared in accordance with IFRS included in Section 4 of the annual financial report.

2.2.1. Composition of the net operating income and net income

2.2.1.1. Revenue

The Group's revenue is primarily generated by the sale of orthopedic implants (spine, knee and arthroscopy) and breaks down as follows:

REVENUE (Amounts in € thousands)	12/31/2018	12/31/2017
Spinal	4,095	4,715
Knee + Arthroscopy	2,625	3,126
Total revenue	**6,720**	**7,841**

Revenue by geographic region for the two years presented:

REVENUE (Amounts in € thousands)	12/31/2018	12/31/2017
France	3,914	3,794
United States	1,932	2,001
Brazil	507	550
Rest of the World	367	1,496
Total revenue	**6,720**	**7,841**

In accordance with the provisions of IAS 18, the Company recognizes revenue when the amount can be measured reliably, it is probable that future economic benefits will flow to the Company, and specific criteria are met for the Company's business.

2.2.1.2. Operating expenses by intended use

Cost of products sold

COST OF SALES (Amounts in € thousands)	12/31/2018	12/31/2017
Purchases of raw materials and goods	(2,618)	(3,303)
Depreciation and amortization of ancillary devices	(368)	(614)
Cost of products sold	**(2,986)**	**(3,916)**

The Group's gross margin stood at 56% at December 31, 2018, against 50% the previous year.

Current operating expenses

Current operating expenses were down €815 thousand in 2018 compared to 2017 (-8 %).

Research and Development expenses

Implanet conducts Research & Development to design innovative orthopedic implant devices. During the years under review, the Company committed a substantial portion of its resources to new product development.

Research costs are systematically recognized as expenses unless the Company believes that projects fulfill capitalization criteria under IAS 38. The Company has, therefore, decided to recognize the development costs under intangible fixed assets.

The development costs included in assets are depreciated on a straight-line basis over a period of five years.

Research and Development costs for the fiscal years presented here break down are as follows:

RESEARCH AND DEVELOPMENT (Amounts in € thousands)	**12/31/2018**	**12/31/2017**
Studies and research	(42)	(77)
Intellectual property fees	(243)	(418)
Payroll expenses (including share-based payments)	(561)	(725)
Capitalization of R&D expenses	185	255
Depreciation and amortization of capitalized R&D expense	(59)	(98)
Miscellaneous	(60)	(66)
Research and Development costs	**(780)**	**(1,129)**
Research tax credit	152	251
Subsidies	**152**	**251**
Research and Development costs, net	**(628)**	**(878)**

Research and Development expenses essentially comprise:

- payroll expenses for engineers and the R&D Director (down €164 thousand compared to 2017, given the payment of special compensation for invention patents in 2017);
- patent and brand protection costs (down €175 thousand, due to a stringent proactive policy aimed at strengthening intellectual property rights on Jazz® expensed in fiscal years 2016 and 2017);
- study, test and prototype costs (down €35 thousand compared to 2017);
- the impact of the capitalization of R&D expenses (given the capitalization of the “Jazz Cap”, “Jazz PJK” and “Jazz Génération 2”) projects and the amortization of capitalized expenses.

The French research tax credit amounted to €152 thousand in 2018, compared with €251 thousand in 2017.

Cost of Regulatory Affairs and Quality Assurance

Regulatory affairs and quality assurance costs for the fiscal years presented here break down as follows:

COST OF REGULATORY AFFAIRS AND QUALITY ASSURANCE (Amounts in € thousands)	**12/31/2018**	**12/31/2017**
Studies and research	(129)	(111)
Intermediary compensation Fees	(78)	(87)
Payroll expenses (including share-based payments)	(501)	(523)
Capitalization of R&D expenses	52	104
Depreciation and amortization of capitalized R&D expense	(30)	(50)
Miscellaneous	(114)	(114)
Cost of Regulatory Affairs and Quality Assurance	**(800)**	**(781)**
Research tax credit	7	13
Subsidies	**7**	**13**
Cost of Regulatory Affairs and Quality Assurance, net	**(793)**	**(767)**

Regulatory affairs and quality assurance costs primarily comprise:

- payroll expenses for quality control officers (dimension inspection), in line with those of the previous year;
- product accreditation costs in different countries;
- quality system costs in the Company (procedures, quality audit, etc.);
- the impact of the capitalization of product development costs (given the capitalization of the “Jazz Cap”, “Jazz PJK” and “Jazz Génération 2”) and the amortization of capitalized costs.

Sales and marketing expenses

Sales and Marketing costs for the fiscal years presented here break down are as follows:

SALES, DISTRIBUTION AND MARKETING (Amounts in € thousands)	**12/31/2018**	**12/31/2017**
Materials and supplies	(87)	(118)
Insurance premiums	(83)	(105)
Intermediary compensation Fees	(212)	(264)
Advertising	(185)	(172)
Travel, assignments and entertaining	(482)	(574)
Payroll expenses (including share-based payments)	(1,692)	(1,970)
Royalties	(120)	(214)
Sales commission	(898)	(1,028)
Allocations/reversals of provisions for impairment of trade receivables	202	(40)
Loss on bad debts	(328)	-
Miscellaneous	(203)	(112)
Sales, Distribution and Marketing expenses	**(4,088)**	**(4,597)**
Research tax credit	11	-
Subsidies	**11**	**-**
Sales, Distribution and Marketing expenses, nets	**(4,077)**	**(4,597)**

Sales and marketing expenses primarily comprise:

- sales force costs (down €278 thousand compared to 2017 following the restructuring of the sales team in the United States);
- commissions paid to sales agents (down €130 thousand compared to the previous year due to the recruitment of higher-profile partners and the rationalization of the commissions paid);
- travel costs (down €92 thousand compared to 2017, in line with the commercial restructuring in the United States;
- fees (particularly relating to the cost of seminars and national and international conferences);
- marketing and communication expenses: advertising inserts, brochures, demonstration kits, website, etc;
- other expenses (up €91 thousand compared to 2017, mainly due to fees to recruit country sales managers, specifically in Germany).

Operating costs

Operating costs for the fiscal years presented here break down are as follows:

OPERATING COSTS (Amounts in € thousands)	**12/31/2018**	**12/31/2017**
Hardware, equipment and works	(44)	(37)
Equipment and real estate leases	(141)	(127)
Transport	(31)	(22)
Payroll expenses (including share-based payments)	(386)	(502)
Depreciation and amortization of fixed assets	(57)	(71)
Allocation/reversal of provision for impairment of inventories	(161)	40
Product scrapping and stock adjustments	-	20
Miscellaneous	(29)	(60)
Operating costs	**(849)**	**(759)**

“Operating” costs primarily comprise:

- sales administration and logistics personnel (down €116 thousand compared to 2017, following the restructuring) ;
- lease and maintenance of the logistics building;
- depreciation of dedicated assets (stackers, etc.);
- management of procurement, logistics and inventories;
- product scrapping and invertory adjustments (the Company booked an expense of €161 thousand to this regard in 2018).

General costs

GENERAL AND ADMINISTRATIVE EXPENSES (Amounts in € thousands)	12/31/2018	12/31/2017
Leases	(207)	(198)
Hardware, equipment and works	(126)	(106)
Insurance policies	(208)	(205)
Intermediary compensation Fees	(751)	(836)
Travel, assignments and entertaining	(100)	(170)
Banking services	(33)	(29)
Payroll expenses (including share-based payments)	(897)	(981)
Depreciation and amortization of fixed assets	(39)	(42)
Gain on lapsed trade payable	-	58
Miscellaneous	(185)	(197)
General costs	**(2,546)**	**(2,706)**

General and administrative expenses primarily comprise:

- payroll expenses for general management, Finance Department and IT personnel;
- lease and maintenance of the administrative building;
- insurance;
- legal and other external consultancy fees;
- travel costs;
- depreciation of office and computer equipment, furniture, software, fixtures and fittings.

Non-recurring operating expenses

In 2018, the non-recurring expenses accounted for €232 thousand were related to restructuring costs of the Company.

In 2017, the non-recurring expenses accounted for €456 thousand were related to a provision for a commercial dispute following the sale of its Hip business. In the context of the sale of its Hip business in 2014, the Company transferred its distribution contracts to the purchaser, involving the modification of certain sales arrangements. One of the distributors alleges that this operation amounts to the cancellation of the sales agreement and is claiming damages.

2.2.1.3. Net financial income

FINANCIAL INCOME AND EXPENSES (Amounts in € thousands)	12/31/2018	12/31/2017
Amortized cost of the loan	(641)	(540)
Changes in the fair value of derivative liabilities	470	242
Other financial expenses	(23)	(44)
Financial income	6	(1)
Foreign exchange gains and (losses)	5	(30)
Total financial income and expenses	**(182)**	**(374)**

Net financial income mainly breaks down as follows:

- the cost of the convertible bonds issued in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (amortized cost of the bond and change in the fair value of derivative liabilities) amounting to -€75 thousand in 2018 compared with -€93 thousand in 2017;

- the cost of the convertible bonds issued in favor of NICE & GREEN (amortized cost of the bond and change in the fair value of derivative liabilities) amounting to -€78 thousand in 2018 compared with €0 thousand in 2017;
- the cost of the KREOS bond issue (amortized cost and change in the fair value of derivative liabilities) amounting to €0 thousand in 2018 compared with -€203 thousand in 2017;
- foreign exchange gains and losses mainly due to the euro/dollar exchange rate.

2.2.1.4. Corporate tax

The Group has not recognized any corporate tax expense.

At December 31, 2018, the Group had tax losses amounting to:

- €69,232 thousand in France;
  Allocation of fiscal deficits in France is capped at 50% of the taxable income for the period. This limit is applicable to the fraction of profit that exceeds €1 million. The unused portion of the deficit may be carried forward to subsequent fiscal years and allocated under the same conditions for an indefinite period.
  The current corporation tax rate applicable to Implanet SA is the current rate in force in France, namely 33.33%. This rate will gradually go down as from 2018, to 25% by 2022.

- USD 8,464 thousand (approximately €7,392 thousand) for the US subsidiary, including:
  - USD 1,181 thousand constituted in 2018, with expiry in 2038,
  - USD 1,355 thousand constituted in 2017, with expiry in 2037,
  - USD 1,901 thousand constituted in 2016, with expiry in 2036,
  - USD 2,293 thousand constituted in 2015, expiring in 2035,
  - USD 1,631 thousand constituted in 2014, with expiry in 2034,
  - USD 102 thousand constituted in 2013, expiring in 2033.

  The corporation tax applicable to Implanet America Inc. is the current rate in force in the United States, namely 28.9%.

Deferred tax assets are recognized in respect of tax losses that may be carried forward when it is probable that the Company will have future taxable profits to which these unused fiscal losses can be allocated. According to this principle, no deferred tax assets have been recognized in the Company's financial statements apart from deferred tax credits.

2.2.1.5. Basic earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to the Company's shareholders by the weighted average number of shares in circulation during the fiscal year.

Instruments giving deferred access to capital (warrants (BSAs), founders' warrants (BSPCEs) and stock options) are deemed anti-dilutive, since they lead to an increase in earnings per share. Accordingly, the diluted earnings per share are identical to the basic earnings per share.

BASIC EARNINGS PER SHARE	**12/31/2018**	**12/31/2017**
Net income (loss) for the year (€ thousands)	(5,551)	(6,612)
Weighted average number of shares in circulation	29,875,687	23,261,380
Basic earnings per share (€/share)	**(0.19)**	**(0.28)**
Diluted earnings per share (€/share)	**(0.19)**	**(0.28)**

An analysis of the net operating income and net income shows:

- the growth of the "Spine" and "Orthopedic implants" activities;
- the international growth of Jazz and the bolstering of the American sales force;
- the innovation efforts deployed, the brisk pace of new Jazz product launches, and the growing number of scientific papers validating the Jazz technology platform;
- the existence of an operational and administrative structure that does not require a short-term increase in capacity.

2.2.2. Balance sheet

2.2.2.1. Non-current assets

NON-CURRENT ASSETS (Amounts in € thousands)	12/31/2018	12/31/2017
Intangible fixed assets	854	705
Property, plant and equipment	652	817
Other non-current assets	628	429
Total non-current assets	**2 134**	**1 950**

Intangible fixed assets consist of the capitalization of development costs for a net value of €854 thousand at December 31, 2018, compared with €705 thousand at December 31, 2017.

Property, plant and equipment chiefly consist of ancillary devices commissioned when delivered to healthcare facilities.

Non-current financial assets mainly comprise term deposits totaling €525 thousand. On the reporting date, €525 thousand was pledged to banks under lease-back agreements or bank loans.

2.2.2.2. Current assets

CURRENT ASSETS (Amounts in € thousands)	12/31/2018	12/31/2017
Inventories	3,502	3,389
Trade receivables and related accounts	2,226	2,787
Other receivables	588	823
Current financial assets	326	1,004
Cash and cash equivalents	74	2,609
Total current assets	**6,716**	**10,613**

Inventories mainly consist of the various categories of spinal, arthroscopy and knee implants, as well as new ancillary devices available for sale and not provided to healthcare facilities.

Other receivables mainly include:

- the research tax credits recognized for the reference fiscal years (€159 thousand in 2018 and €264 thousand in 2017), which have been repaid or will be repaid during the following fiscal year;
- deductible VAT and VAT credits for a total of €226 thousand in 2018 compared with €302 thousand in 2017;
- prepaid expenses relating to current expenditure.

Current financial assets mainly comprise term deposits and negotiable medium-term notes totaling €326 thousand in 2018 compared with €1,004 thousand in 2017.

Cash and cash equivalents solely consist of bank accounts and term deposits with an initial maturity of less than three months.

2.2.2.3. Shareholders' equity

SHAREHOLDERS' EQUITY (Amounts in € thousands)	**12/31/2018**	**12/31/2017**
Capital	1,706	1,380
Paid-in capital	18,413	17,167
Translation reserve	(445)	(466)
Other comprehensive income	(52)	(55)
Reserves - Group share	(11,667)	(5,126)
Profit/(loss) - Group share	(5,551)	(6,612)
Shareholders' equity attributable to parent company shareholders	**2,403**	**6,288**
Minority interests	-	-
Total shareholders' equity	**2,403**	**6,288**

Share capital as at December 31, 2018 amounted to €1,705,637.45, divided into 34,112,749 fully subscribed and paid up shares with a nominal value of €0.05 each.

In 2018, the Company recognized a capital increase of €326 thousand following:

- the conversion of 142 bonds held by the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND generating the issue of 5,575,744 shares with a nominal value of €0.05;
- the conversion of 3 bonds held by NICE & GREEN generating the issue of 944,443 shares with a nominal value of €0.05.

2.2.2.4. Non-current liabilities

NON-CURRENT LIABILITIES (Amounts in € thousands)	**12/31/2018**	**12/31/2017**
Amounts due to personnel	157	144
Non-current financial debts	1,058	977
Non-current liabilities	**1,215**	**1,121**

Amounts due to personnel consist of provision for retirement benefits.

Non-current financial liabilities include:

- the non-current portion of repayable advances and interest-free loans amounting to €731 thousand at December 31, 2018 (€714 thousand at December 31, 2017);
- the non-current portion of a loan taken out with a credit institution amounting to €307 thousand at December 31, 2018 (€219 thousand at December 31, 2017);
- financial debts due in > one year under finance leases amounting to €21 thousand at December 31, 2018 (compared with €44 thousand at December 31, 2017).

2.2.2.5. Liabilities related to assets held for sale

CURRENT LIABILITIES (Amounts in € thousands)	**12/31/2018**	**12/31/2017**
Current financial liabilities	1,586	1,274
Derivatives liabilities	85	2
Provisions	501	576
Trade and other accounts payable	2,403	2,422
Tax and social security liabilities	528	850
Other payables and miscellaneous debt	130	30
Liabilities related to assets held for sale	**5,232**	**5,154**

At December 31, 2018, provisions amounted to €501 thousand (compared with €576 thousand at December 31, 2017) and mainly concerned a trade dispute following the discontinuation of the Hip business in 2014. The Company transferred its distribution contracts to the purchaser, involving the modification of certain sales terms. One of the distributors alleges that this operation amounts to the cancellation of the sales agreement and is claiming damages.

In May 2017, the Company was sentenced by the court of first instance to pay compensation of €498 thousand. In June 2017, the Company appealed the sentence. It intends to devote the required means to its defense in these legal proceedings.

Independantly of its decision to appeal, the Company decided to book in 2017 a provision of €498 thousand to cover the sentence (with no impact for the period), representing the best estimate of the risk incurred to date.

Current financial liabilities mainly include:

- financial debts associated with factoring contracts amounting to €835 thousand at December 31, 2018 (€1,002 thousand at December 31, 2017);
- the current debts associated with loans with two financial institutions amounting to €303 thousand at December 31, 2018 (€221 thousand at December 31, 2017).

They also include the current portion of liabilities under finance leases, debts linked to the bond in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND and NICE & GREEN and repayable advances.

2.2.3. Activity of Group companies over the last two fiscal years

2.2.3.1. Implanet SA's Earnings

IMPLANET SA (Amounts in € thousands)	**12/31/2018**	**12/31/2017**
Operating income	6,498	7,381
of which revenue	*5,653*	*6,655*
Operating expenses	(11,054)	(12,322)
Operating net income	(4,556)	(4,941)
Net financial income	(1,622)	(149)
Non-recurring net income	(148)	(556)
Corporate tax	(160)	(264)
Net P/L	**(6,166)**	**(5,382)**

Operating income was down €883 thousand in 2018 to €6,498 thousand from €7,381 thousand in 2017, primarily due to:

- Drop of €1,002 thousand in revenue, impacted by the closure of Arthroscopy activity and the decline of export sales;
- Partially offst by an increase of €208 thousand in transfers of expenses compared with 2017, mainly due to the increase in capitalized ancillary devices.

Operating expenses amounted to €11,054 thousand in 2018, down €1,268 thousand on 2017.
Other purchases and external expenses amounted to €3,466 thousand at December 31, 2018 compared with €4,052 thousand at December 31, 2017, representing a drop of €586 thousand due to the efficient control of costs such as rents and fees.

Payroll expenses amounted to €3,517 thousand at December 31, 2018 compared with €3,691 thousand at December 31, 2017, representing a drop of €174 thousand, partly due to the restructuring finalized late November 2018.

Operating allocations amounted to €578 thousand at December 31, 2018 versus €554 thousand at December 31, 2017, representing an increase of €34 thousand.

Financial loss amounted to -€1,622 thousand at December 31, 2018, compared to a loss of -€149 thousand at December 31, 2017. It mainly consists of provisions for impairment of Implanet America's shares.

Non-recurring net income stood at -€148 thousand at December 31, 2018 compared with -€556 thousand at December 31, 2017. It mainly consists in 2018 of restructuring costs. At December 31, 2017, it mainly composed of a €456 provision generated by a trade dispute following the discontinuation of the Hip business in 2014 (see Section 2.4.1 for further details).

After recognition of a €160 thousand research tax credit, the Company posted a net loss of -€6,166 thousand at December 31, 2018 compared with a net loss of -€5,382 thousand at December 31, 2017.

2.2.3.2. Implanet America's Earnings

IMPLANET AMERICA INC. (Amounts in € thousands)*	**12/31/2018**	**12/31/2017**
Operating income	1,932	2,000
of which revenue	*1,932*	*2,000*
Operating expenses	(2,254)	(3,301)
Operating net income	(996)	(1,301)
Net financial income	-	(2)
Non-recurring net income	-	-
Corporate tax	(309)	222
Net P/L	**(687)**	**(1,525)**

** converted using the average EUR/USD exchange rate for the period*

Operating income stood at €1,932 thousand in 2018 compared with €2,000 thousand in 2017, a slight decrease. On a constant currency basis, the revenue was up by +2% compared with 2017.

Operating expenses stood at -€2,254 thousand at December 31, 2018 compared with -€3,301 thousand at December 31, 2017, or a decrease of €1,047 thousand (-32%). This drop was mainly due to:

- payroll expenses and travel costs following the restructuring of the sales force;
- commissions paid to sales agents due to the recruitment of higher-profile partners and the rationalization of the commissions paid).

After recognition of a deferred tax gain of €313 thousand, net loss stood at -€687 thousand at December 31, 2018, compared with -€1,525 thousand at December 31, 2017.

2.2.3.3. Implanet GmbH's Earnings

incorporated in October 2018 and based in Frankfurt am Aim, in Germany, the company really began its operations late 2018.
Its net income is not significant on the fiscal year 2018.

2.3. PROGRESS MADE AND ISSUES ENCOUNTERED

The main progresses made have been detailed in the above sections. However, we can list the following:

- Sales of Jazz® continued to grow in countries where the company operates directly (up 8% in France to €1.6 million and up 2% at constant exchange rate in the United States to €1.9 million);
- Rollout of the direct sales of Jazz® model in United Kingdom (branch opening) and in Germany (creation of a subsidiary);
- Reinforcement of the Madison knee activity and the signature of the distribution agreement with Kico Knee Innovation Company PTY Ltd ("KICO") concerning the Madison knee implant in the United States and other markets to come;
- JAZZ EVO® commercial launch and the CE mark clearance for Jazz Cap System®, developed to facilitate the treatment of degenerative conditions in adult patients;
- The restructuring of its operation in late 2018, which should enable the company to decrease its fixed expenses over 2019.

The main difficulties encountered in 2018 are linked to:

- The reorganization of its sales activities in Europe significantly impacted the revenue of the fiscal year;
- Its ability to finance its activity and historical loss making situation which could still continue despite the progresses made.

The Group booked a net loss of €5,572 thousand in the fiscal year 2018, compared to a net loss of €6,612 thousand in previous year. These losses arises from R&D, regulatory and quality assurance expenses and sales and marketing expenses in Europe and United States.

At December 31, 2018, Implanet held €0.7 million in cash and short-term investments (vs. €4.0 million at December 31, 2017). During FY 2018, it reduced its cash burn from €3.1 million in the first half to €1.9 million in the second half of 2018.

The cash generated by the financing activities are primarily from the issue of convertible bonds under the agreements signed with EUROPEAN SELECT GROWTH OPPORTUNITIES FUND and NICE & GREEN.

On November 9, 2018, the company set up a bond financing line with NICE & GREEN for a minimum amount of €0.8 million. NICE & GREEN subscribed four convertible bonds for €0.2 million between November 12 and December 31, 2018. Under the schedule published in the press release of November 9, NICE & GREEN is due to subscribe convertible bonds for three times €0.2 million in January, February and March 2019 respectively.

Despite the losses of €5.6 million realised during the fiscal year 2018, the board of directors chose the going concern basis given the following assumptions and data:

- Implementation of the Company's strategic plan which focuses on three priorities:
  - to roll out the direct sales model, which has proven its worth in France and the United States, in targeted promising European markets (United Kingdom and Germany);
  - to roll out the partnership signed with KICO KNEE INNOVATION COMPANY PTY LTD to distribute the Madison knee implant in the United States and Australia;
  - to accelerate development of the JAZZ® product range in the United States under the partnership established with SeaSpine.
- The conclusion on April 15, 2019 of an equity line with Nice & Green to issue convertible bonds for a total amount of €3 million. The issuance will be done through twelve monthly tranches of €250 thousand each (see section 2.8).;
- Agreement from the Nouvelle Aquitaine district for a €500 thousand loan to be repaid in fine after eighteen months (see section 2.8).

The analysis performed by the board of directors also includes:

- Sensivity analysis on the operations,
- The finalization of a futur loanfor a total amount of €0.5 million to finance its innovation, which the management is confortable with its conclusion in a short term period.

Based on those assumptions and information, cash and cash equivalents are estimated, by the board of directors, to be sufficient to meet the Company's working capital requirements through the next 12 months.

The non-achievment of the above strategic plan and its inability to finance its innovation, could have a significant negative impact on its business, results, financial position, development and outlook.

Furthermore, under the resolutions approved by shareholders at the Extraordinary General Meeting on March 25, 2019, Implanet continues to explore additional solutions to finance the acceleration in its business development. These solutions could involve, without being comprehensive, a private placement to investors, capital increases, new convertible bonds, public financings.

2.4. MAIN RISKS AND UNCERTAINTIES

The risk factors facing the Company detailed in Chapter 4 "Risk factors" of the 2017 Document de Référence of the Company registered by the French Financial Markets Authority (Autorité des marchés financiers (AMF)) on April 16, 2018 under number D.18-0337 remain valid.

2.4.1. Legal risks - Litigation and exceptional events

In general, the Company may be involved in judicial, administrative or regulatory proceedings during the ordinary course of its activities. A provision is recognized by the Company where there is a sufficient probability that such disputes may lead to costs for the Company.

Therefore, as part of the end of the Hip activity in 2014, the Company transferred the distribution contracts to the buyer, including amendments to certain commercial terms and conditions.

One of the distributors alleges that this operation amounts to the cancellation of the sales agreement and is claiming damages.

In May 2017, the Company was sentenced by the court of first instance to pay compensation of €498 thousand. In June 2017, the Company appealed the sentence. It intends to devote the required means to its defense in these legal proceedings.
While the Company is contesting these allegations, it cannot be sure of the outcome of this dispute, nor give any guarantees in this regard, nor predict the financial impacts it may have to bear due to these legal proceedings.

At December 31, 2017, the Company decided to book a provision of €498 thousand to cover the sentence (€456 thousand recognized for the period), representing the best estimate of the risk incurred to date. This provision remains unchanged at December 31, 2018.

2.4.2. Financial risks

2.4.2.1. Risks linked to operating losses

Since its creation in December 2006, the Company has recorded operating losses and net losses each year, which are explained by:

- research and development costs for the Madison project (full knee prosthesis for first-line treatment and revision) and the Jazz project (posterior attachment and spinal deformity reduction system): involving mechanical and clinical testing, filing of patents, costs associated with the protection of intellectual property, etc.;
- commercial rollout costs (launch of new products, territorial expansion, particularly in the US).

For the fiscal year ended December 31, 2018, the Group recorded a net loss (IFRS) of €5,572 thousand.

Should the Group be unable to sufficiently increase its revenue in the forthcoming years, it could experience new losses due to:

- marketing, commercial and administrative costs;
- expenses relating to new clinical studies;
- the continuation of its research and development policy and the launch of new products;
- increasing regulatory requirements relating to product marketing, the implementation of a clinical trial program in France and abroad;
- and the need to obtain new certifications to market its products in new markets.

An increase in these expenses could have a negative impact on the Group, its business, financial position, results, development and outlook.

2.4.2.2. Credit risk

Credit risk is linked to deposits with banks and financial establishments. The Company relies on first class financial establishments for its cash balances and therefore carries no significant credit risk on its cash flow.

Internationally, the Company invoices its implants to its distributors. In France, Germany and the United States, the Group mainly invoices public and private healthcare establishments.

The customer payment terms comply with the requirements of the Modernization of the Economy Act (*Loi de Modernisation de l'Economie*-"LME").

With regard to the concentration of credit risk, one distributor accounted for more than 10% of consolidated revenue at December 31, 2018. The revenue generated with this distributor in France accounted for 29% of the Group's revenue at December 31, 2018.

On January 1, 2016, Implanet took out credit insurance with Atradius to ensure that its clients have appropriate credit ratings and credit risk cover.

2.4.3. Risks linked to the management of working capital

The marketing of orthopedic implants requires the Company to:

- make consignment stocks available to healthcare establishments in France and the United States;
- market or make available ancillary goods (specific surgical instruments for the positioning of implants) to healthcare establishments and its international distribution network.

Consignment stocks comprise a full range of implants (kits, sizes, accessories) available for different surgical procedures and adaptable to the specific characteristics of each patient.

In France and the United States, the invoicing of orthopedic implants to distributors, agents or healthcare establishments takes place as soon as information relating to the placing of implants is received and generates a request for the restocking of consignment stock from Implanet customers for the products used.

A significant increase in the Company's activity (volume and number of customers) as well as the territorial expansion of its distribution network would be likely to significantly increase consignment stock levels, the amount of client receivables and the volume of ancillary products required for implant placements.

Further, although the Company remains vigilant with regard to payment terms, it cannot exclude extension of the average payment term of its distributors and healthcare establishments, which could have a negative impact on changes to its working capital requirements. Likewise, a shortening of the payment terms of the Company's suppliers would also have a negative impact on changes to its working capital requirements.

The Company's inability to manage its working capital requirements and its growth could have a significant negative impact on its business, results, financial position, development and outlook.

2.4.3.1. Company's financing

Financing through increases in shareholders' equity

Historically, the Company has financed its growth by consolidating its shareholders' equity by means of capital increases (including at the time of its listing on the Euronext Paris regulated stock market in November 2013 and the capital increases in March 2015, November 2016 and November 2017) totaling €78,9 million since its creation.

Public funding

The Company has benefited from repayable advances and subsidies under the OSEO Innovation program, an interest-free loan from BPI France, FEDER subsidies from the Aquitaine Regional Council, research tax credits (Crédit Impôt Recherche –" CIR"), and COFACE marketing insurance.

The repayment schedule for the outstanding public financing as at December 31, 2018, breaks down as follows:

MATURITY OF REIMBURSABLE ADVANCES AND INTEREST-FREE LOANS, IN REDEMPTION VALUE (Amounts in € thousands)	**BPI - Interest-free innovation loan - JAZZ Braid**	**BPI – Marketing insurance**	**Total**
At December 31, 2018	**800**	**98**	**898**
Part due in less than one year	80	-	80
Part due between 1 and 5 years	640	98	738
Part due in more than 5 years	80	-	80

Issue of bonds to KREOS for a total amount of €5,000 thousand

On July 24, 2013, the Company concluded a venture loan agreement with KREOS CAPITAL IV (UK) LTD, which took the place of a master agreement for the subscription of a €5,000,000 bond issue by KREOS CAPITAL IV (UK) LTD ("Kreos"), the issue of share subscription warrants (BSAs) by the Company in favor of KREOS CAPITAL IV (Expert Fund) LTD.

On April 16, 2015, the Company entered into an additional clause to the venture loan agreement with KREOS CAPITAL IV (UK) LTD dating from July 19, 2013, under which the parties decided to reschedule the aforementioned bond issue. In consideration for the rescheduling of the bond, on June 24, 2015, the Company's Board of Directors, acting under the authority granted to it on the same day by the Company's Combined General Meeting of Shareholders, resolved to issue 18,473 share subscription warrants in favor of KREOS CAPITAL IV (Expert Fund) LTD.

In December 2017, the Company repaid the final installment on the loan and obtained the release of the pledge on its goodwill and intellectual property.

Issue of Convertible bonds with share warrants attached ("OCABSAs") in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND

On October 14, 2015, the Company entered into an OCABSA contract with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND, enabling the Company to potentially raise €5 million at its discretion. The main characteristics are detailed below:

Bonds convertible into shares (OCAs)

The main characteristics of the OCAs are as follows, given that any OCA that may be issued at a later date upon exercise of the 190 Warrants to be issued free of charge in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND will have the same characteristics:

- nominal value of an OCA: €10,000;
- subscription price of an OCA: 99% of par value;
- coupon: the OCAs are not interest bearing;
- maturity: 12 months, given that OCAs not converted on their maturity date shall be repaid by the Company (apart from the last tranche of OCA which may be issued subject to approval from the next Annual General Shareholders' Meeting);
- transferability/other: The OCAs are transferable under certain conditions; no request has been made for their admission to trading on the Paris Euronext Growth stock market and so they are not listed;
- conversion: The OCAs may be converted into Implanet shares at the holder's request, at any time, in accordance with a conversion ratio determined using the formula below:

  N = Vn/P

  "N" corresponds to the number of new ordinary shares of Implanet to be issued upon the conversion of an OCA;

  "Vn" corresponds to the bond represented by the OCA (nominal value of an OCA);

  "P" corresponds to 92% of the lowest of the last ten (10) daily volume-weighted average prices of the Implanet share (as published by Bloomberg) immediately preceding the concerned OCA conversion date, it being specified that the market days during which the OCA holder concerned has sold Implanet shares will be excluded. P cannot, however, be less than the nominal value of one Implanet share, or €0.05 at the current price.

  By way of an exception, if the last tranche of OCAs has still not been converted six months after the original maturity date, these bonds shall be converted into shares automatically on the expiry date of said six-month period, in accordance with the conversion ratio determined using the formula shown below:

  N' = Vn/P'

  "N'" being the number of new ordinary Implanet shares to be issued upon the conversion of the last tranche of OCAs not yet converted on their original maturity date, extended for a further six months;

  "Vn" being the bond receivable that the OCA represents (nominal value of one OCA);

  "P'" being the greater of (i) 85% of the lowest of the ten (10) average daily prices weighted by the volumes of Implanet's share (as published by Bloomberg) immediately preceding the date of conversion of the OCA in question, given that the trading days on which the holder of the OCA in question sells the Implanet shares will be excluded and (ii) 80% of the average price weighted by the volumes of Implanet's share over the three trading days preceding the date of conversion of the OCA in question. P' cannot, however, be less than the nominal value of one Implanet share, or €0.70 at the current price.

Share subscription warrants attached to OCAs ("BSAs")
The main characteristics of share subscription warrants attached to OCAs ("BSA") are as follows:
- exercise price: 110% of the lowest of the ten (10) average daily prices weighted by the volumes of Implanet's share immediately preceding the exercise date of Share Issuance Warrants giving rise to the issue of the OCAs from which said BSAs are detached;
- exercise ratio: each BSA carries entitlement to the subscription by its holder, at the holder's own discretion, of one new ordinary Company share;
- number of BSAs attached to each OCA tranche: this number is calculated so that, in the event of the exercise of all BSAs, the capital increase resulting from the exercise of said BSAs shall be equal to the nominal amount of the corresponding OCA tranche;
- exercise period: five years from the date of issue of the BSAs;
- transferability/other: the BSAs are detached from the OCAs immediately; they are freely transferable. No request has been made for their admission to trading on the Paris Euronext stock market and so they are not listed.

The Board of Directors decided the issue of:
- an initial tranche of 100 OCABSAs with a total value of €1.0 million on October 12, 2015,
- a second tranche of 35 OCABSAs with a total value of €350 thousand on June 29, 2016,
- a third tranche of 25 OCABSAs with a total value of €250 thousand on July 29, 2016,
- a fourth tranche of 150 OCABSAs with a total value of €1.5 million on May 29, 2017.

Issue of Convertible bonds ("OCA") in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND
On March 7, 2018, the Company arranged a new convertible bond issue of €5 million with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND. This new financing line cancels and replaces the remaining €1.9 million balance on the financing agreement of October 2015 described above. The main characteristics are detailed below:

Convertible bonds ("OCAs")
They have a nominal value of €10,000 each and are subscribed at par. They bear no interest and have a maturity of 12 months as from their issue date. Any OCAs which have not been converted into shares by their maturity date will need to be redeemed, except for the last tranche of OCAs that may be issued. For this last tranche, if certain OCAs are still outstanding at the end of 12 months, their maturity will automatically be extended by 6 additional months, at the end of which any OCA still outstanding will automatically be converted into shares[2].
The OCAs may be converted into Implanet shares at the holder's request, at any time, in accordance with a conversion ratio determined using the formula below:
N = Vn/P
where "N" corresponds to the number of new ordinary shares of Implanet to be issued upon the conversion of an OCA;
"Vn" corresponds to the bond represented by the OCA (nominal value of one OCA);
"P" corresponds to 92% of the lowest of the last ten (10) daily volume-weighted average prices of the Implanet share (as published by Bloomberg) immediately preceding the concerned OCA conversion date, it being specified that the market days during which the OCA holder concerned has sold Implanet shares will be excluded. P cannot, however, be less than the nominal value of one Implanet share, or €0.05 at the current price.

[2] The conversion price would then be the higher of the following: (i) 80% of the Implanet share's weighted average low over the ten (10) trading days preceding the conversion date or (ii) 75% of the weighted average share price over the five (5) trading days preceding the automatic conversion date.

The OCAs will be transferable under certain conditions; no request will be made for their admission to trading on the Paris Euronext stock market and they will not be listed.

The Board of Directors decided the issue of:
- an initial tranche of 100 OCA with a total value of €1.0 million on March 7, 2018,
- a second tranche of 50 OCA with a total value of €0.5 million on August 1st, 2018.

The following €0.5 million tranches may be called up at the Company's discretion subject to the following conditions:
- no significant unfavorable change has taken place;
- both the closing price and the weighted average price over the five (5) previous trading days are at least €0.40;
- there is no case of default, or event liable to constitute default if left unresolved;
- the request has to be done within 36 months following March 7, 2018,
- after subscription of the tranche concerned, the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND does not hold more than 8.5% of the number of shares making up the Company's capital, whether directly or via convertible bonds and shares;
- the Company's authorized and available shares amount to at least 2.5 times the number of shares to be delivered upon conversion of the OCAs of the requested tranche, and eventually of the OCA of previous tranches.

By way of exception and according to the agreement signed with EUROPEAN SELECT GROWTH OPPORTUNITIES FUND on November 8, 2018, EUROPEAN SELECT GROWTH OPPORTUNITIES FUND get the ability to call up at its discretion one tranche for a maximum of €0.5 million from June 1st, 2019, following conditions detailed above.

On the date of the report, none of the convertible bonds were outstanding.

Issue of a first convertible bonds with a profit sharing plan ("OCAPI 2018") in favor of NICE & GREEN
On November 9th, 2018, the Company entered into an issuance of a new convertible bonds with a profit sharing plan enabling a maximum raise of €1.0 million under the following time schedule:

Periods	Total amount of the period
From November 12, 2018 to December 31, 2018	€200,000
From January 3, 2019 to January 31, 2019	€200,000
From February 1st, 2019 to February 28, 2019	€200,000
From March 1st, 2019 to March 31, 2019	€200,000

NICE & GREEN also get an option at its discretion to call up an additional tranche of 4 OCAPIs for a total amount of €200,000 to be issued by the Compnay in its favor at any time up to March 31, 2019.

The OCAPI 2018 have the following characteristics:

- nominal value: €50,000;
- subscription price: 98% of par value;
- maturity: 12 months;
- no interest;
- conversion or reimbursement at the Company convenience
    - conversion terms: N = Vn/P where
        - N is the number of shares that can be subscribed,
        - Vn is the value of the bond receivable,
        - P is 92% of the lowest of the 6 average daily prices quoted weighted by the volumes of the Company's share immediately preceding the conversion application date (it being specified that P cannot be less than 75% of the 5 average daily prices quoted weighted by the volumes and cannot be less than the nominal value of one Implanet share, or €0.05 at the current price);
    - reimbursment terms: V = Vn/0.97 where
        - V is the amount to be repaid
        - Vn is the value of the bond receivable.

The Company may also benefit from a profit sharing plan amounting to 10% of the net profit achieved by Nice & Green between the granting date and the date when all the shares from the conversion of the OCAPI 2018 will be sold.

As of the report date, NICE & GREEN subscribed to twenty OCAPI 2018 for a total amount of €1.0 million.
At the date of the report, four OCAPI 2018 were outstanding.

Issue of a second convertible bonds with a profit sharing plan ("OCAPI 2019") in favor of NICE & GREEN

On April 15th, 2019, the Company entered into an issuance of a new convertible bonds with a profit sharing plan enabling a maximum raise of €3.0 million under the following time schedule:

Périods	Total amount of the period
May 2019	€250,000
June 2019	€250,000
July 2019	€250,000
August 2019	€250,000
September 2019	€250,000
October 2019	€250,000
November 2019	€250,000
December 2019	€250,000
January 2020	€250,000
February 2020	€250,000
March 2020	€250,000
April 2020	€250,000

The OCAPIs 2019 have the following characteristics:

- nominal value: €10,000;
- subscription price: 98% of par value;
- maturity: 12 months;
- no interest;
- conversion or reimbursement at the Company convenience
    - conversion terms: N = Vn/P where
        - N is the number of shares that can be subscribed,
        - Vn is the value of the bond receivable,
        - P is 92% of the lowest of the 6 average daily prices quoted weighted by the volumes of the Company's share immediately preceding the conversion application date (it being specified that P cannot be less than 75% of the 5 average daily prices quoted weighted by the volumes and cannot be less than the nominal value of one Implanet share, or €0.05 at the current price);
    - reimbursment terms: V = Vn/0.97 where
        - V is the amount to be repaid,
        - Vn is the value of the bond receivable.

The Company may also benefit from a profit sharing plan amounting to 10% of the net profit achieved by Nice & Green between the granting date and the date when all the shares from the conversion of the OCAPI 2019 will be sold.

As of the report date, none of the OCAPI 2019 has been subscribed by NICE & GREEN.

Bank borrowings

The Company uses bank loans for the purposes of financing the operation cycle and financing surgical instruments.

The current bank borrowing repayment schedule at December 31, 2018 breaks down as follows:

BANK LOANS BY MATURITY (Amounts in € thousands)	**Bank loans**
At December 31, 2018	**610**
Part due in less than one year	303
Part due between 1 and 5 years	307
Part due in more than 5 years	-

2.4.3.2. Liquidity risk

Since its establishment, the Company has made significant investments in research and development, commercial expenses and marketing, all of which contributed to the negative operating cash flow, which amounted to €4.5 million in the fiscal year ending December 31, 2018 and €4.5 million for the fiscal year ended December 31, 2017.

The board of directors established the 2018 financial statements, with a €5.6 million loss and chose the going concern basis given the following assumptions and data:

- Implementation of the Company's strategic plan which focuses on three priorities:
  - to roll out the direct sales model, which has proven its worth in France and the United States, in targeted promising European markets (United Kingdom and Germany);
  - to roll out the partnership signed with KICO KNEE INNOVATION COMPANY PTY LTD to distribute the Madison knee implant in the United States and Australia;
  - to accelerate development of the JAZZ® product range in the United States under the partnership established with SeaSpine.
- The conclusion on April 15, 2019 of an equity line with Nice & Green to issue convertible bonds for a total amountof €3 million. The issuance will be done through twelve monthly tranches of €250 thousand each (see note 2.8).;
- Agreement from the Nouvelle Aquitaine district for a €500 thousand loan to be repaid in fine after eighteen months (see note 2.8).

The analysis performed by the board of directors also includes:

- Sensivity analysis on the operations; and
- The finalization of a futur loanfor a total amount of €0.5 million to finance its innovation, which the management is confortable with its conclusion in a short term period.

Based on those assumptions and information, cash and cash equivalents are estimated, by the board of directors, to be sufficient to meet the Company's working capital requirements through the next 12 months.

Furthermore, under the resolutions approved by shareholders at the Extraordinary General Meeting on March 25, 2019, Implanet continues to explore additional solutions to finance the acceleration in its business development. These solutions could involve, without being comprehensive, a private placement to investors, capital increases, new convertible bonds, public financings.

The Company may find that it is not able to raise additional capital when it needs it, or that the capital is not available under acceptable financial conditions. If the necessary funds are not available, the Company may have to limit the development of new products in particular or delay or suspend marketing on new markets.

Moreover, debt financing, where available, could place restrictive conditions on the Company and its shareholders.

The occurrence of one or more of the aforementioned liquidity risks could have a significant negative impact on the Company, its business, financial position, results, development and outlook.

The loss-making situation of the Group during the periods presented arises from:

- its stage of development: research and development costs for projects in progress: mechanical testing, filing of patents, protection of intellectual property etc,
- commercial rollout costs: launch of new products, territorial expansion, particularly in the US, etc.

2.4.3.3. Risks of dilution

The shareholder's holding in the Company's capital could be significantly reduced.

At the date of this report, the Company had issued and awarded share subscription warrants ("BSAs"), Founders' warrants ("BSPCEs") and share subscription and purchase options and had set up an agreement for the issue of convertible bonds ("OCAPI 2018").

At the date of this report, the full exercise of all of the instruments giving access to the share capital allocated and outstanding would enable the subscription of 7,565,870 new shares[3], thus leading to dilution equal to 18.62% based on the capital existing today, and 15.70% based on the fully diluted share capital (excluding conversion of the OCA to be issued upon the exercise of 350 share issuance warrants (BEAs) issued to the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND).

As part of its policy to motivate its executives and employees and to attract and retain qualified personnel, the Company may, in the future, issue or allocate shares or new financial instruments giving access to the share capital of the Company, which could result in further, potentially significant, dilution for the Company's shareholders.

2.4.3.4. Risks linked to the research tax credit

The Company receives the Research tax credit (CIR), which is a tax credit offered by the French state to companies who make significant investments in research and development.
The amount requested for the 2018 CIR totaled €159 thousand.

It cannot be ruled out that the tax authorities question the methods used by the Company to calculate its research and development expenses or that the CIR is called into question as a result of a change in regulations or claim by the tax authorities even though the Company complies with the document and eligibility requirements for expenses.

If such a situation should occur, it could have a significant negative impact on the Company's results, financial position and outlook.

[3] In the event of the exercise of the 4,698,453 BSA, 1,112,703 BSPCE, 45,000 options outstanding, whether exercisable or not, and the 4 OCAPI, on the basis of the lowest of the 6 average daily prices, weighted by the volume of the Implanet share prior to the date of the report, i.e. €0.1181.

2.4.3.5. Risks linked to public advances and financing

Since it was established, the Company was granted the following repayable grants and innovation loans:

At the date of this report (amounts in € thousands)	**Amount granted**	**Amount repaid**	**Amount outstanding**
OSEO Knees	350	350	-
OSEO – Beep'n Track	650	650	-
COFACE USA – Beep'n Track	194	194	-
BPI innovation loan - Jazz Braid	800	-	**800**
BPI marketing insurance	98	-	**98**
Total	**2,092**	**1,194**	**898**

** not including any expenses incurred by the Company*

Should the Company fail to respect the contractual conditions set out in the loan agreements, it could be forced to pay the sums back early.

This could deprive the Company of the necessary financial resources for its research and development projects and it cannot guarantee that it would find the additional finances required.

2.4.4. Market risks

2.4.4.1. Interest rate risks

The Company is not exposed to any interest rate risk in respect of its assets since its excess cash is placed in term accounts and fixed-rate negotiable medium-term notes.

The Company has no variable-rate debt. The loans outstanding at the date of the report are as follows:

- convertible bond issue contracted by NICE & GREEN. This bond does not bear any interest. At the date of this report, this bond amounted to €200 thousand;
- three-year bank loan of €200 thousand taken out on April 4, 2017, with fixed-rate interest of 1.00% per annum;
- three-year bank loan of €210 thousand taken out on September 12, 2017, with fixed-rate interest of 1.95% per annum;
- three-year bank loan of €500 thousand taken out on April 17, 2018, with fixed-rate interest of 1.50% per annum;
- Agreement in April 2019 from the Nouvelle Aquitaine district for a €500 thousand loan to be repaid in fine after eighteen months.

Further, at the date of the report, the Company had no overdraft authorizations.

The Company therefore estimates that it is not exposed to any significant risk relating to variations in interest rates.

2.4.4.2. Foreign exchange risks

The Company's cash is exclusively invested in euro-denominated investment products.

The Company's strategy is to favor the euro as the currency for signing its commercial agreements (except for the agreements signed by the Company's American subsidiary, Implanet America, Inc.).

The Company opened a subsidiary in the United States (in February 2013) and a branch in the United Kingdom (in June 2018). Accordingly, this opening generated greater exposure to the foreign exchange risks linked to variations in the euro/US dollar and euro/British pound exchange rates. The chief risks in respect of the foreign exchange impact on purchases and sales in foreign currencies relate essentially to transactions conducted in dollars with this subsidiary and in British pounds with its branch.

In its current state of development, the Company has not made any provisions to hedge against variations in foreign exchange rates. Nevertheless, the Company cannot rule out the possibility of a significant increase in the US subsidiary's business or in the UK branch's business, resulting in greater exposure to foreign exchange risks. The Company will then envisage making use of an appropriate policy for hedging these risks.

If the Company does not take efficient measures in the future to hedge against foreign exchange risks, this could impact its operating income.

2.5. RESEARCH AND DEVELOPMENT

Implanet's R&D Department consists of five people, some with more than 20 years' experience in developing implants and instruments for the main sectors of orthopedic surgery: spine, hip, knee, shoulder, etc. All are trained engineers or university graduates who have built up their expertise either in the R&D Departments of international groups (Zimmer, Stryker Osteonics, Stryker Spine, Abbot Spine and Smith & Nephew), or in start-ups (Spine Next). Every development project is carried out in collaboration with consultant surgeons selected for their scientific and surgical experience in the specific areas of study and in the target countries. These joint development groups remain involved throughout the life of the project, from the drafting of specifications through commercial launch stages.

Every action taken by the Implanet R&D Department is compliant with the ISO 13485 quality standard, in which the Company is certified: projects aim to:

- create new products;
- improve existing products to keep pace with changing techniques and markets.

Before launching any project, an investigation phase in cooperation with the Company's Marketing Department assesses:

- how the new product fits into the Implanet range;
- feasibility;
- the competitive environment;
- existing technology and IP;
- health insurance reimbursement rates in each country and the margins on offer.

Based on the conclusions of this preliminary study, Implanet's Management Board decides whether or not to approve a project and whether or not to move it on to the development phase.

If approved, all development phases are planned out and the plan is monitored and updated in light of project progress. The process begins with specifications and ends with the award of regulatory certifications (510(k), CE marking, ANVISA), having gone through design, prototyping, mechanical trials, anatomical studies, in-vitro surgical simulations, etc. All Company departments are involved throughout the project stages (Production, Quality, Logistics) to assess all aspects of the new product, not only as a healthcare product but also in its industrial and regulatory dimensions. Similarly, Implanet works with organizations and laboratories known for their skills and expertise in each field:

- Biocompatibility tests : NAMSA (United States, France)
- Biomechanical tests : CRITT Champagne-Ardennes (France)
Mayo Clinic College of Medicine (United States)
Nebraska's Health Science Center (United States)
Rescoll (France)

In the last two years, the Company's R&D costs and the amounts capitalized were as follows:

	2017	**2018**
R&D costs (€ thousands)	1,129	780
Gross capitalized R&D costs (€ thousands)	255	185

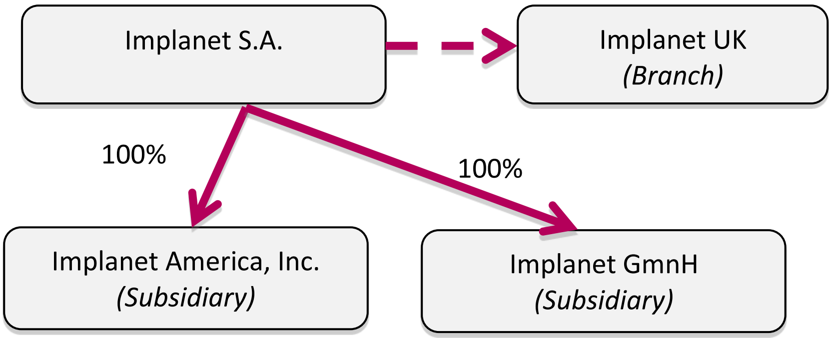
This approach owes its success to an innovation policy that allows new ideas to emerge, to develop and to be transformed into healthcare products. The innovation policy is sustained by scientific and technological monitoring mainly focused on developments in the spine and knee fields.

Employees working in R&D all have individual employment contracts with the Company specifying that the Company owns all inventions they have made or may make in the future and the associated terms of remuneration will follow the rules set out in Article L. 611-7 of the French Intellectual Property Code.

2.6. ACTIVITY OF THE SUBSIDIARIES AND CONTROLLED COMPANIES

2.6.1. Legal structure

At the date of the report the legal structure of the Implanet Group was as follows:



2.6.2. Group Companies

- **Implanet SA:** parent company of the Group, based in Martillac, France. Its owns a branch in United Kingdom (see section 2.21).

- **Implanet America Inc.:** incorporated in February 2013 in New York State. The Company commenced operations at the end of the first half of 2013. Ludovic Lastennet and David Dieumegard are, respectively, Chairman and Treasurer of Implanet America Inc. At the date of the report, this subsidiary had its offices in Boston.

- **Implanet Gmbh** : incorporated in october 2018 and based in Frankfurt am Aim, in Germany, the company really began its operations late 2018. Ludovic Lastennet is Chairman.

2.7. FORESEEABLE DEVELOPMENTS OF THE GROUP'S POSITION AND OUTLOOK

Implanet wishes to accelerate its groth through the following strategy:

- to roll out the direct sales model, which has proven its worth in France and the United States, in targeted promising European markets (United Kingdom and Germany);

- to accelerate development of the JAZZ® product range in the United States under a partnership established with SEASPINE, demonstrating our ability to develop disruptive technologies that meet market demand for new innovations and to target the United States, the world's largest market;

- to implement the partnership with Kico Knee Innovation Company Pty Ltd to distribute the Madison knee implant in the United States and Australia.

Each of these themes has its own characteristics but relies on a joint platform for development, quality assurance/regulatory affairs, production and logistics, which is particularly effective thanks to its recent design and the experience of the Company executives.

2.8. SIGNIFICANT SUBSEQUENT EVENTS

February 2019:

- Signature of a private label distribution agreement with Seaspine Inc. covering the United States. SeaSpine, a global medical technology company focused on surgical solutions for the treatment of spinal disorders, will have exclusive rights to sell the Jazz® line under its own brand name across the US, allowing Implanet to leverage its sales force in the world's largest market.

March 2019:

- American FDA 510(k) authorizations obtaine for the marketing of for its Jazz Cap® System. Jazz Cap® is a unique and complete proprietary solution for securing screws in poor quality bone – a factor in 10% to 30% of vertebral fusion cases in adult patients.

April 2019:

- Agreement from the Nouvelle Aquitaine district for a €500 thousand loan to be repaid in fine after eighteen months.

- Signature on April 18, 2019 of a convertible bonds financing (« OC ») with Nice & Green for a total amount of €3 million. The issue will be done through twelve monthly tranches of €250 thousand each.

2.9. PROPOSED ALLOCATION OF NET INCOME

After deduction of all expenses, taxes, depreciation and amortization, the Company's net results, established according to French accounting standards amounted to a loss of €6,166,480.59 that we propose to allocate to retained earnings (accumulated deficit), which will thus go from €8,582,148.79 to €14,748,629.38.

2.10. NON TAX-DEDUCTIBLE EXPENSES

In accordance with the provisions of Article 223 quarter of the French General Tax Code, the amount of expenses and charges that are not deductible for tax purposes, as mentioned in Article 39-4 of said code, comes to €54,682 for the fiscal year ended on December 31, 2018.

2.11. DIVIDENDS DISTRIBUTED OVER THE LAST THREE FISCAL YEARS

None

There is no plan to initiate a policy for the payment of dividends in the short term, in view of the Company's current stage of development.

2.12. INFORMATION ON SUPPLIER AND CUSTOMER PAYMENT TERMS

	Article D. 441-I-1: Overdue invoices **received**, remaining unsettled at the balance sheet date						Article D. 441-I-2: Overdue invoices **issued**, remaining unsettled at the balance sheet date					
	0 day (indication)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)	0 day (indic ation)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
(A) Breakdown of late payments												
Number of invoices involved						373						289
Number of invoices involved, including sales tax *7,713,365*		178,618	456,728	333,400	324,103	1,292,849		313,971	32,024	142,831	712,368	1,201,194
Percentage of the year's total amount of purchases, including sales tax		2.32%	5.92%	4.32%	4.20%	16.76%						
Percentage of the year's revenue, including sales tax *5,880,296*								5.34%	0.54%	2.43%	12.11%	20.43%
(B) Invoices excluded from (A) concerning bad debts or non-booked invoices												
Number of excluded invoices					5	5					12	12
Total amount for excluded invoices, including sales tax					10,342	10,342					130,525	130,525
(C) Payment terms referred to (contractual or legal terms - Article L. 441-6 or L. 443-1 of the French Commercial Code)												
Payment terms referred to in the calculation of late payments	- Contractual terms: between 45 and 60 days						- Contractual terms in France: 45 days; Export: 90 days					

2.13. EMPLOYEE SHAREHOLDING AT YEAR-END

On the date of the report, no employee shareholding agreement was in place. However, the Company carried out several warrant (BSA), share subscription and purchase option and founders' warrant (BSPCE) allocations, from which some Group employees benefited (see Section 2.19 of the report).

At December 31, 2018, there were no shareholdings by employees of the Company, calculated in accordance with Article L. 225-102 of the French Commercial Code (i.e. shares held as part of a company savings plan as provided for by Articles L. 3332-1 et seq. of the French Labor Code).

2.14. SUMMARY OF TRANSACTIONS BY EXECUTIVES AND PERSONS REFERRED TO IN ARTICLE L. 621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE ON COMPANY SECURITIES IN THE PAST FISCAL YEAR

None

2.15. SIGNIFICANT SHAREHOLDINGS IN COMPANIES BASED IN FRANCE, OR TAKEOVERS OF SUCH COMPANIES; DISPOSALS OF THESE SHAREHOLDINGS

See Section 2.6 of the report.

2.16. INFORMATION ON THE DISTRIBUTION OF THE SHARE CAPITAL AND TREASURY SHARES – SHARE BUYBACK PROGRAM

2.16.1. Breakdown of capital and voting rights

The shareholder structure table below shows the breakdown of the Company's share capital and voting rights as of the date of the report.

	Position on the Date of the report on a non-diluted basis		Position on the date of the report on a fully diluted basis					
	Number of shares	**% of capital and voting rights***	Number of shares likely to result from the exercise of BSAs [(1)]	Number of shares likely to result from the exercise of BSPCEs[(1)]	Number of shares likely to result from the exercise of options[(1)]	Number of shares likely to result from the exercise of OCAs[(2)]	**Number of shares after exercise of BSAs, BSPCEs, options and OCAs[(1)]**	**% of the share capital and voting rights after exercise of BSAs, BSPCEs, options and OCAs***
Founders and historical investors	**177,719**	**0.44%**	**787**				**178,506**	**0.37%**
Nice & Green						1,818,181	1,818,181	3.77%
European Select Growth Opportunities Fund			2,674,645				2,674,645	5.55%
Other financial investors**	3,382	0.01%	1,750,000				1,753,382	3.64%
Financial investors	**3,382**	**0.01%**	**4,424,645**			**1,818,181**	**6,246,658**	**12.96%**
Corporate officers, Employees and consultants	**74,607**	**0.18%**	**274,330**	**1,001,802**	**46,125**		**1,396,864**	**2.90%**
Other individual shareholders	**47,251**	**0.12%**					**47,251**	**0.10%**
Free Float	**40,153,301**	**98.83%**					**40,153,301**	**83.31%**
Treasury shares	172,000	0.42%					172,000	0.36%
Total	**40,628,710**	**100%**	**4,699,762**	**1,001,802**	**46,125**	**1,818,181**	**48,194,580**	**100%**

** The percentage of voting rights is equal to the percentage of share capital held.*
***Share subscription warrants (BSAs) held by American institutional investors after the issue of 3,500,000 shares with share subscription warrants attached as part of a fund-raising operation in November 2017*
(1) After adjusting the number of shares that may be subscribed upon exercise of share subscription warrants (BSAs) and founders' warrants (BSPCEs) following the increase in capital while maintaining the shareholders' preferential subscription rights, in accordance with Article L. 228-99 of the French Commercial Code.
(2) Theoretical impact based on the lowest of the 10 average volume weighted daily prices of Implanet shares prior to the date of the report, i.e. €01181.

2.16.2. Number, book value and nominal value of shares held by the Company or on its behalf

With the exception of shares held as part of the liquidity contract signed with the bank Tradition Securities and Futures, the Company does not own any of its shares either directly or through a third party on its behalf as of the date of the report.

On June 4, 2018, the Ordinary Shareholders' Meeting authorized the Board of Directors, for a period of 18 months from the date of the meeting, to implement a Company share buyback program in accordance with the provisions of Article L. 225-209 of the French Commercial Code and in accordance with the General Regulation of the French Financial Markets Authority (AMF), subject to the following conditions.

Maximum number of shares that can be purchased: 10% of the share capital on the date of buyback of the shares. Where the shares are purchased to support liquidity and trading volumes of the securities, the number of shares factored in to calculate said 10% limit corresponds to the number of shares purchased less the number of shares sold during the authorization period.

Objectives of share buybacks:

1. to improve trading volumes and liquidity of the Company's securities under a liquidity contract to be entered into with an independent investment services provider, in accordance with the Code of Ethics approved by the AMF on March 21, 2011;
2. to ensure that the Company can meet its obligations associated with share option schemes, free share allocation and employee savings plans, or other share allocations to employees of the Company or associates;
3. to deliver shares following the exercise of the rights attached to securities giving access to the share capital;
4. to purchase shares to be held and subsequently used in exchange or as payment in connection with potential external growth transactions; or
5. to cancel all or part of the shares redeemed in this manner.

Maximum purchase price: €20, excluding fees and commissions and any potential adjustments to take into account any transactions on the share capital.

It should be noted that the number of shares purchased by the Company to be held and subsequently surrendered as payment or in exchange in connection with a merger, demerger or capital contribution, may not exceed 5% of the Company's share capital.

Maximum amount of funds that can be used for buyback of shares: €2,000,000

Shares redeemed in this manner may be canceled.

It should be noted that as of the date of the admission of the shares to trading on the regulated market of Euronext in Paris, the Company will be subject to the following communication obligations as regards share redemption:

Prior to launching the buyback program approved by the General Shareholders' Meeting of May 24, 2016

1. Publication of a description of the share buyback program (complete and effective electronic distribution by a professional distributor and released online on the Company's website).

During implementation of the redemption program

1. Publication of transactions at D+7 on the Company's website (excluding any transactions carried out under a liquidity contract);

2. Monthly filing by the Company to the AMF.

Each year

3. Presentation of the outcome of the buyback program and detail of the use of the shares bought back in the Board of Directors' Report to the General Shareholders' Meeting.

Liquidity contract

For this purpose, the Company signed a liquidity contract on November 20, 2013 with Banque Oddo et Cie to which it allocated €400,000. This contract was transferred to TSAF – Tradition Securities and Futures on December 1, 2017.

Number of shares purchased and sold during the 2018 fiscal year:

Under the liquidity contract:

- 139,917 shares were purchased at the average price of €0.39, and
- 125,417 shares were sold at the average price of €0.40.

The Company did not carry out own share transactions for other reasons.

Number and value of treasury shares held at December 31, 2018:

Considering the purchases and sales made during the 2018 fiscal year, the balance of the liquidity contract was 170,500 shares at December 31, 2018. At this date, the book value was €24,040.50, on the basis of the closing price at December 31, 2018, namely €0.141.

2.17. CHANGES OVER THE COURSE OF THE FISCAL YEAR IN THE COMPOSITION OF THE SHARE CAPITAL

The following table shows the changes in the share capital during the year:

Date of issuances	Type of transaction	Capital	Gross issue premium	Number of shares created	Number of shares making up the capital	Nominal value	Share capital
03/13/2018	Conversion of bonds convertible into shares	17,045.40 €	132,954.60 €	340,908	27,933,470	0.05 €	1,396,673.50 €
04/11/2018	Conversion of bonds convertible into shares	17,045.45 €	132,954.55 €	340,909	28,274,379	0.05 €	1,413,718.95 €
06/26/2018	Conversion of bonds convertible into shares	51,980.75 €	318,019.25 €	1,039,615	29,313,994	0.05 €	1,465,699.70 €
08/01/2018	Conversion of bonds convertible into shares	41,322.45 €	178,677.55 €	826,449	30,140,443	0.05 €	1,507,022.15 €
09/18/2018	Conversion of bonds convertible into shares	26,136.35 €	93,863.65 €	522,727	30,663,170	0.05 €	1,533,158.50 €
11/09/2018	Conversion of bonds convertible into shares	87,885.05 €	212,114.95 €	1,757,701	32,420,871	0.05 €	1,621,043.55 €
12/28/2018	Conversion of bonds convertible into shares	84,593.90 €	175,406.10 €	1,691,878	34,112,749	0.05 €	1,705,637.45 €

2.18. CHANGE IN SHARE PRICE – RISK OF PRICE CHANGES

The Company's shares were introduced on the regulated Euronext market in Paris on November 25, 2013 at the price of €7.20.

On July 7, 2017, the Company announced the transfer of the listing of its shares from the Euronext regulated market in Paris (compartment C) to the Euronext Growth multilateral trading facility in Paris.

In the course of the 2018 fiscal year, the share price reached its highest level, €0.69, on January 17, 18 and 19, 2018, and its lowest level, €0.138, on December 21, 2018. At December 31, 2018, the share closed at €0.141.

Over the first months of 2019, the share price moved from €0.141 to €0.118 on April 26, 2019, the closing price on the day preceding the filing date of this report, meaning the Company's market capitalization stood at approximately €4.8 million.

2.19. INFORMATION ON THE ALLOCATION OF SHARE SUBSCRIPTION AND PURCHASE OPTIONS AND FREE SHARE ALLOCATIONS

As of the date of the report, the securities giving access to the share capital fall into four categories, as detailed below:

2.19.1. Founders' warrants (BSPCEs)

	BSPCE$_{S/02/2009}$	BSPCE$_{S/03/2010}$	BSPCE$_{S/06/2011}$	BSPCE$_{S/09/2011}$	BSPCE$_{03/2016}$	BSPCE$_{07/2016\text{-}T1}$	BSPCE$_{07/2016\text{-}T2}$	BSPCE$_{01/2018}$
Date of the meeting	February 5, 2009	March 31, 2010	March 14, 2011	September 26, 2011	January 9, 2015	May 24, 2016		May 22, 2017
Date of Board meeting	February 5, 2009	April 22, 2010	April 6, 2011	November 18, 2011	March 24, 2016	July 11, 2016		January 23, 2018
Number of approved BSPCEs	150,000	200,000	300,000	500,000	539,952	432,123		1,076,503
Total number of allocated BSPCEs	106,500	167,500	269,000	103,500	370,000	209,488	50,000	418,000
Total number of subscribable shares (taking into account reverse split)*	12,972	20,402	32,764	12,606	388,500	219,962	52,500	418,000
*Of which the number subscribable by corporate officers**	*0*	*0*	*0*	*0*	*147,000*	*152,586*	*52,500*	*90,000*
Corporate officers concerned:* *Ludovic Lastenet* Jean-Gérard Galvez	- -	- -	- -	- -	147,000 -	118,231 34,355	- 52,500	*70,000* 20,000
Start date of exercise of BSPCEs	February 5, 2009	April 22, 2010	June 1, 2011	November 28, 2011	April 1, 2017	July 11, 2016	July 1, 2017	February 1, 2019
Expiry date of BSPCEs	February 5, 2019	March 31, 2020	June 1, 2021	November 28, 2021	March 24, 2026	July 11, 2026	July 11, 2026	January 23, 2028
Share subscription price (after reverse split)*	€12.31	€12.31	€12.31	€12.31	€1.43	€1.27	€1.27	€0.65
Terms and conditions of exercise	(1) (2)	(1) (2)	(1) (2)	(1) (2)	(2) (3)	(2) (4)	(2) (5)	(2) (6)
Number of shares subscribed as of the date of the report (without taking into account the reverse split)	0	0	0	0	0	0	0	0
Cumulative number of BSPCEs canceled or expired	93,500	137,500	201,000	54,500	31,000	6,285	0	57,500
Remaining BSPCEs as of the date of the *report*	13,000	30,000	68,000	49,000	339,000	203,203	50,000	360,500

	$BSPCE_{S/02/2009}$	$BSPCE_{S/03/2010}$	$BSPCE_{S/06/2011}$	$BSPCE_{S/09/2011}$	$BSPCE_{03/2016}$	$BSPCE_{07/2016\text{-}T1}$	$BSPCE_{07/2016\text{-}T2}$	$BSPCE_{01/2018}$
Total number of shares subscribable as of the date of the report (taking into account the reverse split)*	1,583	3,654	8,283	5,969	226,000	135,469	35,000	120,167

(*) After adjusting the number of shares that may be subscribed upon exercise of BSPCEs and the exercise price of the BSPCEs following the successive increases in capital while maintaining the shareholders' preferential subscription right, in accordance with Article L. 228-99 of the French Commercial Code. The warrants were adjusted to parity at 1.16 in March 2015 (Board of Directors' decision of March 18, 2015), and subsequently at 1.05 in November 2016 (Board of Directors' decision of November 17, 2016).

(1) All of these founders' warrants (BSPCEs) are exercisable as of the date of the report

(2) Exercisable BSPCEs must be exercised by their holder or his/her assignees:

- *within three months from the termination date of any salaried position and/or office of corporate officer within the Company of the BSPCE holder, excluding where the termination of such salaried position is the consequence of a total or partial transfer of the business to a third party;*
- *within 15 days from the signature of a merger agreement through absorption of the Company, or the date of transfer to a third party by one or more Company shareholders, acting separately or in concert pursuant to Article L. 233-10 of the French Commercial Code, of a number of shares such that said third party acquires the majority of the Company's share capital or voting rights;*
- *within six months from the incapacity or death of the holder.*

(3) The $BSPCEs_{03/2016}$ may be exercised, by, the holder in accordance with the following schedule:

- *up to 1/3 from April 1, 2017;*
- *up to 1/3 from April 1, 2018; and*
- *up to 1/3 from April 1, 2019.*

(4) The $BSPCEs_{07/2016\text{-}T1}$ may be exercised, by the holder in accordance with the following schedule:

- *up to 1/3 from July 11, 2016;*
- *up to 1/3 from July 1, 2017; and*
- *up to 1/3 from July 1, 2018.*

(5) The $BSPCEs_{07/2016\text{-}T2}$ may be exercised, by the holder in accordance with the following schedule:

- *up to 1/3 from July 1, 2017;*
- *up to 1/3 from July 1, 2018; and*
- *up to 1/3 from July 1, 2019.*

(6) The $BSPCEs_{01/2018}$ may be exercised, by, the holder in accordance with the following schedule:

- *up to 1/3 from February 1, 2019;*
- *up to 1/3 from February 1, 2020; and*
- *up to 1/3 from February 1, 2021.*

2.19.2. Share subscription warrants (BSAs)

	BSA$_{09/11}$	BSA$_{2012}$	BSA$_{05/12}$	BSA$_{09/12}$	BSA 01/2013	BSA 01/2014	BSA 07/2015	BSA 07/2016-T1	BSA 07/2016-T2	BSA 09/2017	BSA 01/2018
Date of the meeting	September 26, 2011	June 29, 2012	June 29, 2012	October 11, 2012	January 22, 2013	July 19, 2013	January 9, 2015	May 24, 2016	May 24, 2016	May 22, 2017	May 22, 2017
Date of Board meeting	-	-	-	-	-	January 8, 2014	July 15, 2015	July 11, 2016	July 11, 2016	Septembe r 19, 2017	January 23, 2018
Number of warrants issued	60,000	165,000	10,245	100,000	25,000	27,398	44,699	56,000	30,000	60,000	120,000
Total number of subscribable shares (taking into account the reverse split)*	7,308	20,097	1,248	12,180	3,045	33,369	46,934	58,800	31,500	60,000	120,000
*Of which the number subscribable by corporate officers**	0	0	0	12,180	3,045	33,369	17,009	27,300	0	0	40,000
Corporate officers concerned:*											
Jean-Gérard Galvez	-	-	-	6,090	3,045	-	-	-	-	-	-
Jan Egberts	-	-	-	6,090	-	-	-	10,500	-	-	-
Paula Ness Speers	-	-	-	-	-	-	17,009	-	-	-	20,000
Mary Shaughnessy	-	-	-	-	-	-	-	16,800	-	-	20,000
Number of non-corporate officer beneficiaries	1	2	2	0	0	0	4	2	1	5	4
Start date of exercise of warrants (BSA)	Septembe r 26, 2011	June 29, 2012	June 29, 2012	October 11, 2012	January 22, 2013	January 8, 2015	July 1, 2015	July 11, 2017	July 11, 2016	Septembe r 19, 2017	January 23, 2018
Expiry date of warrants (BSA)	Septembe r 26, 2021	June 29, 2022	June 29, 2022	October 11, 2022	January 22, 2023	January 8, 2025	July 15, 2025	July 11, 2026	July 11, 2026	Septembe r 19, 2027	January 23, 2028
Issue price of warrants (BSA)	€0.10	€0.15	€0.10	€0.15	€0.15	€0.668	€0.29	€0.14	€0.20	€0.07	€0.07
Subscription price per share (taking into account the reverse split)*	€8.21	€12.31	€8.21	€12.31	€12.31	€5.48	€2.75	€1.27	€1.27	€0.66	€0.65
Terms and conditions of exercise	(1)	(1)	(1)	(1)	(1)	(2)	(3)	(4)	(1)	(5)	(6)
Number of shares subscribed as of the date of thereport	0	0	0	0	0	0	0	0	0	0	0
Cumulative number of warrants (BSA) null and void or canceled as of the date of the *report*	0	125,000	0	0	0	11,199	0	10,000	0	20,000	60,000
Share subscription warrants (BSA) remaining as of the date of the *report*	60,000	40,000	10,245	100,000	25,000	16,199	44,699	46,000	30,000	40,000	60,000
Total number of shares subscribable as of the date of the report (taking into account the reverse split)*	7,308	4,872	1,248	12,180	3,045	19,730	46,934	32,200	31,500	13,333	20,000

(*) After adjusting the number of shares that may be subscribed upon exercise of the BSAs and the exercise price of the BSAs following the successive capital increases while maintaining the shareholders' preferential subscription rights, in accordance with Article L. 228-99 of the French Commercial Code. The other warrants were adjusted to parity at 1.16 in March 2015 (Board of Directors' decision of March 18, 2015) then at 1.05 in November 2016 (Board of Directors' decision of November 17, 2016).

(1) All of these BSAs are exercisable as of the Date of the report.

(2) The BSAs $_{01/2014}$ may be exercised by the holder in accordance with the following schedule:

- *up to 1/3, from January 8, 2015 onwards;*
- *up to 1/3, at the end of an 18-month period starting from the date of allocation by the Board, i.e. from July 8, 2015 onwards; and*
- *up to 1/3, at the end of a 24-month period starting from the date of allocation by the Board, i.e. from January 8, 2016 onwards.*

(3) The BSAs$_{07/2015}$ may be exercised by the holder in accordance with the following schedule:

- *up to 1/3 from July 1, 2016;*
- *up to 1/3 from July 1, 2017;*
- *up to 1/3 from July 1, 2018.*
- *with regard to Mrs. Paula Ness Speers, the BSAs$_{07/2015}$ may be exercised according to the aforementioned timetable, provided that she has attended at least 75% of board meetings held in the calendar year prior to the date in question, and with regard to consultants, provided that their consultancy contract with the Company was in force for the entire calendar year prior to the date in question.*

(4) The BSAs$_{07/2016\text{-}T1}$ may be exercised by the holder in accordance with the following schedule:

- *up to 1/3 from July 1, 2017;*
- *up to 1/3 from July 1, 2018;*
- *up to 1/3 from July 1, 2019.*
- *with regard to Mary Shaughnessy and Jan Egberts, the BSAs$_{07/2016\text{-}T1}$ may be exercised according to the aforementioned timetable, provided that they have attended at least 75% of board meetings held in the calendar year prior to the date in question, and with regard to consultants, provided that their consultancy contract with the Company was in force for the entire calendar year prior to the date in question.*

(5) The BSAs$_{09/2017}$ may be exercised by the holder in accordance with the following schedule:

- *up to 1/3 from September 19, 2018;*
- *up to 1/3, from September 19, 2019;*
- *up to 1/3, from September 19, 2020;*
- *The BSAs$_{09/2017}$ may be exercised according to the aforementioned timetable, provided that the consultancy contract signed with the Company was in force for the entire calendar year prior to the date in question.*

(6) The BSAs $_{01/2018}$ may be exercised by the holder in accordance with the following schedule:

- *up to 1/3 from February 1, 2019;*
- *up to 1/3 from February 1, 2020;*
- *up to 1/3 from February 1, 2021;*
- *with regard to Paula Ness Speers, Mary Shaughnessy and Jan Egberts, the BSAs$_{01/2018}$ may be exercised according to the aforementioned timetable, provided that they have attended at least 75% of board meetings held in the calendar year prior to the date in question, and with regard to consultants, provided that their consultancy contract with the Company was in force for the entire calendar year prior to the date in question.*

	$BSA_{L1/T1}$	$BSA_{L1/T2}$	$BSA_{L1/T3}$	BSA PIPE 11/2017
Date of the meeting	June 24, 2015	May 24, 2016	May 24, 2016	May 22, 2017
Date of Board meeting	October 12, 2015	June 29, 2016	July 28, 2016	November 1, 2017
Number of warrants issued	400,000	244,755	186,567	3,500,000
Total number of subscribable shares (taking into account the reverse split)*	1,849,645	700,000	500,000	1,750,000
*Of which the number subscribable by corporate officers**	0	0	0	0
Corporate officers concerned:*	-	-	-	-
Number of non-corporate officer beneficiaries	1	1	1	8
Start date of exercise of warrants (BSA)	October 12, 2015	June 29, 2016	July 28, 2016	November 6, 2017
Expiry date of warrants (BSA)	October 12, 2020	June 29, 2021	July 28, 2021	November 6, 2021
Issue price of warrants (BSA)	€0	€0	€0	€0
Subscription price per share (taking into account the reverse split)*	€0.50	€0.50	€0.50	€0.65
Terms and conditions of exercise	(2)	(2)	(2)	(2)
Number of shares subscribed as of the date of the report	375,000	0	0	0
Cumulative number of warrants (BSA) null and void or canceled as of the date of the report	0	0	0	0
Share subscription warrants (BSA) remaining as of the date of the report	294,988	244,755	186,567	3,500,000
Total number of shares subscribable as of the date of the report (taking into account the reverse split)*	1,474,645	700,000	500,000	1,750,000

(*) After adjusting the number of shares that may be subscribed upon exercise of the BSAs and the exercise price of the BSAs following the successive capital increases while maintaining the shareholders' preferential subscription rights, in accordance with Article L. 228-99 of the French Commercial Code. With the exception of the adjustment to parity for the exercise of EUROPEAN SELECT GROWTH OPPORTUNITIES FUND subscription warrants whose full exercise would lead to the creation of 674,645 new shares, the other warrants were adjusted to parity at 1.16 in March 2015 (Board of Directors' decision of March 18, 2015), and subsequently at 1.05 in November 2016 (Board of Directors' decision of November 17, 2016).

(1) These BSA warrants are exercisable (and shall expire concomitantly) until the earlier of the following two events occurring:

- *the exercise of one or more transfers of Implanet shares which would cause any person to hold at least ninety-five percent (on a fully diluted basis) of the Company's share capital; or*
- *the expiry of a five (5) year period from the initial listing of the Company's shares on the Paris Euronext stock market.*

(2) All of these BSAs are exercisable as of the Date of the report.

2.19.3. Share subscription and purchase option plan

	Options$_{07/2015}$	**Options$_{03/2016}$**	**Options$_{01/2018}$**
Date of the meeting	January 9, 2015	January 9, 2015	May 24, 2016
Date of Board meeting	July 15, 2015	March 24, 2016	January 23, 2018
Number of options approved	539,952	539,952	432,123
Total number of options allocated	22,500	70,000	22,500
Total number of subscribable shares*	22,500	70,000	22,500
*Of which the number subscribable by corporate officers**	*0*	*0*	*0*
Corporate officers concerned:*	0	0	0
Start date of exercise of options	September 1, 2016	March 24, 2016	January 23, 2018
Expiry date of options	July 15, 2025	March 24, 2026	January 23, 2028
Share subscription price*	€2.66	€1.50	€0.65
Terms and conditions of exercise	(1) (2)	(1) (3)	(1) (4)
Number of shares subscribed as of the date of the report *	0	0	0
Cumulative number of options canceled or expired	10.000	60.000	0
Options remaining as of the Date of the report	12.500	10.000	22.500
Number of subscribable shares as of the Date of the report *	8.750	7.000	7.500

(*) After adjusting the number of shares that may be subscribed upon exercise of the subscription options and the exercise price of the subscription options following the increases in capital while maintaining shareholders' preferential subscription rights in November 2016, in accordance with Article L. 228-99 of the French Commercial Code. The warrants were adjusted to parity at 1.05 (Board of Directors' decision of November 17, 2016).

(1) Exercisable subscription options must be exercised by their holder or his/her assignees:

- *within three months from the termination date of any salaried position and/or office of corporate officer within the Company of the subscription option holder, excluding where the termination of such salaried position is the consequence of a total or partial transfer of the business to a third party;*
- *within 15 days from the signature of a merger agreement through absorption of the Company, or the date of transfer to a third party by one or more Company shareholders, acting separately or in concert pursuant to Article L. 233-10 of the French Commercial Code, of a number of shares such that said third party acquires the majority of the Company's share capital or voting rights;*
- *within six months from the incapacity or death of the holder.*

(2) The Options$_{7/2015}$ may be *exercised by the holder in accordance with the following schedule:*

- *up to 1/3 from September 1, 2016;*
- *up to 1/3 from September 1, 201; and*
- *up to 1/3 from September 1, 2018.*

(3) The Options$_{03/2016}$ may be *exercised by the holder in accordance with the following schedule:*

- *up to 1/3 from April 1, 2017;*
- *up to 1/3 from April 1, 2018; and*
- *up to 1/3 from April 1, 2019.*

(4) The Options$_{01/2018}$ may be exercised by the holder in accordance with the following schedule:

- *up to 1/3 from February 1, 2019;*
- *up to 1/3 from February 1, 2020; and*
- *up to 1/3 from February 1, 2021.*

2.19.4. Free share allocations

None

2.19.5. Bonds convertible into shares (OCAs)

Agreement of October 2015 to issue 500 bonds convertible into shares with share subscription warrants attached ("OCABSAs")

On October 14, 2015, the Company carried out a free issue of 100 issuance warrants (the "Issuance Warrants"), followed by a further 400 Issuance Warrants on June 29, 2016, which may give rise to the issue of a maximum of 500 OCABSAs representing a convertible bond loan of a maximum of €5 million, in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND.

At the date of this report, the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND had exercised a total of 310 OCABSAs as follows:

- 100 OCABSAs on October 14, 2015;
- 35 OCABSAs on June 30, 2016;
- 25 OCABSAs on July 29, 2016; and
- 150 OCABSAs on May 30, 2017.

Under the terms of an issue agreement signed with the Company on October 14, 2015 (as amended on October 21, 2015, March 24, 2016 and May 29, 2017), the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND also agreed to subscribe for an additional €1.9 million in several tranches, upon the exercise of the remaining 190 Warrants to be issued, subject to compliance with certain standard conditions.

Bonds convertible into shares (OCAs)

The main characteristics of the OCAs are as follows, given that any OCA that may be issued at a later date upon exercise of the 190 Warrants to be issued free of charge in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND will have the same characteristics:

- nominal value of an OCA: €10,000;
- subscription price of an OCA: 99% of par value;
- coupon: the OCAs are not interest bearing;
- maturity: 12 months, given that OCAs not converted on their maturity date shall be repaid by the Company (apart from the last tranche of OCA which may be issued subject to approval from the next Annual General Shareholders' Meeting);
- transferability/other: The OCAs are transferable under certain conditions; no request has been made for their admission to trading on the Paris Euronext Growth stock market and so they are not listed;
- conversion: The OCAs may be converted into Implanet shares at the holder's request, at any time, in accordance with a conversion ratio determined using the formula below:

  $N = Vn/P$
  "N" corresponds to the number of new ordinary shares of Implanet to be issued upon the conversion of an OCA;
  "Vn" corresponds to the bond represented by the OCA (nominal value of an OCA);

"P" corresponds to 92% of the lowest of the last ten (10) daily volume-weighted average prices of the Implanet share (as published by Bloomberg) immediately preceding the concerned OCA conversion date, it being specified that the market days during which the OCA holder concerned has sold Implanet shares will be excluded. P cannot, however, be less than the nominal value of one Implanet share, or €0.05 at the current price.

By way of an exception, if the last tranche of OCAs has still not been converted six months after the original maturity date, these bonds shall be converted into shares automatically on the expiry date of said six-month period, in accordance with the conversion ratio determined using the formula shown below:
N' = Vn/P'
"N'" being the number of new ordinary Implanet shares to be issued upon the conversion of the last tranche of OCAs not yet converted on their original maturity date, extended for a further six months;
"Vn" being the bond receivable that the OCA represents (nominal value of one OCA);
"P'" being the greater of (i) 85% of the lowest of the ten (10) average daily prices weighted by the volumes of Implanet's share (as published by Bloomberg) immediately preceding the date of conversion of the OCA in question, given that the trading days on which the holder of the OCA in question sells the Implanet shares will be excluded and (ii) 80% of the average price weighted by the volumes of Implanet's share over the three trading days preceding the date of conversion of the OCA in question. P' cannot, however, be less than the nominal value of one Implanet share, or €0.70 at the current price.

Share subscription warrants attached to OCAs ("BSAs")

The main characteristics of share subscription warrants attached to OCAs ("BSAs") are as follows:

- exercise price: 110% of the lowest of the ten (10) average daily prices weighted by the volumes of Implanet's share immediately preceding the exercise date of Share Issuance Warrants giving rise to the issue of the OCAs from which said BSAs are detached;
- exercise ratio: each BSA carries entitlement to the subscription by its holder, at the holder's own discretion, of one new ordinary Company share;
- number of BSAs attached to each OCA tranche: this number is calculated so that, in the event of the exercise of all BSAs, the capital increase resulting from the exercise of said BSAs shall be equal to the nominal amount of the corresponding OCA tranche;
- exercise period: five years from the date of issue of the BSAs;
- transferability/other: the BSAs are detached from the OCAs immediately; they are freely transferable. No request has been made for their admission to trading on the Paris Euronext stock market and so they are not listed.

Note that, following the amendment signed on May 29, 2017, the BSAs attached to the new tranches issued (tranche 4 and subsequent tranches) are immediately transferred to the Company at the overall price of €0.01 for their cancellation.
Thus the number of BSAs attached to the OCAs in connection with tranches 1 to 3 amounts to 831,322, including:

- 400,000 BSA_{L1T1}, given that each of these BSAs carries the entitlement to subscribe for 4,999 new ordinary Company shares at the price of €0.05;
- 244,755 BSA_{L1T2}, given that each of these BSAs carries the entitlement to subscribe for 2,860 new ordinary Company shares at the price of €0.05;
- 186,567 BSA_{L1T3}, given that each of these BSAs carries the entitlement to subscribe for 2,680 new ordinary Company shares at the price of €0.05.

On the Date of the report, 3,540,104 new Company shares had been issued upon conversion of 310 OCAs at an exercise price calculated using the procedures described above, totaling €3,100,000 (€1,190,672.20 nominal value and €1,909,327.80 issue premium).

In addition 105,012 BSA_{L1T1} had been exercised by the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND, giving rise to the issue of 375,000 new ordinary shares. Consequently, on this same date, 726,310 BSAs (of which 294,988 BSA_{L1T1}, 244,755 BSA_{L1T2}, and 186,567 BSA_{L1T3}), carrying entitlement to the issue of 2,674,645 new Company shares, remained outstanding.

On March 7, 2018, the Company arranged a new convertible bond issue of €5 million with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND. This new financing line cancels and replaces the remaining €1.9 million balance on the financing agreement of October 2015.

Agreement of March7, 2018 to issue 500 convertible bonds ("OCA")

On March 7, 2018, the Company carried out a free issue of 500 warrants which may give rise to the issue of 500 OCAs, representing a bond loan of a maximum of €5 million, in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND.

At the date of this report, the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND had exercised a total of 100 warrants and thus subscribed 150 OCAs (on March 8, 2018 and August 1st, 2018).

Convertible bonds ("OCA")

They have a nominal value of €10,000 each and are subscribed at par. They bear no interest and have a maturity of 12 months as from their issue date. Any OCAs which have not been converted into shares by their maturity date will need to be redeemed, except for the last tranche of OCAs that may be issued. For this last tranche, if certain OCAs are still outstanding at the end of 12 months, their maturity will automatically be extended by 6 additional months, at the end of which any OCA still outstanding will automatically be converted into shares[4].

The OCAs may be converted into Implanet shares at the holder's request, at any time, in accordance with a conversion ratio determined using the formula below:

$N = Vn/P$

where "N" corresponds to the number of new ordinary shares of Implanet to be issued upon the conversion of an OCA;

"Vn" corresponds to the bond represented by the OCA (nominal value of one OCA);

"P" corresponds to 92% of the lowest of the last ten (10) daily volume-weighted average prices of the Implanet share (as published by Bloomberg) immediately preceding the concerned OCA conversion date, it being specified that the market days during which the OCA holder concerned has sold Implanet shares will be excluded. P cannot, however, be less than the nominal value of one Implanet share, or €0.05 at the current price.

[4] The conversion price would then be the higher of the following: (i) 80% of the Implanet share's weighted average low over the ten (10) trading days preceding the conversion date or (ii) 75% of the weighted average share price over the five (5) trading days preceding the automatic conversion date.

The OCAs will be transferable under certain conditions; no request will be made for their admission to trading on the Paris Euronext stock market and they will not be listed.

On the Date of the report, 6,337,632 new Company shares had been issued upon conversion of 150 OCAs at an exercise price calculated using the procedures described above, totaling €1,500,000 (€316,881.60 nominal value and €1,183,118.40 issue premium).

<u>Issue of a first convertible bonds with a profit sharing plan ("OCAPI 2018") on November 9, 2018</u>

On November 9th, 2018, the Company entered into an issuance of a new convertible bonds with a profit sharing plan enabling a maximum raise of €1.0 million under the following time schedule:

Periods	Total amount of the period
From November 12, 2018 to December 31, 2018	€200,000
From January 3, 2019 to January 31, 2019	€200,000
From February 1st, 2019 to February 28, 2019	€200,000
From March 1st, 2019 to March 31, 2019	€200,000

NICE & GREEN also get an option at its discretion to call up an additional tranche of 4 OCAPI 2018 for a total amount of €200,000 to be issued by the Compnay in its favor at any time up to March 31, 2019.

The OCAPI 2018 have the following characteristics:

- nominal value: €50,000;
- subscription price: 98% of par value;
- maturity: 12 months;
- no interest;
- conversion or reimbursement at the Company convenience
    - conversion terms: N = Vn/P where
        - N is the number of shares that can be subscribed,
        - Vn is the value of the bond receivable,
        - P is 92% of the lowest of the 6 average daily prices quoted weighted by the volumes of the Company's share immediately preceding the conversion application date (it being specified that P cannot be less than 75% of the 5 average daily prices quoted weighted by the volumes and cannot be less than the nominal value of one Implanet share, or €0.05 at the current price);
    - reimbursment terms: V = Vn/0.97 where
        - V is the amount to be repaid,
        - Vn is the value of the bond receivable.

The Company may also benefit from a profit sharing plan amounting to 10% of the net profit achieved by Nice & Green between the granting date and the date when all the shares from the conversion of the OCAPI 2018 will be sold.

As of the report date, NICE & GREEN subscribed to twenty OCAPI 2018 for a total amount of €1.0 million.
On the Date of the report, 6,675,789 new Company shares had been issued upon conversion of 16 OCAPI 2018 at an exercise price calculated using the procedures described above, totaling €800,000 (€333,789.45 nominal value and €466,210.55 issue premium).
At the date of the report, four convertible bonds were outstanding.

2.19.6. Summary of dilutive instruments

As of the date of the report, the total number of shares that can be created by the full exercise of all the rights giving access to the share capital of the Company totals 7,565,870 shares, corresponding to a maximum dilution of 18.62% on the basis of the diluted share capital. The dilution in terms of voting rights is identical and amounts to 15.70% on the basis of the diluted voting rights[5].

[5] Excluding the conversion of the OCAs to be issued upon the exercise of the 350 share issuance warrants to be issued by the Company in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND, subject to certain other usual conditions.

2.20. TABLE SHOWING THE RESULTS FOR THE LAST FIVE FISCAL YEARS

Nature des indications	2014 fiscal year	2015 fiscal year	2016 fiscal year	2017 fiscal year	2018 fiscal year
I - CAPITAL AT YEAR END					
a) Share capital	8,099,283.00	15,887,399.00	14,913,543.00	1,379,628.00	1,705,637.45
b) Number of existing shares	5,399,522	10,591,599	21,305,061	27,592,562	34,112,749
II - TRANSACTIONS AND NET INCOME (LOSS) FOR THE YEAR					
a) Revenue excluding tax	7,147,861	6,618,006	6,602,137	6,655,152	5,653,188
b) Corporation tax	(378,877)	(225,193)	(202,970)	(264,034)	(159,622)
c) Employee profit-sharing	0	0	0	0	0
d) Net income (loss) after tax, employee profit-sharing, depreciation, amortization and provisions	(5,288,306)	(6,776,643)	(7,792,520)	(5,382,187)	(5,733,480)
e) Dividends paid	0	0	0	0	0
III - NET EARNINGS PER SHARE					
a) Net earnings after tax and employee profit-sharing but before depreciation, amortization and provisions	(1.15)	(0.48)	(0.27)	(0.16)	(0.15)
b) Net earnings after tax, employee profit-sharing, depreciation, amortization and provisions	(0.98)	(0.64)	(0.37)	(0.20)	(0.17)
c) Dividend per share	0	0	0	0	0
IV - PERSONNEL					
a) Average number of employees during the year	38.5	40.2	41.5	41.6	40.1
b) Total payroll	2,210,587	2,258,155	2,345,807	2,520,801	2,449,557
c) Total amount paid in social benefits (social security contributions, social programs, etc.)	1,059,050	1,056,067	1,086,083	1,169,725	1,067,345

2.21. EXISTING BRANCHES

The Company owns a branch in United Kingdom.
Created in May 2018 and based in London, the branch began its operations late 2018.
The net income is not significant on the fiscal year 2018.

2.22. ADJUSTMENT IN THE EVENT OF THE ISSUE OF SECURITIES GIVING ACCESS TO THE SHARE CAPITAL

None

2.23. DISPOSAL OF SHARES (CROSS-SHAREHOLDINGS)

None

2.24. WORKS COUNCIL'S OPINION ON THE CHANGES TO THE BUSINESS OR LEGAL ORGANIZATION

None

2.25. AMOUNT OF INTER-COMPANY LOANS GRANTED UNDER ARTICLE L. 511-6 3BIS OF THE FRENCH MONETARY AND FINANCIAL CODE

None

3. STATEMENT ON STATUTORY AUDITORS' FEES

FEES PAID TO STATUTORY AUDITORS	2018 fiscal year				2017 fiscal year			
	Ernst & Young		INKIPIO AUDIT		Ernst & Young		INKIPIO AUDIT	
(Amounts in €'000)	Amount excl. Taxes	%	Amount excl. Taxes	%	Amount excl. Taxes	%	Amount excl. Taxes	%
Statutory audit work (1)	43	82%	33	81%	43	74%	33	72%
Other services and due diligence directly linked to the statutory audit work	9	18%	8	19%	9	16%	13	28%
Subtotal	**52**	**100%**	**41**	**100%**	**52**	**91%**	**45**	**100%**
Other services rendered								
- Tax		0%		0%	1	2%	-	0%
- Other		0%		0%	4	7%	-	0%
Subtotal	**-**	**0%**	**-**	**0%**	**5**	**9%**	**-**	**0%**
Total fees	**52**	**100%**	**41**	**100%**	**57**	**100%**	**45**	**100%**

4. CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

IMPLANET	Notes	12/31/2018	12/31/2017
CONSOLIDATED STATEMENT OF FINANCIAL POSITION		**€'000**	**€'000**
ASSETS			
Intangible fixed assets	3.1	854	705
Property, plant and equipment	3.2	652	817
Other non-current assets	4	628	429
Total non-current assets		**2,134**	**1,950**
Inventories	5	3,502	3,389
Trade receivables and related accounts	6.1	2,226	2,787
Other receivables	6.2	588	823
Current financial assets	4	326	1,004
Cash and cash equivalents	7	74	2,609
Total current assets		**6,716**	**10,613**
TOTAL ASSETS		**8,850**	**12,563**
LIABILITIES			
Shareholders' equity			
Capital	8	1,706	1,380
Paid-in capital		18,413	17,167
Translation reserve		(446)	(466)
Other comprehensive income		(52)	(55)
Reserves - Group share		(11,667)	(5,126)
Profit/(loss) - Group share		(5,551)	(6,612)
Shareholders' equity attributable to parent company shareholders		**2,403**	**6,288**
Minority interests		-	-
Total shareholders' equity		**2,403**	**6,288**
Non-current liabilities			
Amounts due to personnel	11	157	144
Non-current financial debts	10	1,058	977
Non-current liabilities		**1,215**	**1,121**
Liabilities related to assets held for sale			
Current financial liabilities	10	1,586	1,274
Derivative instrument liability	10.3	85	2
Provisions	12	501	576
Trade and other accounts payable		2,403	2,422
Tax and social security liabilities	13.1	528	850
Other payables and miscellaneous debt	13.2	130	30
Liabilities related to assets held for sale		**5,232**	**5,154**
TOTAL LIABILITIES AND EQUITY		**8,850**	**12,563**

CONSOLIDATED INCOME STATEMENT

IMPLANET CONSOLIDATED INCOME STATEMENT	Notes	12/31/2018 12 months €'000	12/31/2017 12 months €'000
Revenue	15	6,720	7,841
Cost of sales	16.1	(2,986)	(3,916)
Gross margin		**3,733**	**3,924**
Research and Development expenses			
Research and Development expenses	16.3	(770)	(1,120)
Share-based payments	16.3	(10)	(9)
Subsidy	16.3	152	251
Cost of regulatory affairs and quality assurance			
Cost of regulatory affairs and quality assurance	16.4	(798)	(780)
Share-based payments	16.4	(2)	(0)
Subsidy	16.4	7	13
Sales and marketing expenses			
Sales and marketing expenses	16.2	(4,049)	(4,541)
Share-based payments	16.2	(38)	(56)
Subsidy	16.2	11	-
Operating costs			
Operating costs	16.5	(847)	(753)
Share-based payments	16.5	(1)	(5)
General costs			
General costs	16.6	(2,523)	(2,683)
Share-based payments	16.6	(22)	(22)
Current operating income		**(5,158)**	**(5,782)**
Non-recurring operating income and expenses	17	(210)	(456)
Net operating income		**(5,369)**	**(6,238)**
Financial expenses	18	(664)	(584)
Financial income	18	6	(1)
Change in the fair value of the derivative	18	470	242
Foreign exchange gains and losses	18	5	(30)
Net income before taxes		**(5,551)**	**(6,612)**
Tax expense	19	-	-
Net P/L		**(5,551)**	**(6,612)**
Share attributable to parent company shareholders		*(5,551)*	*(6,612)*
Minority interests		*-*	*-*
Weighted average number of shares in circulation		29,875,687	23,261,380
Basic earnings per share (€/share)	20	**(0.19)**	**(0.28)**
Diluted earnings per share (€/share)	20	**(0.19)**	**(0.28)**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

IMPLANET STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME	12/31/2018 12 months €'000	12/31/2017 12 months €'000
Net income/(loss) for the period	**(5,551)**	**(6,612)**
Actuarial differences	3	(27)
Items non-recyclable in profit/(loss)	**3**	**(27)**
Translation differences	20	(68)
Items recyclable in profit/(loss)	**20**	**(68)**
Other comprehensive income (net of taxes)	**23**	**(95)**
Comprehensive income	**(5,528)**	**(6,706)**
Group share	*(5,528)*	*(6,706)*
Minority interests	-	-

CHANGES IN CONSOLIDATED SHAREHOLDERS'EQUITY

IMPLANET		Capital	Capital	Additional paid-in capital	Reserves and net income	Translation differences	Actuarial differences	Shareholders' equity - Group share	Interest Minority interests	Shareholders' equity
CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY	**Note**	***Number of shares***	**in €'000**	**in €'000**	**in €'000**	**in €'000**	**in €'000**	**in €'000**	**in €'000**	**in €'000**
At December 31, 2016		*21,305,061*	**14,914**	**387**	**(5,214)**	**(398)**	**(28)**	**9,660**	**-**	**9,660**
Total net income/(loss)					(6,612)			(6,612)		(6,612)
Other comprehensive income						(68)	(27)	(95)		(95)
Comprehensive income			**-**	**-**	**(6,612)**	**(68)**	**(27)**	**(6,706)**	**-**	**(6,706)**
Conversion of bonds	8.1	*2,412,501*	121	1,379				1,500		1,500
Exercise of warrants (BSA)	8.1	*375,000*	263	0				263		263
Issue of shares	8.1	*3,500,000*	175	1,575				1,750		1,750
Capital decrease			(14,092)	14,092				-		-
Share subscription warrants (BSA)				3				3		3
Change in treasury shares					(4)			(4)		(4)
Share-based payments	9				93			93		93
Share issue costs				(269)				(269)		(269)
At December 31, 2017		*27,592,562*	**1,380**	**17,167**	**(11,737)**	**(466)**	**(55)**	**6,288**	**-**	**6,288**
Total net income/(loss)					(5,551)			(5,551)		(5,551)
Other comprehensive income						20	3	23		23
Comprehensive income			**-**	**-**	**(5,551)**	**20**	**3**	**(5,528)**	**-**	**(5,528)**
Conversion of bonds	8.1	*6,520,187*	326	1,244				1,570		1,570
Exercise of warrants (BSA)	9			6				6		6
Change in treasury shares					(4)			(4)		(4)
Share-based payments	9				74			74		74
Share issue costs				(4)				(4)		(4)
At December 31, 2018		*34,112,749*	**1,706**	**18,413**	**(17,218)**	**(446)**	**(52)**	**2,403**	**-**	**2,403**

CONSOLIDATED CASH FLOW STATEMENT

IMPLANET CONSOLIDATED STATEMENT OF CASH FLOWS	Notes	12/31/2018 12 months €'000	12/31/2017 12 months €'000
CASH FLOWS GENERATED FROM OPERATIONS			
Total net income/(loss)		**(5,551)**	**(6,612)**
(-) Elimination of depreciation, amortization and impairment on intangible fixed assets	3.1	(99)	(153)
(-) Elimination of depreciation and amortization on property, plant and equipment	3.2	(481)	(765)
(-) Allocations to provisions	12	58	(536)
(-) Expense related to share-based payments	9	(74)	(93)
(-) Gross financial interest paid		(18)	(185)
(-) Capitalized financial interest		(3)	2
(-) Financial interests		5	
(-) Change in the fair value of the derivative		470	242
(-) Capital gains or losses on disposals of fixed assets		(6)	(30)
(-) Other (accretion of advances, impact of amortized cost, etc.)		(545)	(317)
Free cash flow before cost of net financial indebtedness and taxes		**(4,859)**	**(4,777)**
(-) Change in the working capital requirement (net of impairment of trade receivables and inventories)		**(415)**	**(312)**
Cash flow generated from operations		**(4,443)**	**(4,465)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of intangible fixed assets	3.1	(11)	(5)
Capitalization of development expenses	3.1	(238)	(359)
Acquisition of property, plant and equipment	3.2	(322)	(380)
Demobilization of term accounts classed as other current and non-current financial assets		775	-
Subscription of term accounts classed as other current and non-current financial assets		(275)	-
Financial interests		5	2
Cash flows from investing activities		**(66)**	**(742)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital increase, net of conversion of bonds into shares	8	-	2,013
Expenses relating to capital increase	8	(4)	(181)
Share subscription warrants (BSA)		6	3
Redemption of Kreos bond	10.3	-	(1,041)
Issue of convertible bonds, net of expenses	10.3	1,696	1,485
Bank borrowings	10.4	500	410
Receipt of advances and innovations loans, net of costs	10.2	89	-
Repayment of conditional advances	10.2	-	(90)
Repayment of finance leases	10.1	(42)	(292)
Repayment of bank loans	10.4	(330)	(224)
Gross financial interest paid		(18)	(88)
Other financing flows (factoring)	10	(167)	(178)
Cash flows related to financing activities		**1,729**	**1,815**
Impact of variations in exchange rates		20	(67)
Increase (reduction) in cash		**(2,760)**	**(3,458)**
Cash and cash equivalents at the start of the year (including overdraft facilities)	7	2,609	6,067
Cash and cash equivalents at the year end (including overdraft facilities)	7	(151)	2,609
Increase (reduction) in cash		**(2,760)**	**(3,458)**

Cash and cash equivalents at the year (including bank overdrafts facilities)		12/31/2018	12/31/2017
Cash and cash equivalents	7	74	2,609
Bank overdraft facilities	10	(225)	-
Cash and cash equivalents at the year end (including overdraft facilities)		**(151)**	**2,609**

DETAILED ANALYSIS OF CHANGES IN WORKING CAPITAL REQUIREMENT (WCR)

Details of the change in the working capital requirement (Amounts in €'000)	**12/31/2018** **12 months**	**12/31/2017** **12 months**
Other non-current assets	28	(1,009)
Inventories (net of inventory impairment)	113	(166)
Trade receivables and related accounts (net of impairment of trade receivables)	(562)	280
Other receivables	(235)	(144)
Other current financial assets	-	1,004
Trade and other accounts payable	19	(168)
Tax and social security liabilities	322	(99)
Other payables and miscellaneous debt	(99)	(8)
Total variations	**(415)**	**(312)**

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, the amounts shown in these notes are in thousands of euros, with the exception of the data on shares. Some amounts may be rounded for the calculation of the financial information contained in the annual consolidated financial statements. Consequently, the totals in some tables may not correspond exactly to the sum of the previous figures).

Note 1: Presentation of the business and significant events

The information set out below constitutes the Notes to the consolidated IFRS financial statements which form an integral part of the financial statements presented for the fiscal year ended December 31, 2018.

The consolidated financial statements of Implanet were approved by the Board of Directors on April 18, 2019 and authorized for publication.

1.1 Information relating to the Company and its business

Created in December 2006, Implanet's business is the technical, clinical, marketing and commercial development of high-quality implants and surgical instruments by introducing innovative technological solutions.

Implanet's range currently covers spinal, arthroscopy and knee products.

The Company has decided to outsource the majority of the operations necessary for the manufacture of its products and works with a network of about 20 subcontractors, on the basis of very precise technical specifications.

The Company has been listed since November 25, 2013, and carried out the transfer of the listing of its shares from the Euronext regulated market in Paris (compartment C) to the Euronext Growth continuous multilateral trading facility on July 11, 2017.

Address of the registered office:
Technopole Bordeaux Montesquieu - Allées François Magendie - 33650 Martillac, France

Registry number: RCS 493 845 341 - Bordeaux, France

The Implanet Company and its subsidiaries are hereafter referred to as the "Company" or the "Group".

1.2 Evènements marquants de l’exercice clos le 31 décembre 2018

<u>January 2018:</u>

- the first JAZZ Lock® procedures took place in Brazil, following ANVISA clearance in November 2017;

- signature of a distribution agreement with Aegis Spine, the US subsidiary of L&K BIOMED and initial operational synergies realized.

<u>February 2018:</u>

- signature of cross-distribution agreements between the Company and L&K BIOMED covering their respective products in Asia and Europe.

<u>March 2018:</u>

- implementation of a bond financing line allowing potential funding of €5 million, at the Company's discretion. This new financing, provided by the EUROPEAN SELECT GROWTH

OPPORTUNITIES FUND, cancels and replaces the balance of €1.9 million outstanding on the previous financing program signed in October 2015.
Issue of a first tranche of €1 million.

<u>May 2018:</u>

- The launch of JAZZ Evo, a new evolution of the JAZZ® implant developed to respond to the constraints of vertebral fusion indications in adults.

<u>June 2018:</u>

- Opening of a branch in the United Kingdom, accelerating expansion and direct growth in the growing adult degenerative market.

<u>July 2018:</u>

- Opening of the German subsidiary (Implanet GmbH).
- Signature of a marketing insurance interest free loan agreement with BPI France covering the “Germany” and “United Kingdom” areas. The amount of the marketing expenses covered by the contract for the whole coverage period €300 thousand, to be multiplied by a 65% ratio. The Company received €89 thousand in August 2018.

<u>August 2018:</u>

- Issue at par value of a new convertible bonds tranche for €500 thousand with European Select Growth Opportunities Fund.

<u>October 2018:</u>

- Completion of the first surgery in the United Kingdom. The recent listing of Implanet UK and its Jazz® platform on the NHS (National Health Service), the United Kingdom's public health system providing the bulk of care, particularly in hospitals, allows Implanet UK to offer Jazz® to all public hospitals in the country.
- Completion of the first surgery Jazz® in Belgium illustrating its direct sales strategy.

<u>November 2018:</u>

- Implementation of a bond financing line associated to a profit sharing plan with Nice & Green. This financing allows a funding of a maximum of €1 million.
  Issue of four convertible bonds for a par value of €200 thousand in 2018.

- Signature of distribution agreement with privately owned KICO KNEE INNOVATION COMPANY PTY LTD (“KICO”) for the MADISON Knee prosthesis business covering the United States and other future markets.
  This distribution agreement will initially cover the high-potential markets of the United States and Australia on a non-exclusive basis. KICO will then gain exclusive rights to MADISON knee prostheses once it hits the threshold of 1,000 MADISON implants in a 12-month period, as well as an option for a manufacturing license.

- Award of CE marking for the Jazz Cap System®, developed to meet the constraints of vertebral fusion indications in adults.

The Company also carried out a capital increase of €326 thousand following the conversion of 142 OCAs held by the European Select Growth Opportunities Fund and 3 OCAs held by Nice & Green.

1.3 Post balance sheet events

February 2019:

- Signature of a private label distribution agreement with Seaspine Inc. covering the United States. SeaSpine, a global medical technology company focused on surgical solutions for the treatment of spinal disorders, will have exclusive rights to sell the Jazz® line under its own brand name across the US, allowing Implanet to leverage its sales force in the world's largest market.

March 2019:

- American FDA 510(k) authorizations obtaine for the marketing of for its Jazz Cap® System. Jazz Cap® is a unique and complete proprietary solution for securing screws in poor quality bone – a factor in 10% to 30% of vertebral fusion cases in adult patients

April 2019:

- Signature on April 15, 2019 of a convertible bonds financing (« OC ») with Nice & Green for a total amount of €3 million (300 OC of a nominal value at € 10 thousand each). The issue will be done through twelve monthly tranches of €250 thousand each, beginning May 2019. The OC subscription price is at 98% of par value. They are not interest bearing and with a 12 months maturity from the issue date. Elles ne portent pas d'intérêt et ont une maturité de 12 mois à compter de leur émission. Excep in case of default, the remaining OC shall be automatically converted into shares at their maturity date.
- Agreement from the Nouvelle Aquitaine district for a €500 thousand loan to be repaid in fine after eighteen months.

Note 2: Accounting principles, rules and methods

2.1 Principle for preparation of the financial statements

Declaration of compliance

The Company has prepared its consolidated financial statements in accordance with the standards and interpretations published by the International Accounting Standards Boards (IASB) and adopted by the European Union as at the date of preparation of the financial statements, and this for all the periods presented.

This reference material, available on the European Commission website, incorporates the international accounting standards (IAS and IFRS), and the interpretations issued by the IFRS Interpretations Committee (IFRS IC) and Standing Interpretations Committee (SIC).

The accounting principles and methods and the options used by the Company are described below. In certain cases, IFRS allow a choice between the application of a reference treatment and another authorized treatment.

Principle for the preparation of the financial statements

The consolidated financial statements of the Company have been prepared in accordance with the historical cost principle, with the exception of certain categories of assets and liabilities in accordance with the provisions set out in the IFRS. The categories concerned are listed in the relevant notes.

Going concern principle

The board of directors established the 2018 financial statements, with a €5.6 million loss and chose the going concern basis given the following assumptions and data:

- Implementation of the Company‘s strategic plan which focuses on three priorities:
  - to roll out the direct sales model, which has proven its worth in France and the United States, in targeted promising European markets (United Kingdom and Germany);
  - to roll out the partnership signed with KICO KNEE INNOVATION COMPANY PTY LTD to distribute the Madison knee implant in the United States and Australia;
  - to accelerate development of the JAZZ® product range in the United States under the partnership established with SeaSpine.
- The conclusion on April 15, 2019 of an equity line with Nice & Green to issue convertible bonds for a total amount of €3 million. The issuance will be done through twelve monthly tranches of €250 thousand each (see note 1.3).
- Agreement from the Nouvelle Aquitaine district for a €500 thousand loan to be repaid in fine after eighteen months (see note 1.3).

The analysis performed by the board of directors also includes:

- Sensivity analysis on the operations; and
- The finalization of a futur loan for a total amount of €0.5 million to finance its innovation, which the management is confortable with its conclusion in a short term period.

Based on those assumptions and information, cash and cash equivalents are estimated, by the board of directors, to be sufficient to meet the Company’s working capital requirements through the next 12 months.

Furthermore, under the resolutions approved by shareholders at the Extraordinary General Meeting on March 25, 2019, Implanet continues to explore additional solutions to finance the acceleration in its business development. These solutions could involve, without being comprehensive, a private placement to investors, capital increases, new convertible bonds, public financings.

The loss-making situation of the Group during the periods presented arises from:

- its stage of development: research and development costs for projects in progress: mechanical testing, filing of patents, protection of intellectual property, etc.;
- commercial rollout costs: launch of new products, territorial expansion, particularly in the US, etc.

Accounting methods

The accounting principles used are identical to those used for the preparation of the annual IFRS consolidated financial statements for the fiscal year ended December 31, 2017, with the exception of the application of the following new standards, amendments to standards and interpretations adopted by the European Union, for which application is mandatory for the Group with effect from January 1, 2018:

Standards, amendments to standards and interpretations applicable with effect from the fiscal year commencing on January 1, 2018

- *IFRS 9 - Financial instruments*
  This standard modifies the principles on the recognition and measurment of financial assets and liabilities. The application of this standard did not significantly changed the principles previously applied by the Company.
- *IFRS 15 - Revenue from contracts with customers*
  This standard specifies how and when an IFRS reporter will recognise revenue. Due to lack of significant impact related to the application of this standard, the Group chose to apply it using the « partial retrospective" method.
- *Clarifications to IFRS 15*
- *IFRIC 22 - Foreign currency transactions and advance consideration*
- *Amendments to IFRS 2 - Classification and measurement of share-based payment transactions*
- *Amendments to IFRS 4 - Applying IFRS 9 with IFRS 4*
- *Amendments to IAS 40 - Transfers of investment property*
- *Improvements to IFRS (2014 - 2016 cycle)*

These new texts published by the European Union have not had any significant impact on the Group's financial statements.

Standards, amendments to standards, and interpretations not yet adopted by the Group

Standards, amendments to standards and interpretations adopted by the European Union but not yet mandatory for the 2018 financial statements

- *IFRS 16 - Leases*

- *Amendments to IFRS 9 - Prepayment Features with Negative Compensation*
- *IFRIC 23 - Uncertainty over income tax treatments*

Standards and interpretations published by the IAB and not yet adopted by the European Union as at December 31, 2018

- *IFRS 14 - Regulatory deferral accounts*
- *IFRS 17 - Insurance Contracts*
- *Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures*
- *Amendments to IAS 19 – employee benefits plan amendment curtailment or settlement*
- *Improvements to IFRS (2015 - 2017 cycle)*

The Group is currently in the process of assessing the impacts resulting from the first application of these new texts and does not anticipate that they will have a significant impact on its financial statements, with the exception of IFRS 16.

Application of IFRS 16 will be mandatory from January 1, 2019.
IFRS 16 removes the distinction between operating leases and finance leases. Thus, the operating leases (see note 24.2) will be reclassified according to the application of IFRS 16.
The standard stipulates that all lease contracts will be recognized in the lessee's balance sheet, as an asset (representing the right of use of the asset leased during the contract period) and a liability (in respect of the lease payment obligation). The standard will also affect the presentation of the income statement (net operating income and financial expenses) and the cash flow statement (flows from operating activities and flows from financing activities).
The Company plans to adopt IFRS 16 using the modified retrospective approach, which means that the cumulative impact of the adoption will be recognized in retained earnings as of 1 January 2019 and that comparatives will not be restated.
Based on the existing contracts as of December 31, 2018, the Company estimates that the liability in respect of the lease payment obligation, established according IFRS 16, would amount to approximately €0.9 million.

2.2 Change of accounting method

With the exception of the new texts identified above, Implanet has not made any changes to its accounting methods in respect of the fiscal year ended December 31, 2018.

2.3 Use of judgments and estimates

In order to prepare the financial statements in accordance with IFRS, estimates, judgments and assumptions were made by the Company's management. These may have had an effect on the amounts presented under assets and liabilities, the contingent liabilities at the date of preparation of the financial statements and the amounts presented in respect of income and expenditure for the fiscal year.

These estimates are based on the going concern principle and were prepared based on the information available at the time of their preparation. They are continuously evaluated on the basis of past experience and other factors considered reasonable, which constitute the basis of the assessments of the carrying amount of the assets and liabilities. The estimates may be revised if the circumstances on which they were based change, or as a result of new information. The actual results may differ significantly from these estimates, depending on different assumptions or conditions.

The principal significant estimates or judgments made by the management of the Company relate in particular to the following items:

- award of share subscription, founders' warrants or stock options to the employees, executives and external service providers
    - the determination of the fair value of share-based payment is based on the Black & Scholes option valuation model, which takes into account assumptions about complex and subjective variables. In particular, these variables include the value of the Company's shares, the expected volatility of the share price over the lifetime of the instrument as well as the current and future behavior of the holders of these instruments. There exists a high inherent subjectivity risk arising from the use of an option valuation model for the determination of the fair value of payments based on shares in accordance with IFRS 2,
    - The valuation assumptions used are presented in Note 9;

- determination of the fair value of the derivative liability
    - the determination of the fair value of the derivative liability is based on the Black & Scholes option valuation model, which takes into account assumptions about complex and subjective variables. In particular, these variables include the value of the Company's shares and the expected volatility of the share price over the lifetime of the instrument. There exists a high inherent subjectivity risk arising from the use of an option valuation model for the determination of the fair value of the derivative liability in accordance with IFRS 9,
    - the valuation assumptions used are presented in Note 10.3;

- recognition of development expenses in assets
    - the Company dedicates significant effort to Research and Development. In this respect, the Company has to make judgments and interpretations to determine the Research and Development expenses to be capitalized as soon as all the six criteria defined by IAS 38 are fulfilled,
    - the accounting principles and the amount of the capitalized costs are presented in Note 3.1;

- impairment of inventories
    - the Company recognizes a provision for the impairment of stocks based on an analysis of the probable net realizable value of its stocks, which is calculated based on historical and forecast data. In this respect, the Company may be called upon to make use of assumptions (particularly in terms of the future consumption of products up until the expiry date of the said products) and to make interpretations,
    - the accounting principles and the amount of the provisions are presented in Note 5;

- impairment of trade receivables
    - According to IFRS 9, the Company determines the impairment level of the trade receivables based on the foreseen losses. In this respect, the Company may be called upon to make use of subjective assumptions and to make judgments for the determination of the receivables which need to be provisioned, and the level of such provision,

    - the accounting principles and the amount of the provisions are presented in Note 6.1;

- recognition of revenue
    - the Company recognizes income when the customer takes ownership of the goods. The Company must make use of its judgment and its interpretation in order to determine whether the criteria for the recognition of income, defined by IFRS 15, are fulfilled,
    - the accounting principles applied by the Company in terms of recognition of income are specified in Note 15;

- provisions for liabilities and expenses
    - the Company may be involved in judicial, administrative or regulatory proceedings during the ordinary course of its activities. A provision is recognized by the Company where there is a sufficient probability that such disputes may lead to costs for the Company. The Company uses judgments and interpretations in order to make its best estimate of the risk incurred and to establish the level of provisioning for risk,
    - the provisions for liabilities and expenses are presented in Note 12.

2.4. Consolidation scope and methods

An investor consolidate an entity when it is exposed, or has right, to variable returns from its involvment with the investee and has the ability to affect those returns through its power over the investee. This principle is applicable to all entities, including structured entities..

To be qualified as controlling an entity, the investor must get the following three elemnts of control:

- The power over the investee, i.e. when it has existing rights that give it the current ability to direct the relevant activities of the investee which have a significant impact on returns;
- The exposure, or rights, to variable returns from involvement with the investee;
- the ability to use power over the investee to affect the amount of those returns.

The subsidiaries are fully consolidated with effect from the date on which the Company acquires control of them. They are de-consolidated with effect from the date on which control ceases to be exercised.

Intra-group transactions and balances are eliminated. The financial statements for the subsidiary are prepared for the same reference period as those of the parent company, on the basis of similar accounting methods.

The Company controls the following subsidiaries:

FILIALES	12/31/2018		**12/31/2017**	
	Percentage of control	Percentage of interest	**Percentage of control**	**Percentage of interest**
Implanet America Inc.	100%	100%	100%	100%
Implanet GmbH	100%	100%	n/a	n/a

2.5 Functional reporting currency

The Company's financial statements have been prepared in euros, which is the reporting currency and functional currency of Implanet SA.

2.6 Conversion method

2.6.1 Recognition of transactions in foreign currencies

Transactions in foreign currencies are converted into the Company's functional currency by applying the rate of exchange in effect on the date of the transactions. The monetary assets and liabilities denominated in foreign currencies at the closing date are converted into the functional currency using the rate of exchange on that date.

Foreign exchange gains and losses resulting from the conversion of monetary items correspond to the difference between the amortized cost denominated in the functional currency at the start of the period, adjusted for the impact of the effective interest rate and payments over the period, and the amortized cost denominated in the foreign currency converted at the exchange rate on the closing date.

The non-monetary assets and liabilities denominated in foreign currencies, which are valued at fair value, are converted into the functional currency using the rate of exchange on the date on which the fair value was determined. The translation differences resulting from these conversions are recognized in profit and loss, with the exception of the differences resulting from the conversion of equity instruments available for sale, of a financial liability designated as a hedge for a net investment in a business abroad, or of instruments qualified as cash flow hedges which are recognized directly in shareholders' equity.

The translation differences relating to the receivables with the subsidiary Implanet America Inc. are recognized directly in equity as they are considered a long-term net investment.

2.6.2 Conversion of the financial statements of foreign subsidiaries

The assets and liabilities of foreign subsidiaries are converted at the exchange rate in effect at closing. The income statement items are converted using the average exchange rates for the period.
The resulting exchange gains and losses are directly recognized in shareholders' equity under "Foreign currency translation reserve".

The following exchange rates used during the following fiscal years are as follow:

TAUX DE CHANGE	12/31/2018		12/31/2017	
	Closing rate	Average rate	Closing rate	Average rate
USD - Dollar US	1.1450	1.1854	1.1993	1.1217

Note 3: Intangible fixed assets, property, plant and equipment

3.1 Intangible fixed assets

Accounting principles

The intangible fixed assets mainly comprise licenses, software development and development expenditure.

Research and Development expenses

Research costs are charged to expenses.
In accordance with IAS 38, development expenses are recognized in intangible fixed assets only if all the following criteria are fulfilled:

a) necessary technical feasibility for the completion of the development project;
b) intent by the Company to complete the project;
c) ability of the Company to use this intangible asset;
d) demonstration of the probability of future economic benefits attached to the asset;
e) availability of technical, financial and other resources for the completion of the project; and
f) reliable evaluation of the development expenses.

Costs that are directly attributable to the production of the fixed asset can be capitalized, and they include:

- the costs of services used or consumed in order to generate the intangible fixed asset;
- the salaries and charges for the staff engaged in generating the asset.

The expenses are only capitalized with effect from the date on which the conditions for capitalization of the intangible fixed assets are fulfilled. The expenses cease to be recognized as assets when the intangible fixed asset is ready to be used. This end of development date is deemed to be that on which the regulatory registration (CE label or FDA approval) is achieved. The part of the research tax credit relating to these expenses is recognized as a deduction from assets.

Software

The costs related to the acquisition of software licenses are recognized as assets on the basis of the costs incurred to acquire and implement the software packages concerned.

Other intangible fixed assets

In application of the criteria of IAS 38, intangible fixed assets acquired are recognized as assets in the balance sheet at their acquisition cost.

Lease-financing

Items held under finance leases as defined by IAS 17, which transfer to the Company substantially all the risks and benefits of ownership, are shown as balance sheet assets. The corresponding liability is reported under “Financial debts”.

Depreciation term and expense

Where the assets have a finite useful life, depreciation is calculated on a straight-line basis in order to spread the cost over the estimated useful life, namely:

Items	Amortization terms
Development expenses	5 years - Straight-line
Software licenses and development	1 to 3 years - Straight-line
Management and accounting software packages (SAP)	3 to 5 years - Straight-line

The depreciation and amortization charge for intangible fixed assets is recognized in profit and loss in the category:

- "general and administrative expenses" for software and accounting software packages;
- "research and development costs" and "cost of regulatory affairs and quality assurance" for the depreciation of capitalized development expenses (depending on the origin of the capitalized expense).

INTANGIBLE FIXED ASSETS (Amounts in €'000)	Software (lease-financing)	Software	Development expenses	Total
GROSS VALUES				
Statement of financial position at December 31, 2016	**26**	**375**	**1,274**	**1,674**
Capitalization of development expenses	-	-	359	359
Acquisition	-	5	-	5
Disposal	-	-	-	-
Foreign exchange impact	-	-	-	-
Transfer	-	-	-	-
Statement of financial position at December 31, 2017	**26**	**379**	**1,633**	**2,038**
Capitalization of development expenses	-	-	238	238
Acquisition	-	11	-	11
Disposal	-	-	-	-
Foreign exchange impact	-	-	-	-
Transfer	-	-	-	-
Statement of financial position at December 31, 2018	**26**	**390**	**1,870**	**2,286**
DEPRECIATION AND AMORTIZATION				
Etat de la situation financière au 31 décembre 2016	**26**	**374**	**780**	**1,180**
Increase	-	5	148	153
Decrease	-	-	-	-
Foreign exchange impact	-	-	-	-
Statement of financial position at December 31, 2017	**26**	**379**	**928**	**1,333**
Increase	-	10	89	99
Decrease	-	-	-	-
Foreign exchange impact	-	-	-	-
Statement of financial position at December 31, 2018	**26**	**390**	**1,017**	**1,432**
NET CARRYING AMOUNT				
At December 31, 2016	**-**	**1**	**494**	**494**
At December 31, 2017	**-**	**0**	**705**	**705**
At December 31, 2018	**-**	**-**	**854**	**854**

Capitalized development costs mainly relate to the following projects: *Jazz™* (€824 thousand), *Jazz™ Lock* (€189 thousand), *Madison Revision* (€178 thousand) and *Jazz Cap Sp* (€169 thousand).

The expenses capitalized in 2018 mainly relate to the following projects: *Jazz Cap SP* (€88 thousand) and *Jazz Generation 2* (€71 thousand).

There has not been any indication of loss of value in application of IAS 36.

3.2 Property, plant and equipment

Accounting principles

Property, plant and equipment are valued at their cost of acquisition (purchase price and incidental expenses) or their cost of production by the Company.

Ancillary devices

Ancillary devices refers to specific surgical instruments for the fitting of implants. The latter are recognized under technical installations, equipment and tooling when they are delivered to healthcare facilities.
Where this is not the case, they are presented under inventories and are considered to be available for sale.

Lease-financing

Items held under finance leases as defined by IAS 17, which transfer to the Company substantially all the risks and benefits of ownership, are shown as balance sheet assets. The corresponding liability is reported under "Financial debts".

Depreciation term and expense

Asset items are the subject of depreciation schedules determined according to the actual useful life of the asset.
The depreciation terms and methods used are principally the following:

Items	Amortization terms
Ancillary devices	3 years – Straight-line
Technical installations, equipment and tooling	5 to 10 years - Straight-line
General installations, fixtures & fittings	5 years - Straight-line
Transport equipment	5 years - Straight-line
Office and IT equipment	3 years – Straight-line
Furniture	4 to 7 years – Straight-line

The depreciation and amortization charge for property, plant and equipment is recognized in the income statement in the category:

- "general and administrative expenses" for the depreciation of installations, fixtures and miscellaneous improvements, office and IT equipment, furniture;
- "costs of operations" for the depreciation of storage machines (included in "technical installations, equipment and tooling");
- "cost of sales" for the depreciation of ancillary devices (or surgical instruments).

PROPERTY, PLANT AND EQUIPMENT (Amounts in €'000)	**Equipment and tooling**	**Equipment and tooling (lease-financing)**	**Fixtures and fittings**	**Fixtures and fittings (lease-financing)**	**Office and IT equipment and furniture**	**Office and IT equipment and furniture (lease-financing)**	**Transport equipment (lease-financing)**	**Total**
GROSS VALUES								
Statement of financial position at December 31, 2016	**3,708**	**2,058**	**98**	**278**	**284**	**246**	**8**	**6,680**
Acquisition	356	-	-	-	24	-	-	380
Disposal	(613)	(732)	-	(53)	(11)	-	-	(1,409)
Foreign exchange impact	-	-	-	-	(3)	-	-	(3)
Transfer	-	-	-	-	-	-	-	-
Statement of financial position at December 31, 2017	**3,451**	**1,326**	**98**	**225**	**294**	**246**	**8**	**5,647**
Acquisition	292	-	-	-	30	-	-	322
Disposal	(76)	-	-	-	-	(111)	-	(186)
Foreign exchange impact	-	-	-	-	2	-	-	2
Transfer	-	-	(11)	-	11	-	-	-
Statement of financial position at December 31, 2018	**3,667**	**1,326**	**87**	**225**	**337**	**135**	**8**	**5,785**
DEPRECIATION AND AMORTIZATION								
Statement of financial position at December 31, 2016	**3,063**	**1,579**	**86**	**278**	**250**	**185**	**7**	**5,448**
Increase	399	304	-	-	25	36	1	765
Decrease	(594)	(732)	-	(53)	-	-	-	(1,380)
Foreign exchange impact	-	-	-	-	(2)	-	-	(2)
Statement of financial position at December 31, 2017	**2,868**	**1,150**	**86**	**225**	**272**	**222**	**8**	**4,831**
Increase	376	62	1	-	21	23	-	481
Decrease	(70)	-	-	-	-	(111)	-	(181)
Foreign exchange impact	-	-	-	-	1	-	-	1
Statement of financial position at December 31, 2018	**3,174**	**1,212**	**86**	**225**	**294**	**133**	**8**	**5,132**
NET CARRYING AMOUNT								
At December 31, 2016	**644**	**480**	**12**	**-**	**35**	**61**	**1**	**1,233**
At December 31, 2017	**582**	**176**	**12**	**-**	**22**	**24**	**-**	**817**
At December 31, 2018	**493**	**114**	**1**	**0**	**43**	**2**	**0**	**652**

There has not been any indication of loss of value in application of IAS 36.

3.3 Impairment of intangible fixed assets and property, plant and equipment

Accounting principles

Assets with an indefinite useful life are not depreciated and are subject to an annual impairment test.

The depreciated assets are subject to an impairment test every time that there is any internal or external indication that an asset may have lost some of its value.
The impairment test consists of comparing the carrying amount of the tested asset with its recoverable value. The test is carried out at the level of the Cash Generating Unit (CGU), which is the smallest group of assets that includes the asset and whose continued use generates cash inflows largely independent of those generated by other assets or groups of assets.

A loss of value is recognized in respect of the excess of the carrying amount over the recoverable value of the asset. The recoverable value of an asset corresponds to its fair value less the costs of disposal or its value in use, if the latter is greater.

The fair value less the disposal costs is the amount that can be obtained from the sale of an asset via a transaction under normal market conditions between well-informed and consenting parties, less the disposal costs.

The value in use is the discounted value of the estimated future cash flows expected from the continued use of an asset and from its disposal at the end of its useful life. The value in use is determined using the estimated cash flows on the basis of five-year plans or budgets, the flows beyond this period being extrapolated using a constant or declining growth rate, and discounted using long-term market rates after tax, which reflect market estimates for the time value of money and the specific risks of the assets. The terminal value is determined based on the discounting to infinity of the last cash flow in the test.

Note 4: Other financial assets

Accounting principles

The Group's financial assets comprise:

- loans and receivables initially recognized at fair value, then assessed at the amortized cost using the effective interest rate method. Guarantee deposits are non-derivative financial assets with determined or determinable payments, which are not listed on an active market;
- financial assets at fair value through the income statement. They represent assets held for trading purposes. They are valued at their fair value and variations in fair value are recognized in profit or loss. Certain assets may also be the subject of voluntary classification in this category. This category includes medium-term marketable warrants and term deposits. This assets come under category 1 defined by IFRS 7.

Financial assets with maturity over one year are classified in "non-current financial assets" in accordance with IAS 1.

OTHER FINANCIAL ASSETS (Amounts in €'000)	**12/31/2018**	**12/31/2017**
Term accounts	525	350
Liquidity contract	32	36
Guarantees	71	43
Total other non-current financial assets	**628**	**429**
Medium-term notes (MTN)	301	304
Term accounts	25	700
Total other current financial assets	**326**	**1,004**

Non-current financial assets comprise:

- Three term deposits with a total value of €525 thousand, of which:
    - a €150 thousand term deposit, renewed every six months and pledged in favor of HSBC as security for the loans and lease-back agreements in force with this bank,
    - a €100 thousand term deposit, pledged in favor of Banque Courtois as security for the €210 thousand loan taken out in 2017 and maturing in 2020 (see Note 10.4),
    - a €275 thousand term deposit, pledged in favor of Banque Courtois as security for the €500 thousand loan taken out in 2018 and maturing in 2021 (see Note 10.4);
- the cash reserve related to the liquidity contract;
- sureties in respect of the commercial leases for its French and US premises.

Current financial assets comprise:

- a €25 thousand term deposit maturing in 2021 with early redemption possible;
- a €301 thousand term deposit maturing in 2019 with early redemption possible.

Note 5: Inventories

Accounting principles

Inventories are measured using the weighted average unit cost method.
Inventories are recognized at the lower of their purchase cost or net realizable value. In the latter case, the loss in value is recognized in profit or loss.

Impairment

The Company recognizes a provision for the impairment of stocks based on an analysis of the probable net realizable value of its stocks, which is calculated based on historical and forecast data. A provision for impairment of inventories is determined on a statistical basis using the average consumption period for products in inventories and its potential impact on the term remaining until the expiry date of said products. Impairment of inventories is recognized under the “operating expenses” category in the income statement.

INVENTORIES (Amounts in €'000)	**12/31/2018**	**12/31/2017**
Inventories of raw materials	69	59
Inventories of goods for resale	3,357	3,067
Inventories of semi-finished products	7	5
Inventories of ancillary devices and instruments	721	748
Gross total inventories	**4,153**	**3,880**
Impairment of inventories of goods for resale	(567)	(405)
Impairment of stocks of ancillary devices and instruments	(85)	(85)
Total impairment of inventories	**(651)**	**(490)**
Net total inventories	**3,502**	**3,389**

Inventories of raw materials essentially comprise polymer components, reels of wire (manufacture of the Jazz braid), product manuals and packaging.
The inventory of goods for sale principally comprises the various categories of implants for arthroscopy, spines and knees.
The inventory of ancillary devices and instruments comprises new equipment available for sale and not made available to healthcare facilities.

Note 6: Receivables

Accounting principles

Receivables are valued at their fair value, which corresponds to their nominal value. Where applicable, they are depreciated on a case-by-case basis by means of a provision to take account of difficulties in recovery to which they may be subject.

6.1 Trade receivables

Accounting principles

Factoring

Trade receivables are partially the subject of transfers under the terms of factoring contracts. In accordance with the provisions of IFRS 9, this transfer does not give rise to derecognition since the Company retains substantially all the risks and benefits of the transferred assets. Consequently, the entirety of the transferred asset appears at the level of trade receivables and a current financial liability is recognized for the amount of the cash received.

Impairment

The Company's products are sold to public and private hospitals and to distributors.
In accordance with the provisions of IFRS 9, the impairment of customer receivables has been established based on the forseen losses. It is presented under the "Sales, distribution and marketing" category in the income statement.

TRADE RECEIVABLES AND RELATED ACCOUNTS (Amounts in €'000)	12/31/2018	12/31/2017
Trade receivables and related accounts	2,477	3,235
Impairment of trade receivables and related accounts	(252)	(448)
Net total of trade receivables and related accounts	**2,226**	**2,787**

The aging of the trade receivables is broken down as follows:

TRADE RECEIVABLES AND RELATED ACCOUNTS (Amounts in €'000)	12/31/2018	12/31/2017
Not yet due	1,132	1,309
Due for less than 90 days	515	1,157
Due for between 90 days and 6 months	229	158
Due for between 6 and 12 months	126	126
Due for more than 12 months	476	485
Gross total trade receivables and related accounts	**2,477**	**3,235**

6.2 Other receivables

Accounting principles

Research tax credit

Research tax credits are granted to businesses by the French government to encourage them to carry out technical and scientific research. Businesses which can justify expenses which fulfill the required criteria benefit from a tax credit which can be used for the payment of corporation tax due in respect of the fiscal year in which the expenses were incurred and the following three fiscal years or, where applicable, the excess can be reimbursed.

Where there is no taxable net income and considering the Company's European Union SME status, the receivables due from the Government in respect of the research tax credit (“CIR”) are payable in the year following that of their recognition.

The French research tax credit is recognized under assets in the year of acquisition corresponding to the fiscal year during which eligible expenses giving rise to the tax credit were incurred.

The research tax credit is presented in the income statement as a subsidy at the level of “Research and Development costs” or the “costs of regulatory affairs and quality assurance”, depending on the origin of the expense.

Business competitiveness tax credit

The Business competitiveness tax credit ("CICE") is a French tax scheme. The Company used this tax credit in Research and Development.
Considering the Company's European Union SME status, the CICE may be repaid in the year following that of its recognition.

The CICE is recorded in the income statement as a deduction of payroll expenses.

OTHER RECEIVABLES (Amounts in €'000)	**12/31/2018**	**12/31/2017**
Value added tax (1)	226	302
Research tax credit (2)	159	264
Business competitiveness tax credit (4)	41	48
Employees and related accounts	21	24
Prepaid expenses (3)	141	150
Miscellaneous	0	35
Total other receivables	**588**	**823**

(1) VAT receivables mainly relate to deductible VAT and the refund of VAT claimed.

(2) Research tax credit (CIR)

- CIR 2018: €159 thousand, due to be repaid in 2019
- CIR 2017: €264 thousand, repaid in November 2018

(3) Prepaid expenses relate to current expenditure and break down as follows:

PREPAID EXPENSES (Amounts in €'000)	12/31/2018	12/31/2017
Leases	74	74
Insurance policies	9	17
IT Maintenance	14	13
Fees	28	30
Conferences	9	9
Miscellaneous	6	7
Total prepaid expenses	**140**	**150**

(4) Business competitiveness tax credit ("CICE")

- CICE 2018: €41 thousand, due to be repaid in 2019
- CICE 2017: €48 thousand, repaid in October 2018

Note 7: Cash and cash equivalents

Accounting principles

The cash and cash equivalents recognized in the balance sheet include bank balances, cash on hand and short-term deposits with an initial maturity of less than three months.

Cash equivalents are made up of term deposits. Cash equivalents are held for transactional purposes, are easily convertible into a known cash amount and are subject to negligible risk of change in value. They are valued at fair value and any variations in value are recognized in financial net income. These assets come under category 1 defined by IFRS 7.

For the requirements of the cash flow statement, the net cash balances include cash and cash equivalents as defined above as well as bank overdrafts.

CASH AND CASH EQUIVALENTS (Amounts in €'000)	12/31/2018	12/31/2017
Bank accounts	74	2,609
Total cash and cash equivalents	**74**	**2,609**

Note 8: Capital

Accounting principles

The incidental costs directly attributable to the issue of shares or share options are recognized as a deduction from shareholder's equity.

Liquidity contract

The part of the contract that is invested in the Company's treasury shares is recognized as a deduction from the Group's consolidated shareholders' equity for their acquisition cost. Income from the disposal of these treasury shares is also recognized directly in shareholders' equity. The cash reserve related to the liquidity contract is presented under "Other non-current financial assets".

8.1 Issued capital

COMPOSITION OF THE SHARE CAPITAL	12/31/2018	12/31/2017
Capital (in €'000)	1,706	1,380
Number of shares	34,112,749	27,592,562
of which ordinary shares	34,112,749	27,592,562
Nominal value (in euros)	€ 0.05	€ 0.05

At December 31, 2018, the Company's share capital amounted to €1,705,637.45. It is divided into 34,112,749 ordinary shares which are fully subscribed and paid up with a nominal value of €0.05.

This number is stated exclusive of share subscription warrants (BSAs), Founders' warrants (BSPCEs) and stock options granted to certain investors and individuals, whether employees or not of the Company, and which have not yet been exercised.

In 2018, the Company recognized a capital increase of €326 thousand following the conversion of:
- 142 bonds held by the European Select Growth Opportunities Fund generating the issue of 5,575,744 shares with a nominal value of €0.05.
- 3 bonds held by Nice & Green generating the issue of 944,443 shares with a nominal value of €0.05.

8.2 Management of capital

The Company's policy consists of maintaining a solid capital base, in order to maintain the confidence of investors and creditors and to support the future development of the business.

Following its stock market listing, the Company signed a liquidity contract on November 20, 2013 in order to limit the intra-day volatility of Implanet shares. For this purpose, the Company entrusted €400 thousand to ODDO Corporate Finance for the latter to take long or short positions in the Company's shares. This contract was transferred to TSAF – Tradition Securities and Futures on December 1, 2017.

At December 31, 2018, 170,500 treasury shares were recognized as a deduction from shareholders' equity.

8.3 Distribution of dividends

The Company did not distribute any dividends during the fiscal years presented.

Note 9: Share-based payments

Accounting principles

Since its creation, the Company has put in place several equity-settled remuneration plans in the form of share subscription warrants (BSAs), founders' warrants (BSPCEs) and stock options.

In application of IFRS 2, the cost of equity-settled transactions is recognized as an expense over the period during which the rights to benefit from the equity instruments are acquired, and offset against an increase in shareholders' equity.

Since the creation of the Company, it has applied IFRS 2 to all equity instruments granted to employees, executives, members of the Board of Directors or to individuals supplying services to it, such as consultants.

The fair value of the share subscription warrants granted to employees is determined using the Black & Scholes option valuation model. The same is true for options granted to other individuals supplying similar services, the market value of the latter not being determinable.

Share subscription warrants (BSAs)

The table below summarizes the data related to the plans issued, as well as the assumptions used for the valuation in accordance with IFRS 2:

		Features of the plans				Assumptions used		
Type	Award date	Total number of options awarded	Exercise period	Initial exercise price	Adjusted exercise price (1) (2) (3)	Volatility	Risk-free rate	Total initial valuation, IFRS2 (Black&Scholes) (in €'000)
BSA 09/11	AGM of 09/26/2011	60,000	10 years	€ 1.00	8.21 €	37.90%	1.69%	17
BSA 05/12	AGM of 06/29/2012	10,245	10 years	€ 1.00	8.21 €	37.17%	1.46%	3
BSA 2012	AGM of 06/29/2012	165,000	10 years	€ 1.50	12.31 €	37.17%	1.46%	17
BSA 09/2012	AGM of 10/11/2012	100,000	10 years	€ 1.50	12.31 €	37.17%	1.04%	10
BSA 01/2013	AGM of 01/22/2013	25,000	10 years	€ 1.50	12.31 €	37.49%	1.08%	2
BSA 01/2014	Board meeting of 01/08/2014	27,398	10 years	€ 6.68	5.48 €	34.05%	1.30%	53
BSA 07/2015	Board meeting of 07/15/2015	44,699	10 years	€ 2.89	2.75 €	33.15%	0.31%	22
BSA 07/2016 T1	Board meeting of 07/11/2016	56,000	10 years	€ 1.33	1.27 €	34.86%	-0.51%	12
BSA 07/2016 T2	Board meeting of 07/11/2016	30,000	10 years	€ 1.33	1.27 €	34.86%	-0.51%	5
BSA 09/2017	Board meeting of 09/19/2017	60,000	10 years	€ 0.66	N/A	34.42%	-0.10%	11
BSA 01/2018	Board meeting of 01/23/2018	80,000	10 years	€ 0.65	N/A	34.67%	0.08%	9

(1) Following the reverse share split decided on by the extraordinary General Shareholders' Meeting of July 19, 2013, ten warrants awarded prior to this date give the right to subscribe to one share.

(2) Following the capital increase with preferential subscription rights in March 2015, the warrants were adjusted to parity at 1.16 (Board of Directors' decision of March 18, 2015).

(3) Following the capital increase with preferential subscription rights in November 2016, the warrants were adjusted to parity at 1.05 (Board of Directors' decision of November 17, 2016).

The vesting period for the plans issued is as follows:

Type	Vesting period			12/31/2018 Number of exercisable warrants	12/31/2018 Number of warrants in the process of being vested
BSA 09/11	All options on award date			60,000	
BSA 05/12				10,245	
BSA 2012				40,000	
BSA 09/2012				100,000	
BSA 01/2013				25,000	
BSA 01/2014	1/3 on 01/08/2015	1/3 on 7/08/2015	1/3 on 1/08/2016	16,199	
BSA 07/2015	1/3 on 7/01/2016	1/3 on 7/01/2017	1/3 on 7/01/2018	44,699	
BSA 07/2016 T1	1/3 on 7/01/2017	1/3 on 7/01/2018	1/3 on 7/01/2019	37,333	18,667
BSA 07/2016 T2	All options on award date			30,000	
BSA 09/2017	1/3 on 09/19/2018	1/3 on 09/19/2019	1/3 on 09/19/2020	13,333	26,667
BSA 01/2018	1/3 on 02/01/2019	1/3 on 02/01/2020	1/3 on 02/01/2021		80,000
				376,809	**125,334**

The BSAs awarded to Directors are subject to a condition of attendance of the beneficiaries at the Company's Board of Directors' meetings. With regard to the BSAs awarded to consultants and in the process of being vested, they may be acquired provided that their contract with the Company was in force for the entire calendar year prior to the date in question.

Type	Award date	12/31/2017	Awarded	Exercised	Void	12/31/2018	Maximum number of subscribable shares (1) (2) (3)
BSA 09/11	AGM of 09/26/2011	60,000				60,000	7,308
BSA 05/12	AGM of 06/29/2012	10,245				10,245	1,248
BSA 2012	AGM of 06/29/2012	40,000				40,000	4,872
BSA 09/2012	AGM of 10/11/2012	100,000				100,000	12,180
BSA 01/2013	AGM of 01/22/2013	25,000				25,000	3,045
BSA 01/2014	Board meeting of 01/08/2014	16,199				16,199	19,730
BSA 07/2015	Board meeting of 07/15/2015	44,699				44,699	46,934
BSA 07/2016 T1	Board meeting of 07/11/2016	56,000				56,000	58,800 *
BSA 07/2016 T2	Board meeting of 07/11/2016	30,000				30,000	31,500
BSA 09/2017	Board meeting of 09/19/2017	40,000				40,000	40,000 *
BSA 01/2018	Board meeting of 1/23/2018	-	80,000			80,000	80,000 *
Total		**422,143**	**80,000**	**-**	**-**	**502,143**	**305,617**

** Note that some warrants are in the process of being vested.*

*** These warrants were not subscribed during the subscription period and have therefore become void*

(1) (2) (3) Following the adjustments to parity as described above.

Founders' warrants (BSPCEs)

The table below summarizes the data related to the plans issued, as well as the assumptions used for the valuation in accordance with IFRS 2:

Type	Award date	Features of the plans				Assumptions used		
		Total number of options awarded	Exercise period	Initial exercise price	Adjusted exercise price (1) (2) (3)	Volatility	Risk-free rate	Total initial valuation, IFRS2 (Black&Scholes) (in €'000)
BSPCE 02/2009	Board meeting of 02/05/2009	**106,500**	10 years	€ 1.50	€ 12.31	38.11%	3.20%	**37**
BSPCE 03/2010	Board meeting of 04/22/2010	**167,500**	10 years	€ 1.50	€ 12.31	34.57%	2.54%	**64**
BSPCE 06/2011	Board meeting of 04/06/2011	**269,000**	10 years	€ 1.50	€ 12.31	37.90%	3.12%	**117**
BSPCE 09/2011	Board meeting of 11/18/2011	**103,500**	10 years	€ 1.50	€ 12.31	37.90%	2.24%	**45**
BSPCE 03/2016	Board meeting of 03/24/2016	**370,000**	10 years	€ 1.50	€ 1.43	34.40%	-0.16%	**133**
BSPCE 07/2016 T1	Board meeting of 7/11/2016	**209,488**	10 years	€ 1.33	€ 1.27	34.86%	-0.51%	**68**
BSPCE 07/2016 T2	Board meeting of 7/11/2016	**50,000**	10 years	€ 1.33	€ 1.27	34.86%	-0.51%	**18**
BSPCE 01/2018	Board meeting of 1/23/2018	**418,000**	10 years	€ 0.65	N/A	34.67%	0.08%	**79**

(1) Following the reverse share split decided on by the extraordinary General Shareholders' Meeting of July 19, 2013, ten warrants awarded prior to this date give the right to subscribe to one share.

(2) Following the capital increase with preferential subscription rights in March 2015, the warrants were adjusted to parity at 1.16 (Board of Directors' decision of March 18, 2015).

(3) Following the capital increase with preferential subscription rights in November 2016, the warrants were adjusted to parity at 1.05 (Board of Directors' decision of November 17, 2016).

The vesting period for the plans issued is as follows:

Type	Vesting period			12/31/2018	
				Number of exercisable warrants	Number of warrants in the process of being vested
BSPCE 02/2009	1/3 by calendar year from granting date			13,000	
BSPCE 03/2010				30,000	
BSPCE 06/2011				68,000	
BSPCE 09/2011				49,000	
BSPCE 03/2016	1/3 on 04/01/2017	1/3 on 04/01/2018	1/3 on 04/01/2019	226,000	113,000
BSPCE 07/2016 T1	1/3 on 07/11/2016	1/3 on 07/01/2017	1/3 on 07/01/2018	203,203	
BSPCE 07/2016 T2	1/3 on 07/01/2017	1/3 on 07/01/2018	1/3 on 07/01/2019	33,333	16,667
BSPCE 01/2018	1/3 on 02/01/2019	1/3 on 02/01/2020	1/3 on 02/01/2021		380,500
				622,536	**510,167**

The BSPCEs are subject to a condition of presence of the beneficiaries within the Company as employees or Directors.

Type	Award date	12/31/2017	Awarded	Exercised	Void	12/31/2018	Maximum number of subscribable shares (1) (2) (3)	
BSPCE 02/2009	Board meeting of 02/05/2009	13,000				13,000	1,583	
BSPCE 03/2010	Board meeting of 04/22/2010	30,000				30,000	3,654	
BSPCE 06/2011	Board meeting of 04/06/2011	68,000				68,000	8,283	
BSPCE 09/2011	Board meeting of 11/18/2011	49,000				49,000	5,969	
BSPCE 03/2016	Board meeting of 03/24/2016	369,000			(30,000)	339,000	355,950	*
BSPCE 07/2016 T1	Board meeting of 7/11/2016	207,263			(4,060)	203,203	213,363	
BSPCE 07/2016 T2	Board meeting of 7/11/2016	50,000				50,000	52,500	*
BSPCE 01/2018	Board meeting of 1/23/2018	-	418,000		(37,500)	380,500	380,500	*
Total		**786,263**	**418,000**	**-**	**(71,560)**	**1,132,703**	**1,021,803**	

** Note that some warrants are in the process of being vested.*

(1) (2) (3) Following the adjustments to parity as described above.

Stock options

The table below summarizes the data related to the plans issued, as well as the assumptions used for the valuation in accordance with IFRS 2:

Type	Award date	Features of the plans				Assumptions used		
		Total number of options awarded	Exercise period	Initial exercise price	Adjusted exercise price (1)	Volatility	Risk-free rate	Total initial valuation, IFRS2 (Black&Scholes) (in €'000)
Stock option 07/2015	Board meeting of 07/15/2015	**22,500**	10 years	€ 2.66	€ 2.53	33.15%	0.31%	19
Stock option 03/2016	Board meeting of 03/24/2016	**70,000**	10 years	€ 1.50	€ 1.43	34.40%	-0.16%	25
Stock option 01/2018	Board meeting of 1/23/2018	**22,500**	10 years	€ 0.65	N/A	34.67%	0.08%	4

(1) Following the capital increase with preferential subscription rights in November 2016, the warrants were adjusted to parity at 1.05 (Board of Directors' decision of November 17, 2016).

The vesting period for the plans issued is as follows:

Type	Vesting period			12/31/2018	
				Number of exercisable warrants	Number of warrants in the process of being vested
Stock option 07/2015	1/3 on 09/01/2016	1/3 on 09/01/2017	1/3 on 09/01/2018	12,500	
Stock option 03/2016	1/3 on 04/01/2017	1/3 on 04/01/2018	1/3 on 04/01/2019	6,667	3,333
Stock option 01/2018	1/3 on 02/01/2019	1/3 on 02/01/2020	1/3 on 02/01/2021		22,500
				19,167	**25,833**

The stock options are subject to a condition of presence of the beneficiaries within the Company as employees.

Type	Award date	12/31/2017	Awarded	Exercised	Void	12/31/2018	Maximum number of subscribable shares (1)
Stock option 07/2015	Board meeting of 07/15/2015	12,500				12,500	13,125 *
Stock option 03/2016	Board meeting of 03/24/2016	70,000			(60,000)	10,000	10,500 *
Stock option 01/2018	Board meeting of 1/23/2018	-	22,500			22,500	22,500 *
Total		**82,500**	**22,500**	**-**	**(60,000)**	**45,000**	**46,125**

** Note that these warrants are in the process of being vested.*

(1) Following the adjustment to parity as described above.

Details of the expense recognized in accordance with IFRS 2 for the following fiscal years

Type (Amounts in €'000)	12/31/2017				12/31/2018			
	Probable cost of the plan to date	Cumulative expense at the start of the year	Expense for the period	Cumulative expense to date	Probable cost of the plan to date	Cumulative expense at the start of the year	Expense for the period	Cumulative expense to date
BSPCE 03/2016	133	57	45	101	129	101	19	120
BSPCE 07/2016 T1	67	37	22	59	67	59	8	67
BSPCE 07/2016 T2	18	5	8	13	18	13	4	16
BSPCE 01/2018	-	-	-	-	69	-	36	36
BSA 07/2015	22	15	5	20	22	20	2	22
BSA 07/2016 T1	12	3	5	9	12	9	3	11
BSA 09/2017	7	-	1	1	8	1	3	4
BSA 01/2018	-	-	-	-	9	-	5	5
Stock option 07/2015	14	13	(1)	12	14	12	1	14
Stock option 03/2016	25	11	8	19	11	19	(9)	11
Stock option 01/2018	-	-	-	-	4	-	2	2
Total			**93**				**74**	

Note 10: Loans and financial debts

Accounting principles

Unless otherwise indicated, loans and financial debts are recognized at amortized cost, calculated using the effective interest rate in accordance with IFRS 9.

The fraction which is due in more than one year is recognized in "non-current financial debts" whilst the share due in less than one year is recognized in "current financial liabilities".

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (Amounts in €'000)	**12/31/2018**	**12/31/2017**
Financial debts - finance leases (1)	21	44
Reimbursable advances and interest-free loans	731	714
Loans from financial institutions (2)	307	219
Non-current financial debts	**1,058**	**977**
Financial debts - finance leases (1)	23	42
Reimbursable advances and interest-free loans	82	-
Bank overdraft	225	-
Bond	117	9
Derivatives liabilities	85	2
Debt under the factoring contract	835	1,002
Loans from financial institutions (2)	303	221
Current financial liabilities	**1,671**	**1,277**
Total financial liabilities	**2,729**	**2,254**

(1) The debts relating to the finance leases are guaranteed by a pledge of a term deposit account for €150 thousand (see Notes 4 and 24.4).
(2) Two bank loans are guaranteed by pledges of term deposit accounts for a total of €375 thousand (see Notes 4 and 24.4).

Reconciliation redemption value/balance sheet value

RECONCILIATION REDEMPTION VALUE / BALANCE SHEET VALUE (amounts in €'000)	**Redemption value 12/31/2018**	**Amortized cost**	**Fair value**	**Balance sheet value**	
				12/31/2018	**12/31/2017**
Financial debts - finance leases	44	-	-	44	86
Reimbursable advances and interest-free loans	898	(85)	-	813	714
Bank overdraft	225	-	-	225	-
Bond	140	(23)	-	117	9
Derivatives liabilities	-	-	85	85	2
Debt under the factoring contract	835	-	-	835	1,002
Loans from financial institutions	610	-	-	610	440
Total financial liabilities	**2,752**	**(108)**	**85**	**2,729**	**2,254**

Breakdown of financial debts by maturity, in redemption value

FINANCIAL LIABILITIES BY MATURITY DATE IN REDEMPTION VALUE (amounts in €'000)	**12/31/2018**			
	Gross amount	**Part due in less than one year**	**From 1 to 5 years**	**More than five years**
Financial debts - finance leases	44	23	21	-
Reimbursable advances and interest-free loans	898	80	738	80
Bank overdraft	225	225	-	-
Bond	140	140	-	-
Debt under the factoring contract	835	835	-	-
Loans from financial institutions	610	303	307	-
Total financial liabilities	**2,752**	**1,607**	**1,065**	**80**
Current financial liabilities	*1,607*			
Non-current financial debts	*1,145*			

10.1 Financial debts - lease-financing

CHANGES IN FINANCIAL LIABILITIES - LEASE-FINANCING (Amounts in €'000)	Financial liabilities - Lease-financing contracts	Current part	Non-current part	
			from 1 to 5 years	more than 5 years
At December 31, 2016	**378**	292	86	-
(+) Subscription	-			
(-) Redemption	(292)			
At December 31, 2017	**86**	42	44	-
(+) Subscription	-			
(-) Redemption	(42)			
At December 31, 2018	**44**	23	21	-

10.2 Repayable advances and interest-free loans

Accounting principles

The Company benefits from a certain amount of government aid, in the form of subsidies, conditional advances or interest-free loans.

It is recognized in accordance with IAS 20. Since it consists of financial aid granted at interest rates lower than those of the market, they are valued at amortized cost in accordance with IAS 39:

- the rate advantage is determined by using a discount rate corresponding to a market rate at the date of the grant. The amount resulting from the rate advantage obtained at the time these aids are granted is considered to be a subsidy recognized in income in the statement of comprehensive income;
- the financial cost of the repayable advances/interest-free loans calculated at market rates is subsequently recognized in financial expenses.

In the event of a bad debt, the waiver of the receivable is recognized as a subsidy in the income statement.

CHANGES IN REIMBURSABLE ADVANCES AND INTEREST-FREE LOANS (Amounts in €'000)	OSEO Knees	BPI - Interest-free innovation loan - JAZZ Braid	BPI - Marketing Insurance	Total
At December 31, 2016	**88**	**695**	**-**	**783**
(+) Subscription	-	-	-	-
(-) Redemption	(90)	-	-	(90)
Subsidies	-	-	-	-
Financial expenses	2	19	-	21
At December 31, 2017	**-**	**714**	**-**	**714**
(+) Subscription	-	-	89	89
(-) Redemption	-	-	-	-
Subsidies	-	-	(11)	(11)
Financial expenses	-	19	1	21
At December 31, 2018	**-**	**734**	**79**	**813**

Breakdown of reimbursable advances and interest-free loans by maturity, in redemption value

MATURITY OF REIMBURSABLE ADVANCES AND INTEREST-FREE LOANS, IN REDEMPTION VALUE (Amounts in €'000)	BPI - Interest-free innovation loan - JAZZ Braid	BPI - Marketing Insurance	Total
At December 31, 2018	**800**	**98**	**898**
Part due in less than one year	80	-	80
Part due between 1 and 5 years	640	98	738
Part due in more than 5 years	80	-	80

Reimbursable OSEO Innovation advance - Knee

On February 25, 2010, OSEO granted Implanet an interest-free repayable innovation loan of €350,000 to "develop a three-compartment knee prosthesis for first-line treatment and the related instruments". The payments from OSEO were made in stages between the signature of the contract and the end of the project in 2011.

Following the technical and commercial success of the project, this innovation subsidy was reimbursed between 2013 and 2017.

Under IFRS, the fact that the Group benefited from an interest-free loan means it is treated as a subsidy. The difference between the amount of the loan at the historic cost and that of the advance discounted at a market rate (3-month Euribor + 2.5 points = 3.16%) is considered to be a subsidy received from the Government.

BPI France interest-free loan for innovation – Jazz braid implant

In June 2016, the Company obtained BPI France's agreement for an interest-free loan for innovation of €800 thousand for the "development and clinical assessment of the Jazz braid implant for degenerative spinal surgery (particularly the securing or replacement of pedicle screws)". The funds were received by the Company on August 19, 2016, after deduction of the processing costs of €24 thousand.

This loan has the following characteristics:

- deferred redemption of three years;
- repayment of €40,000 per quarter from July 31, 2019 until April 30, 2024.

Under IFRS, the fact that the interest-free loan is more favorable than market conditions means that it is treated as a subsidy for the Group. The difference between the amount of the advance at the historic cost and that of the advance discounted at a market rate (3-month Euribor + 2.5 points = 2.20%) is considered to be a subsidy received from the Government.

BPI France Marketing Insurance

In July 2018, the Company obtained BPI France's agreement for a marketing insurance policy covering the "Germany" and "United Kingdom" areas.
The amount of the marketing expenses covered by the contract for the whole coverage period €300 thousand, to be multiplied by a 65% ratio.

The Company received €89 thousand in August 2018.
The repayment period is from May 1st, 2023 to April 30, 2026.

The reimbursement will be as follows:
- From May 1st, 2023 to April 30, 2024: the reimbursment will correspond to 30% of the amounts received by the Company;
- From May 1st, 2024 to April 30, 2026: reimbursment based on the revenue done by the Company on these areas.

Under IFRS, the fact that the interest-free loan is more favorable than market conditions means that it is treated as a subsidy for the Group. The difference between the amount of the advance at the historic cost and that of the advance discounted at a market rate (3-month Euribor + 2.5 points = 2.18%) is considered to be a subsidy received from the Government.

10.3 Convertible bond issues

Accounting principles

Financial instruments (BSA and bond conversion options) are subject to specific analysis.
Where these financial instruments provide for the exchange of a fixed number of shares against a fixed number of treasury shares, they are classified as equity instruments under IAS 32.
Where the analysis carried out led to the conclusion that it is impossible to classify these instruments as equity instruments and that the variable is financial, these were classified as derivative liabilities coming under the scope of IFRS 9. They are recognized under derivative liabilities at fair value on the issue date, with the fair value being determined using the Black & Scholes valuation model. The variations in this fair value are recognized in financial net income. These liabilities come under category 3 defined by IFRS 7.

CHANGES IN BOND ISSUES (Amounts in €'000)	**Non-convertible KREOS bond issue**	**Convertible bonds with European Select Growth Opportunities Fund**	**Convertible bonds OCAPI with Nice & Green**	**Total**
At December 31, 2016	**1,100**	**6**	**-**	**1,107**
(+) Subscription	-	1,485	-	1,485
(-) Derivative liability	-	(242)	-	(242)
(-) Redemption	(1,135)	-	-	(1,135)
(+/-) Impact of amortized cost	35	260	-	295
(+/-) Translation	-	(1,500)	-	(1,500)
At December 31, 2017	**-**	**9**	**-**	**9**
(+) Subscription	-	1,500	196	1,696
(-) Derivative liability	-	(519)	(34)	(553)
(+/-) Impact of amortized cost	-	507	29	535
(+/-) Translation	-	(1,420)	(150)	(1,570)
At December 31, 2018	**-**	**77**	**40**	**117**

Breakdown of bonds by maturity, in redemption value

MATURITY OF BOND ISSUES, IN REDEMPTION VALUE (Amounts in €'000)	Convertible bonds with European Select Growth Opportunities Fund	Convertible bonds OCAPI with Nice & Green	Total
At December 31, 2018	**90**	**50**	**140**
Part due in less than one year	90	50	140
Part due between 1 and 5 years			-
Part due in more than 5 years			-

10.3.1 Issue of bonds to KREOS for a total amount of €5,000 thousand

On July 19, 2013, the Company concluded a venture loan agreement with KREOS CAPITAL IV (UK) LTD ("KREOS"), which took the place of a master agreement organizing the subscription by KREOS of a bond issue of €5,000 thousand, the issue of 65,000 Company warrants in favor of KREOS.

On April 16, 2015, the Company and KREOS concluded an amendment, by which the parties decided to reschedule the abovementioned bond issue as follows:
- the term of the loan is increased from 36 to 54 months;
- the fixed monthly installment (capital and interest) is reduced from €191 thousand to €94 thousand;
- the annual interest rate remains at 11.5%.

As a consequence of this loan rescheduling, the Board of the Company decided to issue 18,473 share subscription warrants to KREOS.

This loan has been repaid through fixed monthly installment of €191 thousand from January 2015 to March 2015, and then €94 thousand from April 2015 to December 2017.

10.3.2 Issue of Convertible bonds in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND

<u>Initial agreement</u>

On October 12, 2015, the Company entered into an issuance of convertible bonds with warrants attached ("OCABSA") with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND, enabling the Company potentially raise €5 million, at its own discretion.
The OCAs have the following characteristics:
- nominal value: €10,000;
- subscription price: 99% of par value;
- maturity: 12 months;
- no interest;
- conversion terms: N = Vn/P where
  - N is the number of shares that can be subscribed,
  - Vn is the value of the bond receivable,

  - P is 92% of the lowest of the 10 average daily prices quoted weighted by the volumes of the Company's share immediately preceding the conversion application date, and as a minimum equal to the nominal value of the share (€0.70).

<u>New agreement</u>

On March 7, 2018, the Company entered into an issuance of convertible bonds ("OCAs") enabling the Company potentially raise €5 million, at its own discretion. This new financing, with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND, cancel and replace the €1.9 million balance related to the previous financing agreement executed on October 2015.

The new OCAs have the following characteristics:

- nominal value: €10,000;
- subscription price: 100% of par value;
- maturity: 12 months;
- no interest;
- conversion terms: N = Vn/P where
  - N is the number of shares that can be subscribed,
  - Vn is the value of the bond receivable,
  - P is 92% of the lowest of the 10 average daily prices quoted weighted by the volumes of the Company's share immediately preceding the conversion application date, and as a minimum equal to the nominal value of the share (€0.05).

The Board of Directors decided the issue of:

- Through the initial agreement:
  - an initial tranche of 100 OCABSAs with a total value of €1.0 million on October 12, 2015;
  - a second tranche of 35 OCABSAs with a total value of €350 thousand on June 29, 2016;
  - a third tranche of 25 OCABSAs with a total value of €250 thousand on July 29, 2016;
  - a fourth tranche of 150 OCABSAs with a total value of €1.5 million on May 29, 2017, being noted that the BSAs attached to the new tranches issued are immediately transferred to the Company at the overall price of €0.01 for their cancellation.
- Through the new agreement:
  - an initial tranche of 100 OCAs with a total value of €1,000 thousand on March 7, 2018;
  - a second tranche of 50 OCAs with a total value of €500 thousand on August 2, 2018.

Valuation

Debt is valued using the amortized cost method in accordance with the standard IFRS 9.

The conversion option is recognized in derivative liabilities at fair value, with variations in this fair value recognized in profit or loss.

Conversion option with European Select Growth Opportunities Fund	Tranche 4		Tranche 1 (new loan)		Tranche 2 (new loan)	
	12/31/2018	12/31/2017	12/31/2018	On issue (03/07/2018)	12/31/2018	On issue (08/02/2018)
Number of bonds outstanding	-	1	-	100	9	50
Number of subscribable shares	n/a	28,571	n/a	2,272,727	750,000	2,173,913
Exercise price	n/a	€ 0.35	n/a	€ 0.44	€ 0.12	€ 0.23
Anticipated term	n/a	3 months	n/a	6 months	3 mois	6 months
Volatility	n/a	51.13%	n/a	67.69%	78.61%	52.21%
Risk-free rate	n/a	-0.78%	n/a	-0.68%	-0.80%	-0.65%
Value of derivative (in €'000)	**-**	**2**	**-**	**349**	**24**	**169**
Change in fair value during the period	**(2)**		**(349)**		**(145)**	

The BSAs issued under the initial contract are recognized at fair value in equity instruments on the issue date in accordance with IAS 32.

Warrant (BSA) with European Select Growth Opportunities Fund	Tranche 1	Tranche 2	Tranche 3
	On issue (10/12/2015)	On issue (06/29/2016)	On issue (07/29/2016)
Number of BSA	400,000	244,755	186,567
Exercise price	€ 2.50	€ 1.43	€ 1.34
Anticipated term	3 years	3 years	3 years
Volatility	33.33%	30.23%	30.04%
Risk-free rate	-0.20%	-0.64%	-0.65%
Value of equity instrument (in €'000)	**168**	**56**	**48**

At December 31, 2018, nine convertible bond (OCA) and 726,310 BSAs (294,988 $BSAs_{T1}$, 244,755 BSA_{T2} and 186,567 BSA_{T3}) were outstanding.

10.3.3 Issue of convertible bonds in favor of NICE & GREEN

On November 9th, 2018, the Company entered into an issuance of convertible bonds with a profit sharing plan ("OCAPI") with Nice & Green enabling a minimum raise of €0.8 million under the following time schedule:

DATE	Amount (in € thousand)
Before December 31, 2018	200
Before January 31, 2019	200
Before February 28, 2019	200
Before March 31, 2019	200

NICE & GREEN also get an option at its discretion to call up an additional tranche of 4 OCAPIs at any time up to March 31, 2019.

The OCAPIs have the following characteristics:

- nominal value: €50,000;
- subscription price: 98% of par value;
- maturity: 12 months;
- no interest;
- conversion or reimbursement at the Company convenience
  - conversion terms: N = Vn/P where
    - N is the number of shares that can be subscribed,
    - Vn is the value of the bond receivable,
    - P is 92% of the lowest of the 6 average daily prices quoted weighted by the volumes of the Company's share immediately preceding the conversion application date (it being specified that P cannot be less than 75% of the 5 average daily prices quoted weighted by the volumes and cannot be less than the nominal value of one Implanet share;
  - reimbursment terms: V = Vn/0.97 where
    - V is the amount to be repaid,
    - Vn is the value of the bond receivable.

The Company may also benefit from a profit sharing plan amounting to 10% of the net profit achieved by Nice & Green between the granting date and the date when all the shares from the conversion of the OCAPIs will be sold.

<u>Valuation</u>

Debt is valued using the amortized cost method in accordance with the standard IFRS 9.

The conversion option is recognized in derivative liabilities at fair value, with variations in this fair value recognized in profit or loss. A gain related to the conversion option of the convertible bonds issued during the fiscal year has been accounted for €26 thousand. At December 31, 2018, one convertible bond was outstanding. Its derivative liability is estimated at €9 thousand as of December 31, 2018.

Furthermore, in accordance with the standard IFRS 9, the commitment to issue the remaining convertible bonds is recognized in derivative liabilities at fair value, which has been estimated to €52 thousand.

10.4 Loans from financial institutions

CHANGE IN BANK LOANS (Amounts in €'000)	**Loan 06/2015**	**Loan 04/2017**	**Loan 09/2017**	**Loan 04/2018**	**Total**
At December 31, 2016	**254**	**-**	**-**	**-**	**254**
(+) Subscription	-	200	210	-	410
(-) Redemption	(168)	(38)	(17)	-	(224)
At December 31, 2017	**85**	**162**	**193**	**-**	**440**
(+) Subscription	-	-	-	500	500
(-) Redemption	(85)	(66)	(69)	(109)	(330)
At December 31, 2018	**-**	**95**	**124**	**391**	**610**

The loans from financial institutions have the following charateristics:

Loan characteristics	Loan 06/2015	Loan 04/2017	Loan 09/2017	Loan 04/2018
Bank institution	Courtois	HSBC	Courtois	Courtois
Purpose	n/a	(1)	(2)	(3)
Nominal value (in €'000)	500	200	210	500
Term	3 years	3 years	3 years	3 years
Interest rate	1,95% per year	1,00% per year	1,95% per year	1,50% per year

(1) financing its operating cycle
(2) financing surgical instruments
(3) financing medical devices

Breakdown of loans with financial institutions by maturity date, in redemption value

BANK LOANS BY MATURITY (Amounts in €'000)	Loan 06/2015	Loan 04/2017	Loan 09/2017	Loan 04/2018	Total
At December 31, 2018	**-**	**95**	**124**	**391**	**610**
Part due in less than one year	-	67	70	166	303
Part due between 1 and 5 years	-	28	54	225	307
Part due in more than 5 years	-	-	-	-	-

Note 11: Commitments to employees

Accounting principles

The French employees of the Company are entitled to retirement benefits provided for under French law:

- a retirement benefit, paid by the Company at the time of their retirement (defined benefit plan);
- payment of retirement pensions by the Social Security bodies, which are financed by contributions from businesses and employees (defined contribution plan).

Retirement plans, related payments and other company benefits which are classified as defined benefit plans (plans in which the Company undertakes to guarantee a defined amount or level of benefit) are recognized in the balance sheet on the basis of an actuarial valuation of the commitments at the year-end date, after deduction of the fair value of the related plan assets dedicated to them.

This valuation is based on the projected unit credit method, taking into account the staff turnover and mortality rates. Any actuarial variances are recognized in shareholders' equity, under "Other comprehensive income".

The Company's payments for defined contribution plans are recognized as expenditure in the income statement for the period to which they relate.

The provisions for retirement benefits are valued on the basis of the provisions set out in the applicable collective agreement, namely the collective agreement for the metallurgy industry, and only concern employees that come under French law.

The main actuarial assumptions used for evaluation of the retirement benefits are the following:

ACTUARIAL ASSUMPTIONS	12/31/2018		12/31/2017	
	Managers	Non managers	Managers	Non managers
Retirement age	Voluntary departure between ages 65 and 67			
Collective agreements	Metallurgy Engineers and Managers	Metallurgy Gironde Landes	Metallurgy Engineers and Managers	Metallurgy Gironde Landes
Discount rate (IBOXX Corporates AA)	1.57%		1.30%	
Mortality table	INSEE 2017		INSEE 2017	
Rate of revaluation of salaries	2.00%		2.00%	
Rate of turnover	Average (AG2R table)		Average (AG2R table)	
Rate of Social Security charges	50%	49%	51%	49%

The provision for retirement commitments has changed as follows:

AMOUNTS DUE TO PERSONNEL (Amounts in €'000)	**Retirement benefits**
At December 31, 2016	**101**
Past service costs	14
Financial costs	1
Actuarial differences	27
At December 31, 2017	**144**
Past service costs	15
Financial costs	2
Actuarial differences	(3)
At December 31, 2018	**157**

Note 12: Provisions

Accounting principles

Provisions correspond to commitments resulting from various disputes and liabilities, for which the due date and the amount are uncertain, with which the Company may be confronted during the course of its business.

A provision is recognized where the Company has an obligation to a third party arising from a past event which is likely to result in an outflow of resources in favor of this third party, without a consideration which is at least equivalent expected from latter, and where future outflows of liquidity can be reliably estimated. The amount recognized as a provision is the estimate of the expenses necessary for the settlement of the obligation, discounted if necessary at the year-end date.

Disputes and liabilities

The Company may be involved in judicial, administrative or regulatory proceedings during the ordinary course of its activities. A provision is recognized by the Company where there is a sufficient probability that such disputes may lead to costs for the Company.

Employment tribunal disputes

The amounts provisioned are estimated on a case-by-case basis based on the risks incurred to date by the Company, on the basis of claims, legal obligations and lawyers' opinions.

PROVISIONS (Amounts in €'000)	**12/31/2018**				
	Amount at start of year	**Allocations**	**Reversals**	**Release of surplus provisions**	**Amount at year end**
Provisions for legal disputes	576		(75)		501
Total provisions for liabilities and expenses	**576**	**-**	**(75)**	**-**	**501**

PROVISIONS (Amounts in €'000)	**12/31/2017**				
	Amount at start of year	**Allocations**	**Reversals**	**Release of surplus provisions**	**Amount at year end**
Provisions for legal disputes	55	531	(10)		576
Total provisions for liabilities and expenses	**55**	**531**	**(10)**	**-**	**576**

The charge booked for as of December 31, 2017 consists of €456 thousand for a trade dispute (see Note 17).

Note 13: Current liabilities

Accounting principles

The fair value of current liabilities is deemed to be their balance sheet value, in view of the very short payment maturities.

13.1 Tax and social security liabilities

TAX AND SOCIAL SECURITY LIABILITIES (Amounts in €'000)	**12/31/2018**	**12/31/2017**
Employees and related accounts	239	408
Social Security and other social bodies	264	399
Other taxes, duties and similar payments	24	43
Total tax and social security liabilities	**528**	**850**

13.2 Other current liabilities

OTHER CURRENT LIABILITIES (Amounts in €'000)	**12/31/2018**	**12/31/2017**
Customers - credit memos to issue	94	-
Directors' fees due to members of the Board of Directors	30	30
Miscellaneous	6	-
Total other current liabilities	**130**	**30**

Note 14: Financial assets and liabilities and effects on net income

Accounting principles

The Company has distinguished three categories of financial instruments based on the consequences which their characteristics have on their method of valuation and uses this classification to set out certain information required under IFRS 7:

- level 1 category: financial instruments which are listed on an active market;
- level 2 category: financial instruments valued according to valuation techniques based on observable parameters;
- level 3 category: financial instruments valued according to valuation techniques based in full or in part on non-observable parameters; a non-observable parameter is defined as a parameter for which the value results from assumptions or correlations which are not based on the price of observable market transactions, on the same instrument on the date of valuation, nor on observable market data available on the same date.

The Company's assets and liabilities are valued as follows at the end of the fiscal years presented:

BALANCE SHEET HEADINGS (Amounts in €'000)	**12/31/2018**		**Value - statement of financial position in accordance with IFRS 9**		
	Value Statement of financial position	**Fair Value**	**Fair value through the income statement**	**Loans and receivables**	**Liabilities at amortized cost**
Non-current financial assets	628	628	525	103	
Trade receivables and related accounts	2,226	2,226		2,226	
Other receivables	588	588		588	
Current financial assets	326	326	326		
Cash and cash equivalents	74	74		74	
Total assets	**3,841**	**3,841**	**851**	**2,991**	**-**
Current financial liabilities	1,586	1,586			1,586
Non-current financial debts	1,058	1,058			1,058
Trade and other accounts payable	2,403	2,403			2,403
Current derivative liabilities	85	85	85		
Other creditors and miscellaneous liabilities	130	130			130
Total liabilities	**5,262**	**5,262**	**85**	**-**	**5,177**

BALANCE SHEET HEADINGS (Amounts in €'000)	**12/31/2017**		**Value - statement of financial position in accordance with IAS 39**		
	Value Statement of financial position	**Fair Value**	**Fair value through the income statement**	**Loans and receivables**	**Liabilities at amortized cost**
Non-current financial assets	429	429	350	79	
Trade receivables and related accounts	2,787	2,787		2,787	
Other receivables	823	823		823	
Current financial assets	1,004	1,004	1,004	-	
Cash and cash equivalents	2,609	2,609		2,609	
Total assets	**7,652**	**7,652**	**1,354**	**6,298**	**-**
Current financial liabilities	1,274	1,274			1,274
Non-current financial debts	977	977			977
Trade and other accounts payable	2,422	2,422			2,422
Current derivative liabilities	2	2	2		
Other creditors and miscellaneous liabilities	30	30			30
Total liabilities	**4,706**	**4,706**	**2**	**-**	**4,704**

IMPACTS ON THE INCOME STATEMENT (Amounts in €'000)	12/31/2018		12/31/2017	
	Interest	Changes in fair value	Interest	Changes in fair value
Assets				
Assets at fair value through the income statement		1		4
Loans and receivables	5		2	
Liabilities				
Derivative liabilities		(470)		(242)
Liabilities valued at amortized cost: bond issues	633		539	
Liabilities valued at amortized cost: advances	10		21	

Note 15: Revenue

Accounting principles

Implementation of IFRS 15 has been mandatory since 1 January 2018.

The Company recognises revenue on the date on which the customer has obtained control of the goods or services when the Company passes control of the promised goods and services to the customer.

Revenue is recognised for the amount to which it expects to be entitled in exchange for the goods or services supplied. The highly probably elements of variable consideration and the significant financial elements are included in the transaction price.
The Company has reviewed its contracts and not detected any significant elements of variable consideration, such as specific return clauses. In addition, the Company does not grant or benefit from any special financing arrangements as part of its contracts.

In pursuance of IFRS 15, the Company's revenue is always recognised at a point in time:

- **sales in France to distributors:**
  - instruments and a set of implants are provided to healthcare facilities (instruments in Implanet's fixed assets and implants in consigned inventory)
  - invoicing to distributors and the recognition of income take place on the date of the fitting of the implants, generating restocking from consignment stock

- **sales in France and UK, direct or via sales agents:**
  - instruments and a set of implants are provided to healthcare facilities (instruments in Implanet's fixed assets and implants in consigned inventory)
  - invoicing to distributors and the recognition of income take place on the date of the fitting of the implants, generating restocking from consignment stock
  - in case of sales via sales agents, agents' commission is recognized under "Sales, distribution and marketing expenses", at the same time as

- **export and US sales to distributors:** the transfer of ownership and the recognition of income occur at the time of collection of the merchandise from Implanet (Incoterms: EXWORKS).

- **Export and US sales via sales agents:**
  - the transfer of ownership and the recognition of income occur at the time of collection of the merchandise from Implanet (Incoterms: EXWORKS)
  - agents' commission is recognized under "Sales, distribution and marketing expenses", on the date of the fitting of the implants.

Revenues by region and type of products is as follows:

REVENUES BY REGION (Amounts in €'000)	**12/31/2018**	**12/31/2017**
France	3,914	3,794
United States	1,932	2,001
Brazil	507	550
Rest of the World	367	1,496
Total revenue	**6,720**	**7,841**

REVENUES BY TYPE OF PRODUCTS (Amounts in €'000)	**12/31/2018**	**12/31/2017**
Spinal	4,095	4,715
Knee + Arthroscopy	2,625	3,126
Total revenue	**6,720**	**7,841**

With regard to the concentration of credit risk, one distributor accounted for more than 10% of consolidated revenue at December 31, 2018. The revenue generated with this distributor in France accounted for 31% of the Group's revenue at December 31, 2018.

Note 16: Operating expenses

Accounting principles

The Company presents its income statement by intended use.

16.1 Cost of sales

COST OF SALES (Amounts in €'000)	**12/31/2018**	**12/31/2017**
Purchases of raw materials and goods	(2,618)	(3,303)
Depreciation and amortization of ancillary devices	(368)	(614)
Cost of sales	**(2,986)**	**(3,916)**

16.2 Sales and marketing expenses

SALES, DISTRIBUTION AND MARKETING (Amounts in €'000)	12/31/2018	12/31/2017
Leases	(53)	(51)
Materials and supplies	(87)	(118)
Insurance policies	(83)	(105)
Intermediary compensation Fees	(212)	(264)
Advertising	(185)	(172)
Transport	(18)	(21)
Travel, assignments and entertaining	(482)	(574)
Duties and taxes	(2)	(3)
Payroll expenses	(1,654)	(1,914)
Depreciation and amortization of fixed assets	(9)	(19)
Share-based payments	(38)	(56)
Royalties	(157)	(214)
Sales commission	(898)	(1,028)
Allocations/reversals of provisions for impairment of trade rec	202	(40)
Loss on bad debts	(328)	-
Miscellaneous	(82)	(18)
Sales, distribution and marketing expenses	**(4,088)**	**(4,597)**
Bpifrence advance and loan	11	-
Subsidies	**11**	**-**
Sales, distribution and marketing expenses, net	**(4,077)**	**(4,597)**

16.3 Research and Development expenses

RESEARCH AND DEVELOPMENT (Amounts in €'000)	12/31/2018	12/31/2017
Leases	(23)	(23)
Hardware, equipment and works	(10)	(21)
Studies and research	(42)	(77)
Fees and other intellectual property expenses	(243)	(418)
Travel, assignments and entertaining	(16)	(19)
Duties and taxes	(4)	(2)
Payroll expenses	(551)	(716)
Capitalization of R&D expenses	185	255
Depreciation and amortization of capitalized R&D expense	(59)	(98)
Depreciation and amortization of fixed assets	(2)	(2)
Share-based payments	(10)	(9)
Miscellaneous	(6)	-
Research and Development expenses	**(780)**	**(1,129)**
Research tax credit	152	251
Subsidies	**152**	**251**
Research and development costs, net	**(628)**	**(878)**

The research and development expenses relate to innovative new applications for Jazz, particularly for the treatment of other pathologies.

16.4 Cost of regulatory affairs and quality assurance

REGULATORY AFFAIRS AND QUALITY ASSURANCE (Amounts in €'000)	12/31/2018	12/31/2017
Materials and supplies not for stock	(61)	(52)
Leases	(2)	0
Studies and research	(129)	(111)
Intermediary compensation Fees	(78)	(87)
Travel, assignments and entertaining	(6)	(8)
Payroll expenses	(501)	(523)
Capitalization of R&D expenses	52	104
Depreciation and amortization of capitalized R&D expense	(30)	(50)
Depreciation and amortization of fixed assets	(17)	(23)
Share-based payments	(2)	(0)
Miscellaneous	(27)	(31)
Regulatory affairs and quality assurance costs	**(800)**	**(781)**
Research tax credit	7	13
Subsidies	**7**	**13**
Regulatory affairs and quality assurance costs, net	**(793)**	**(767)**

16.5 Operating costs

OPERATING COSTS (Amounts in €'000)	12/31/2018	12/31/2017
Materials and supplies not for stock	(11)	(10)
Leases	(141)	(127)
Hardware, equipment and works	(44)	(37)
Transport	(31)	(22)
Travel, assignments and entertaining	(2)	(2)
Payroll expenses	(385)	(497)
Depreciation and amortization of fixed assets	(57)	(71)
Share-based payments	(1)	(5)
Allocation/reversal of provision for impairment of inventories	(161)	40
Scrapping and inventory adjustment	-	20
Miscellaneous	(16)	(46)
Operating costs	**(849)**	**(759)**

The cost of "operations" includes:

- management of procurement, logistics and inventories;
- lease and maintenance of the logistics building;
- sales administration.

16.6 General and administrative expenses

GENERAL AND ADMINISTRATIVE EXPENSES (Amounts in €'000)	12/31/2018	12/31/2017
Materials and supplies not for stock	(57)	(75)
Leases	(207)	(198)
Hardware, equipment and works	(126)	(106)
Insurance policies	(208)	(205)
Intermediary compensation Fees	(751)	(836)
Advertising	(21)	(24)
Travel, assignments and entertaining	(100)	(170)
Postal and telecommunication expenses	(41)	(55)
Banking services	(33)	(29)
Duties and taxes	(31)	(11)
Payroll expenses	(875)	(959)
Attendance fee	(30)	(30)
Depreciation and amortization of fixed assets	(39)	(42)
Share-based payments	(22)	(22)
Gain on lapsed trade payable	-	58
Miscellaneous	(5)	(1)
General costs	**(2,546)**	**(2,706)**

Note 17: Non-recurring operating income and expenses

Accounting principles

Non-recurring operating income and expenses comprise significant items which, due to their unusual nature and character, cannot be considered as part of the Group's ordinary activities. These may include:

- certain restructuring expenses;
- other operational income and expenses such as provisions for legal disputes involving substantial amounts;
- capital gains or losses on disposals, or the significant and unusual impairment of non-current assets.

In 2018, the non-recurring expenses accounted for €232 thousand were related to restructuring costs of the Company.

In 2017, the non-recurring expenses accounted for €456 thousand were related to a provision for a commercial dispute following the sale of its Hip business. In the context of the sale of its Hip business in 2014, the Company transferred its distribution contracts to the purchaser, involving the modification of certain sales arrangements. One of the distributors alleges that this operation amounts to the cancellation of the sales agreement and is claiming damages.

Note 18: Financial income and expenses, net

Accounting principles

Financial net income includes all:

- expenses related to the financing of the Company: amortized cost of debts, changes in the fair value of derivatives, interest on finance leases and accretion of repayable advances and loans for innovation;
- income related to interest received on financial investments.

Any foreign exchange gains or losses are also recognized in financial net income.

FINANCIAL INCOME AND EXPENSES (Amounts in €'000)	**12/31/2018**	**12/31/2017**
Amortized cost of loans	(641)	(540)
Changes in the fair value of derivative liabilities	470	242
Other financial expenses	(23)	(44)
Financial income	6	(1)
Foreign exchange gains and (losses)	5	(30)
Total financial income and expenses	**(182)**	**(374)**

Note 19: Corporate income tax

Accounting principles

The tax assets and liabilities payable for the fiscal year and the previous fiscal years are valued at the amount which the Company expects to recover from or pay to the tax authorities.
The tax rates and the tax regulations used for determining these amounts are those which have been adopted or are in the course of adoption at the year-end date.
Deferred taxes are recognized, using the balance sheet liability method, for all temporary differences existing at the year-end date between the tax base of assets and liabilities and their carrying amount on the balance sheet, as well as on tax losses carried forward.
The principal temporary differences are related to the tax losses carried forward.

Deferred tax assets are recognized in respect of tax losses that may be carried forward when it is probable that the Company will have future taxable profits to which these unused fiscal losses can be allocated. The determination of the amount of the deferred tax assets which can be recognized requires the management to make estimations both concerning the period during which the tax losses will be used and the level of future taxable profits, with regard to its tax management strategies.

The total amount of the tax losses at December 31, 2018 is estimated at €76,623 thousand comprising:

- French tax losses which can be carried forward indefinitely, for €69,232 thousand;
- tax losses of the US subsidiary for USD 8,464 thousand of which:
    - $1,181 thousand which can be carried forward indefinitely,
    - $1,355 thousand constituted in 2017, with expiry in 2037,
    - $1,901 thousand constituted in 2016, with expiry in 2036,
    - $2,293 thousand constituted in 2015, expiring in 2035,
    - $1,631 thousand constituted in 2014, with expiry in 2034,
    - $102 thousand constituted in 2013, expiring in 2033.

The tax rate applicable to:

- Implanet SA is the current rate in force in France, namely 28%. This rate will gradually go down to 25% by 2022;
- Implanet America Inc. is 28.9%.

Reconciliation between the theoretical and effective tax charges

TAX PROOF (Amounts in €'000)	**12/31/2018**	**12/31/2017**
Total net income/(loss)	(5,551)	(6,612)
Consolidated tax expense	-	-
Net income before taxes	**(5,551)**	**(6,612)**
Current tax rate in France	28.00%	33.33%
Theoretical tax expense at the current rate in France	**1,554**	**2,204**
Permanent differences	28	175
Share-based payments	(21)	(31)
Non-activated tax loss adjusted for deferred taxation	(1,570)	(2,293)
Differences due to tax rates	9	(54)
Tax expense/income for the Group	**0**	**(0)**
Effective tax rate	**0.0%**	**0.0%**

The permanent differences include the impact of the research tax credit (operating income which is not taxable).

Nature of the deferred taxes

NATURE OF DEFERRED TAXES (Amounts in €'000)	**12/31/2018**	**12/31/2017**
Timing differences	331	439
Losses carried forward	21,521	23,299
Total of the items treated as deferred tax assets	**21,852**	**23,737**
Timing differences	456	502
Total of the items treated as deferred tax liabilities	**456**	**502**
Net total of the items treated as deferred taxes	**21,396**	**23,236**
Unrecognized deferred taxes	**(21,396)**	**(23,236)**
Net total of deferred taxes	**-**	**-**

Note 20: Net earnings per share

Accounting principles

Basic earnings per share are calculated by dividing the net income attributable to holders of the Company's shares by the weighted average number of ordinary shares in circulation during the period.
Diluted earnings per share are determined by adjusting the net income attributable to holders of ordinary shares and the weighted average number of ordinary shares in circulation for the impact of all potentially dilutive ordinary shares.
If the inclusion of instruments giving a deferred right to the capital (BSAs, BSPCEs, stock options, etc.) within the calculation of diluted earnings per share generates an anti-dilutive effect, these instruments are not taken into account. Accordingly, the diluted earnings per share are identical to the basic earnings per share.

BASIC EARNINGS PER SHARE (Amounts in €'000)	**12/31/2018**	**12/31/2017**
Net income for the year	(5,551)	(6,612)
Weighted average number of shares in circulation	29,875,687	23,261,380
Basic earnings per share (€/share)	**(0.19)**	**(0.28)**
Diluted earnings per share (€/share)	**(0.19)**	**(0.28)**

Note 21: Segment information

Accounting principles

The Company operates in a single segment - the commercialization of orthopedic implants.

The Research and Development expenses and the majority of administrative expenses are incurred in France. At this stage, these costs are not allocated to the geographic regions in which these products are commercialized.

Consequently, the Company's performance is currently analyzed at Group level.

Note 22: Headcount

The table below indicates the structure as well as the changes in headcount within the Group during the periods presented:

AVERAGE HEADCOUNT	**12/31/2018 (12 months)**	**12/31/2017 (12 months)**
Managers	27.8	30.1
Employees	17.8	19.5
Total average headcount	**45.6**	**49.6**

In addition, the breakdown of the headcount by geographic region during the periods presented is as follows:

AVERAGE HEADCOUNT BY GEOGRAPHIC REGION	**12/31/2018 (12 months)**	**12/31/2017 (12 months)**
France	40.6	41.5
United States	5.0	8.1
Total average headcount	**45.6**	**49.6**

Note 23: Related parties

23.1 Transactions with related parties

As part of the ordinary management of the Company, it maintains arm's length relations with its subsidiaries.

23.2. Compensation of corporate officers

No post-employment benefits are granted to members of the Board of Directors.

The compensation of the corporate officers breaks down as follows:

COMPENSATION OF CORPORATE OFFICERS (Amounts in €'000)	12/31/2018	12/31/2017
Fixed compensation due	217	480
Variable compensation due	-	67
Benefits in kind	32	27
Share-based payments	31	58
Advisers' fees	108	108
Attendance fees	30	30
TOTAL	**418**	**770**

The terms for the allocation of the variable part of compensation are based on performance criteria.

Note 24: Off-balance sheet commitments

24.1 Commitments under the loan agreements

24.1.1 Commitments under the contracts with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND and NICE & GREEN

Within the framework of the OCA contract signed with EUROPEAN SELECT GROWTH OPPORTUNITIES FUND and the OCAPI contract signed with NICE & GREEN, the Company granted the following sureties and commitments:

- Commitment (a) not to participate in any floating-rate financing, (b) not to pay dividends in the form of Company assets or shares, (c) not to issue Equity Lines, being noticed this is not applicable to other financing operations (such as capital increase with or without preferential subscription rights or the issuance of transferable securities conferring a right to acquire equity based on a fixed conversion ratio).
- Company commitment not to enter into any mortgage, physical collateral, pledge of goodwill or guarantee against debt securities conferring a right to acquire equity without granting the same guarantees to them.

24.1.2 Commitments under the BPI FRANCE marketing insurance contract

The marketing insurance agreement signed with BPI FRANCE can be terminated should the Shareholders' Net Equity of the Company, including the shareholders' current account, are below €4 million during the term of the agreement.

24.2 Commitments under the leases agreements

24.2.1 Commercial leases

Real estate leases

The Company has decided to group its administrative and logistics activities and entered into a new lease in February 2016 for this real estate complex.

Real estate complex (administrative and logistics buildings):
Address Technopole Bordeaux Montesquieu - Allée François Magendie, 33650 Martillac, France
Term October 1, 2016 – September 30, 2026
Early departure: Possible at the end of the second three-year period
Annual rent excl. VAT and charges €224 thousand

Since April 2017, Implanet America Inc. occupies administrative buildings under a renewable monthly lease:
Address 60 State Street, Suite 700, Boston, Massachusetts, 02109, United States

Charges and commitments

The commitments up until the next termination periods are broken down as follows:

REAL ESTATE LEASING CONTRACTS Commitments at 12/31/2018 (Amounts in €'000)		Effective start date of lease	Expiry date of lease	Leasing expenses excluding charges at 12/31/2018	Commitment until the next termination date		
					Due in less than 1 year	From one to five years	Due in more than 5 years
Martillac	Real estate complex (administrative & logistics buildings)	10/1/2016	09/30/2026	224	228	614	-

24.2.2 Commitments in respect of operating leases

The Company has concluded contracts for the leasing of vehicles. Following analysis, they have been deemed operating leases with respect to the provisions of IAS 17.

The following table sets out the amount of the minimum payments and their breakdown:

VEHICLE LEASES (Amounts in €'000)	Due in less than one year	From 1 to 5 years	Due in more than five years
Off-balance sheet commitments at 12/31/2017	77	47	-
Off-balance sheet commitments at 12/31/2018	50	5	-

24.3 Obligations in respect of other contracts

Having subcontracted several important functions (production), the Company has concluded, in the ordinary course of its operations, subcontracting contracts with various third parties, in France and abroad, which include various obligations that are customary in these circumstances.

Furthermore, the contracts or technical specifications fix the terms for validation of the manufacturing processes, the quality control procedures, the handling of non-compliant products and the intellectual property rights.

No reciprocal commitments bind the Company and its subcontractors in terms of quantity or production capacity.

24.4 Other financial commitments

Documentary credits and remittances

The Company may put in place documentary credits or remittances on certain markets.

No documentary credits or remittances were in progress at the close of the fiscal years presented.

Pledge of term accounts

- Pledge of a €150 thousand renewable term deposit account as collateral for an HSBC bank loan, maturing in 2020,
- Pledge of a €100 thousand term deposit account as collateral for a Banque Courtois bank loan, maturing in 2020,
- Pledge of a €275 thousand term deposit account as collateral for a Banque Courtois bank loan, maturing in 2021.

Bank sureties

- Bank surety of €10,000 from the Banque Courtois on behalf of Implanet in favor of TOTAL.

Note 25: Management and measurement of financial risks

Implanet may find itself exposed to various types of financial risks: market risk, credit risk and liquidity risk. Where applicable, Implanet puts in place simple means proportionate to its size in order to minimize the potentially unfavorable effects of these risks on its financial performance. Implanet's policy is not to subscribe for financial instruments for the purposes of speculation.

Interest rate risk

Implanet does not have significant exposure to interest rate risks, inasmuch as:

- cash investments include term accounts and medium-term marketable warrants;
- the Company has no variable-rate debt.

Credit risk

Credit risk is linked to deposits with banks and financial establishments. Implanet relies on first class financial establishments for its cash balances and therefore carries no significant credit risk on its cash flow.

The Company distributes its implants to distributors and to public and private hospitals.
The credit risk on these healthcare facilities and distributors is low. Furthermore, the customer payment terms comply with the requirements of the Modernization of the Economy Act (LME).
It has implemented policies that allow it to ensure that its customers have a suitable credit history.

With regard to the concentration of credit risk, one distributor accounted for more than 10% of consolidated revenue at December 31, 2018. The revenue generated with this distributor in France accounted for 31% of the Group's revenue at December 31, 2018.

Currency risk

The chief risks in respect of the foreign exchange impact on purchases and sales in foreign currencies relate essentially to transactions conducted by the US subsidiary and intra-group exchanges in dollars.

At this stage of its development, the Group has not made use of any hedging in order to protect its business against exchange rate fluctuations. However, the Group cannot ignore the possibility that a significant increase in its activity or the presence of a subsidiary in the United States would result in greater exposure to exchange rate risk. The Group will then envisage making use of an appropriate policy for hedging these risks.

Equity risk

The company does not hold any equity interest or investment securities that are traded on a regulated market.

Note 26: Fees of the Statutory auditors

FEES PAID TO STATUTORY AUDITORS	2018 fiscal year				2017 fiscal year			
	Ernst & Young		INKIPIO AUDIT		Ernst & Young		INKIPIO AUDIT	
(Amounts in €'000)	Amount excl. Taxes	%	Amount excl. Taxes	%	Amount excl. Taxes	%	Amount excl. Taxes	%
Statutory audit work (1)	43	82%	33	81%	43	74%	33	72%
Other services and due diligence directly linked to the statutory audit work	9	18%	8	19%	9	16%	13	28%
Subtotal	**52**	**100%**	**41**	**100%**	**52**	**91%**	**45**	**100%**
Other services rendered								
- Tax		0%		0%	1	2%	-	0%
- Other		0%		0%	4	7%	-	0%
Subtotal	**-**	**0%**	**-**	**0%**	**5**	**9%**	**-**	**0%**
Total fees	**52**	**100%**	**41**	**100%**	**57**	**100%**	**45**	**100%**

5. FINANCIAL STATEMENTS OF IMPLANET SA IN ACCORDANCE WITH FRENCH GAAP

BALANCE SHEET - ASSETS

IMPLANET Balance sheet assets (in €'000)	Notes	12/31/2018 Amount	Amort. Prov.	Net carrying amount	12/31/2017 Net carrying amount
Capital subscribed but not called					
INTANGIBLE FIXED ASSETS					
Incorporation expenses					
Development expenses					
Concessions, patents and similar rights	3.1	390	390	(0)	0
Other intangible fixed assets	3.1				
PROPERTY, PLANT AND EQUIPMENT					
Land					
Buildings					
Technical installations, equipment & tooling	3.1	3,667	3,174	493	582
Other property, plant and equipment	3.1	388	353	35	22
Fixed assets in progress	3.1				
Advances and payments on account					
LONG-TERM FINANCIAL ASSETS					
Other investments	3.2	7,286	4,086	3,200	4,824
Other long-term financial assets	3.2	159	47	112	130
TOTAL FIXED ASSETS		**11,891**	**8,049**	**3,841**	**5,559**
INVENTORIES AND WORK IN PROGRESS					
Raw materials & supplies	4	69		69	59
Intermediate and finished products	4	7		7	5
Goods for resale	4	3,880	651	3,229	3,151
Advances & down-payments paid on orders					
RECEIVABLES					
Trade receivables & related accounts	5	1,176	128	1,048	1,083
Other receivables	5	2,025	587	1,439	1,022
Capital subscribed and called but not paid					
MISCELLANEOUS					
Marketable securities	6	300		300	300
Cash and cash equivalents	6	575		575	3,577
PREPAYMENTS AND ACCRUALS					
Prepaid expenses	7	128		128	140
TOTAL CURRENT ASSETS		**8,161**	**1,366**	**6,795**	**9,337**
Bond redemption premium	11	1		1	0
Translation differences - assets		1		1	24
TOTAL ASSETS		**20,054**	**9,415**	**10,638**	**14,920**

BALANCE SHEET - LIABILITIES

IMPLANET Balance sheet liabilities (in €'000)	Notes	12/31/2018	12/31/2017
SHAREHOLDERS' EQUITY			
Share or individual capital	8	1,706	1,380
Issue, merger & contribution premiums	8	18,379	17,136
Revaluation variance			
Legal reserve			
Statutory or contractual reserves			
Regulated reserves (3) (inc. res. curr. prov.			
Other reserves (inc. purchase of orig. works)			
Retained earnings	8	(8,582)	(3,200)
NET INCOME FOR THE YEAR (profit or loss)		(6,166)	(5,382)
Investment subsidies			
Regulated provisions			
TOTAL SHAREHOLDERS' EQUITY		**5,336**	**9,933**
OTHER SHAREHOLDERS' EQUITY			
Income from issues of investment securities			
Conditional advances			
TOTAL OTHER SHAREHOLDERS' EQUITY			
PROVISIONS FOR LIABILITIES AND EXPENSES			
Provisions for liabilities	10	501	599
Provisions for expenses			
TOTAL PROVISIONS		**501**	**599**
LIABILITIES			
Convertible bond issues	11	140	10
Other bond issues	11		
Loans and debts due to financial institutions	12	835	440
Loans and financial debt Miscellaneous (1)	13	898	800
Advances and down-payments received on orders in progress			
Trade and other accounts payable	14	2,217	2,285
Tax and social security liabilities	14	518	819
Liabilities on fixed assets and related accounts			
Other liabilities	14	156	31
PREPAYMENTS AND ACCRUALS			
Deferred income			
TOTAL DEBT		**4,763**	**4,385**
Translation differences - liabilities		39	2
TOTAL LIABILITIES AND EQUITY		**10,638**	**14,920**

(1) The "Loans and miscellaneous financial debts" comprise an interest-free loan for innovation (€800 thousand) and a marketing insurance related loan covering Germany and United Kingdom areas (€98 thousand).

INCOME STATEMENT

IMPLANET Income statement (in €'000)	Notes	12/31/2018 12 months	12/31/2017 12 months
OPERATING INCOME			
Sales of merchandise	16	5,538	6,568
Production sold	16	115	87
NET REVENUE		**5,653**	**6,655**
Stored production		2	1
Operating subsidies		-	-
Reversals of depreciation, amortization and provisions, transfer of expenses		838	630
Other income		5	95
TOTAL OPERATING INCOME		**6,498**	**7,381**
OPERATING EXPENSES			
Purchases of goods for resale		3,145	3,438
Change in inventories of goods for resale		(235)	164
Purchases of raw materials and other supplies		110	107
Change in inventories of raw materials and supplies		(14)	(1)
Other purchases and external expenses		3,466	4,052
Taxes, duties and similar payments		85	57
Salaries and benefits		2,450	2,521
Social Security charges		1,067	1,170
OPERATING ALLOCATIONS		-	-
Allocations to depreciation and amortization on fixed assets		402	423
Allocations to provisions on current assets		176	56
Allocations to provisions for liabilities and expenses		-	75
Other expenses		401	260
TOTAL OPERATING EXPENSES		**11,054**	**12,322**
NET OPERATING INCOME		**(4,556)**	**(4,941)**
Financial income	18	88	3,438
Financial expenses	18	1,710	3,587
NET FINANCIAL INCOME		**(1,622)**	**(149)**
RECURRING NET INCOME BEFORE TAXES		**(6,178)**	**(5,090)**
Non-recurring income	19	-	-
Non-recurring expenses	19	148	556
NON-RECURRING NET INCOME		**(148)**	**(556)**
Employees' investment in the Company's results		-	-
Corporation Tax	20	(160)	(264)
PROFIT OR LOSS FOR THE YEAR		**(6,166)**	**(5,382)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(Unless otherwise indicated, the amounts shown in these notes are in thousands of euros, with the exception of the data on shares. Some amounts may be rounded for the calculation of the financial information contained in the annual consolidated financial statements. Consequently, the totals in some tables may not correspond exactly to the sum of the previous figures).

Note 1: Presentation of the business and significant events

The information set out below constitutes the Notes to the annual financial statements which form an integral part of the financial statements presented for the fiscal year ended December 31, 2018.

Each of the fiscal years presented covers a period of 12 months from January 1 to December 31.

The financial statements at December 31, 2018 were approved by the Board of Directors on April 18, 2019.

1.1 Information relating to the Company and its business

Created in December 2006, Implanet's business is the technical, clinical, marketing and commercial development of high-quality implants and surgical instruments by introducing innovative technological solutions.

Implanet's range covers spinal, arthroscopy and knee products.

The Implanet SA Company, hereafter referred to as the “Company” prepares consolidated financial statements as parent company.

Address of the registered office:
Technopole Bordeaux Montesquieu - Allées François Magendie - 33650 Martillac, France

The Company has been listed since November 25, 2013, and carried out the transfer of the listing of its shares from the Euronext regulated market in Paris (compartment C) to the Euronext Growth continuous multilateral trading facility on July 11, 2017.

Registry number: RCS 493 845 341 - Bordeaux, France

1.2 Significant events

Fiscal year ended December 31, 2018

<u>January 2018:</u>

- The first JAZZ Lock® procedures took place in Brazil, following ANVISA clearance in November 2017;
- Signature of a distribution agreement with Aegis Spine, the US subsidiary of L&K BIOMED and initial operational synergies realized.

February 2018:
- Signature of cross-distribution agreements between the Company and L&K BIOMED covering their respective products in Asia and Europe.

March 2018:
- Implementation of a bond financing line allowing potential funding of €5 million, at the Company's discretion. This new financing, provided by the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND, cancels and replaces the balance of €1.9 million outstanding on the previous financing program signed in October 2015.
  Issue of a first tranche of €1 million.

May 2018:
- The launch of JAZZ Evo, a new evolution of the JAZZ® implant developed to respond to the constraints of vertebral fusion indications in adults.

June 2018:
- Opening of a branch in the United Kingdom, accelerating expansion and direct growth in the growing adult degenerative market.

July 2018:

- Opening of the German subsidiary (Implanet GmbH).

- Signature of a marketing insurance interest free loan agreement with BPI France covering the “Germany” and “United Kingdom” areas. The amount of the marketing expenses covered by the contract for the whole coverage period €300 thousand, to be multiplied by a 65% ratio. The Company received €89 thousand in August 2018.

August 2018:

- Issue at par value of a new convertible bonds tranche for €500 thousand with European Select Growth Opportunities Fund.

October 2018:

- Completion of the first surgery in the United Kingdom. The recent listing of Implanet UK and its Jazz® platform on the NHS (National Health Service), the United Kingdom's public health system providing the bulk of care, particularly in hospitals, allows Implanet UK to offer Jazz® to all public hospitals in the country.

- Completion of the first surgery Jazz® in Belgium illustrating its direct sales strategy.

November 2018:

- Implementation of a bond financing line associated to a profit sharing plan with Nice & Green. This financing allows a funding of a maximum of €1 million.
  Issue of four convertible bonds for a par value of €200 thousand in 2018.

- Signature of distribution agreement with privately owned KICO KNEE INNOVATION COMPANY PTY LTD (“KICO”) for the MADISON Knee prosthesis business covering the United States and other future markets.

This distribution agreement will initially cover the high-potential markets of the United States and Australia on a non-exclusive basis. KICO will then gain exclusive rights to MADISON knee prostheses once it hits the threshold of 1,000 MADISON implants in a 12-month period, as well as an option for a manufacturing license.

- Award of CE marking for the Jazz Cap System®, developed to meet the constraints of vertebral fusion indications in adults.

The Company also carried out a capital increase of €326 thousand following the conversion of 142 OCAs held by the European Select Growth Opportunities Fund and 3 OCAs held by Nice & Green.

Note 2: Accounting principles, rules and methods

2.1 Principle for preparation of the financial statements

The financial statements of the Company have been prepared in accordance with the provisions of the French Commercial Code (Articles L. 123-12 to L. 123-28) and the general rules for the preparation and presentation of annual financial statements (General Accounting Plan 2016-07 of November 4, 2016 modifying the General Accounting Plan 2014-03 of June 5, 2014 and modified by the regulations issued subsequently by the Accounting Regulation Committee (CRG)).

The basic method used for the evaluation of the items included in the accounting records is the historical cost method.

General accounting conventions have been applied in compliance with the principle of prudence, in accordance with the following principles:

- going concern;
- consistency of accounting methods from one year to the next;
- independence of fiscal years.

The board of directors established the 2018 financial statements, with a €6.2 million loss and chose the going concern basis given the following assumptions and data:

- Implementation of the Company‘s strategic plan which focuses on three priorities:
  - to roll out the direct sales model, which has proven its worth in France and the United States, in targeted promising European markets (United Kingdom and Germany);
  - to roll out the partnership signed with KICO KNEE INNOVATION COMPANY PTY LTD to distribute the Madison knee implant in the United States and Australia;
  - to accelerate development of the JAZZ® product range in the United States under the partnership established with SeaSpine.
- The conclusion on April 15, 2019 of an equity line with Nice & Green to issue convertible bonds for a total amountof €3 million. The issuance will be done through twelve monthly tranches of €250 thousand each (see note 25);
- Agreement from the Nouvelle Aquitaine district for a €500 thousand loan to be repaid in fine after eighteen months (see note 25).

The analysis performed by the board of directors also includes:

- Sensivity analysis on the operations; and
- The finalization of a futur loanfor a total amount of €0.5 million to finance its innovation, which the management is confortable with its conclusion in a short term period.

Based on those assumptions and information, cash and cash equivalents are estimated, by the board of directors, to be sufficient to meet the Company's working capital requirements through the next 12 months.

Furthermore, under the resolutions approved by shareholders at the Extraordinary General Meeting on March 25, 2019, Implanet continues to explore additional solutions to finance the acceleration in its business development. These solutions could involve, without being comprehensive, a private placement to investors, capital increases, new convertible bonds, public financings.

2.2 Transactions denominated in foreign currencies

Expenses and income denominated in foreign currencies are recognized at their counter-value on the date of the transaction.

Receivables and liabilities denominated in foreign currency which exist at the year-end are converted at the exchange rate in effect on that date.

The difference resulting from the conversion of liabilities and receivables denominated in foreign currencies at the year-end exchange rate is recognized in the balance sheet under "Translation differences" in assets and liabilities. Translation differences - assets are the subject of a provision for liabilities and expenses of an equivalent amount.

Pursuant to ANC ruling 2015-05, the foreign exchange gains and losses on commercial receivables are accounted in its net operating income.

2.3 Research tax credit

Research tax credits are granted to businesses by the French government to encourage them to carry out technical and scientific research. Businesses which provide proof of expenditure fulfilling the required criteria (research expenditure located in France or, since January 1, 2005, within the European Community or in another State which is a party to the agreement on the European Economic Area and which has concluded a tax treaty with France containing an administrative assistance clause) benefit from a tax credit which can be used for the payment of corporate income tax due in respect of the fiscal year in which the expenditure was incurred and the three following fiscal years or, where applicable, the excess can be reimbursed.

The research tax credit is presented in the income statement as a credit under "Corporation tax".

The Company has received research tax credits since it was first created.

2.4 Research and Development expenses

Research and Development costs are recognized as expenses.

3.1: Intangible fixed assets, property, plant and equipment

Accounting principles

Intangible fixed assets
Intangible fixed assets mainly comprise licenses and software development.

Intangible fixed assets are valued at their cost of acquisition or their production cost. They are depreciated on a straight-line basis over the term of their utilization by the Company, namely:

Items	Amortization terms
Software licenses and development	1 to 3 years – Straight-line
Management and accounting software packages (SAP)	3 to 5 years – Straight-line

The expenditure related to the registration of patents and to product development is recognized in expenses for an amount of €666,666.

Property, plant and equipment
Property, plant and equipment are valued at their cost of acquisition (purchase price and incidental expenses) or their cost of production by the Company.

Asset items are the subject of depreciation schedules determined according to the actual useful life of the asset.

The depreciation terms and methods used are principally the following:

Items	Amortization terms
Ancillary devices	3 years – Straight-line
Technical installations, equipment and tooling	5 years - Straight-line
General installations, fixtures & fittings	5 years - Straight-line
Transport equipment	5 years - Straight-line
Office and IT equipment	3 years – Straight-line
Furniture	4 to 7 years – Straight-line

Ancillary devices refers to specific surgical instruments for the fitting of implants.

The latter are recognized under property, plant and equipment when they are delivered to healthcare facilities.
Where this is not the case, they are presented under inventories and are considered to be available for sale.

Summary

GROSS VALUE OF FIXED ASSETS (Amounts in €'000)	12/31/2017	Acquisitions	Disposals	12/31/2018
Incorporation and development expenses	0	0	0	0
Other intangible fixed assets	379	11	0	390
Intangible fixed assets in progress	0	0	0	0
Total intangible fixed assets	**379**	**11**	**-**	**390**
Technical installations, equipment and tooling	3,451	292	76	3,667
General installations, fixtures & fittings	87	0		87
Transport equipment	0	0	0	0
Office and IT equipment and furniture	272	28	0	301
Property, plant and equipment in progress	0	0	0	0
Total property, plant and equipment	**3,810**	**321**	**76**	**4,055**
GRAND TOTAL	**4,189**	**331**	**76**	**4,445**

AMORTIZATION AND DEPRECIATION OF FIXED ASSETS (Amounts in €'000)	12/31/2017	Allocations	Reversals	12/31/2018	Net values 12/31/2018
Incorporation and development expenses	0	0	0	-	-
Other intangible fixed assets	379	10	0	390	-
Intangible fixed assets in progress	0	0	0	-	-
Total intangible fixed assets	**379**	**10**	**-**	**390**	**-**
		0	0		
Technical installations, equipment and tooling	2,867	377	70	3,174	493
General installations, fixtures & fittings	87	1	1	87	-
Transport equipment	0	0	0	-	-
Office and IT equipment and furniture	251	15	0	265	35
Property, plant and equipment in progress	0	0	0	-	0
Total property, plant and equipment	**3,205**	**392**	**71**	**3,527**	**529**
GRAND TOTAL	**3,585**	**402**	**71**	**3,916**	**529**

The technical installations, equipment and tooling principally comprise ancillary devices commissioned when they are delivered to healthcare facilities.

3.2 Long-term financial assets

Accounting principles

Investment securities are entered in the balance sheet at their acquisition cost. Their value is assessed annually with reference to their value in use, which is based in particular on the actual and forecast profitability of the subsidiary concerned and the proportion of shareholders' equity that is held. If necessary, a depreciation is recognized by means of a provision, if the value in use falls below the acquisition cost.

Loans and receivables are valued at their nominal value. These items are, if necessary, depreciated by means of a provision to reduce them to their value in use at the closing date of the fiscal year.

Treasury shares are compared with their probable trading value and depreciated if necessary.

Summary

GROSS VALUE OF FIXED ASSETS (Amounts in €'000)	12/31/2017	Acquisitions	Disposals	12/31/2018
Other investments	7,261	25		7,286
Other long-term financial assets	176	27	44	159
Total long-term financial assets	**7,437**	**52**	**44**	**7,446**

AMORTIZATION AND DEPRECIATION OF FIXED ASSETS (Amounts in €'000)	12/31/2017	Allocations	Reversals	12/31/2018	Net values 12/31/2018
Other investments	2,437	1,649	0	4,086	3,200
Other long-term financial assets	46	47	46	47	112
Total long-term financial assets	**2,483**	**1,696**	**46**	**4,133**	**3,312**

Long-term financial assets essentially comprise:

- holding of shares in the subsidiary Implanet America Inc. for €7,261 thousand ($8,300 thousand), the shares are impaired for €4,086 thousand at year end of 2018. The accrual for the fiscal year is amouting to €1,649 thousand;
- holding of shares in the subsidiary Implanet Gmbh for €25 thousand;
- guarantee deposits paid under the terms of operating leases for the French premises;
- a liquidity contract (cash reserve for €32 thousand and treasury shares for €71 thousand).

Liquidity contract

Following its listing on the Paris Euronext regulated stock market, the Company initially signed a liquidity contract on November 20, 2013 with Banque Oddo et Cie in order to limit the intra-day volatility of Implanet shares.
This contract was transferred to TSAF – Tradition Securities And Futures on December 1, 2017.

Considering the purchases and sales made during the 2018 fiscal year, the balance of the liquidity contract was 170,500 shares at December 31, 2018. At that date, the cash reserve related to the liquidity contract was €32 thousand.

Note 4: Inventories

Accounting principles

Inventories are measured using the weighted average unit cost method.

The gross value of the goods and raw materials includes the purchase price and any incidental expenses.

A provision for impairment of inventories is determined on a statistical basis using the average consumption period for products in inventories and its potential impact on the term remaining until the expiry date of said products.

Summary

INVENTORIES (Amounts in €'000)	12/31/2018	12/31/2017
Inventories of raw materials	69	59
Inventories of goods for resale	3,160	2,893
Inventories of semi-finished products	7	5
Inventories of ancillary devices and instruments	721	748
Gross total inventories	**3,956**	**3,706**
Impairment of inventories of raw materials		
Impairment of inventories of goods for resale	(567)	(405)
Impairment of stocks of ancillary devices and instruments	(85)	(85)
Total impairment of inventories	**(651)**	**(490)**
Net total inventories	**3,305**	**3,215**

Composition of the inventories

Inventories of raw materials essentially comprise polymer components, reels of wire (manufacture of the Jazz braid), product manuals and packaging.
Inventories of goods for sale principally comprise the various categories of implants for arthroscopy, spines and knees.
Inventories of ancillary devices and instruments comprise new equipment available for sale and not made available to healthcare facilities.

Note 5: Receivables

Accounting principles

Receivables are valued at their nominal value. Where applicable, they are depreciated on a case-by-case basis by means of a provision to take account of difficulties in recovery to which they may be subject.

Other receivables comprise the nominal value of the research tax credit, which is recognized under assets in the year of acquisition corresponding to the fiscal year during which eligible expenses giving rise to the tax credit were incurred.

In accordance with the General Accounting Plan information sheet of February 28, 2013, the Competitiveness and employment tax credit (*Crédit d'Impôt Compétitivité Emploi* - CICE) is recorded as a deduction of payroll expenses. The Company used this tax credit in Research and Development.

Summary

5.1 Trade receivables

TRADE RECEIVABLES AND RELATED ACCOUNTS (Amounts in €'000)	12/31/2018	12/31/2017
Trade receivables and related accounts	1,176	1,451
Gross total trade receivables and related accounts	**1,176**	**1,451**
Impairment of trade receivables and related accounts	(128)	(368)
Total impairments of trade receivables and related accounts	**(128)**	**(368)**
Net total trade receivables and related accounts	**1,048**	**1,083**

The Company's products are sold to public and private hospitals and to distributors (including the Implanet America Inc. subsidiary). The risk of default has been assessed as low.

The impairment of customer receivables is established on a case-by-case basis based on the estimated risk of non-recovery.
For the 2018 fiscal year, bad debts were recognized in expenses for €247 thousand.

5.2 Details of the receivables and breakdown by maturity

The table below shows the detail of the "Receivables" item at December 31, 2018 as well as their breakdown into receivables due in less than one year or in more than one year:

(Amounts in €'000)	12/31/2018		
	Gross Amount	Due in less than 1 year	Due in more than 1 year
Fixed assets			
Other long-term financial assets	159	-	159
Total fixed assets	**159**	**-**	**159**
Current assets			
Trade receivables (1)	1,176	1,046	131
Employees and related accounts	21	21	
State - Research tax credit (2)	159	159	
State - Business competitiveness tax credit (3)	41	41	
Value added tax	219	219	
Trade payable debit balances		-	
Factor - guarantee fund	71	71	
Factor - available reserve and other receivables	459	459	
Group (4)	1,055		1,055
Other debtors		-	
Total current assets	**3,202**	**2,016**	**1,186**
Prepaid expenses	128	128	
Grand total	**3,489**	**2,144**	**1,345**

(1) Trade receivables due in more than one year represent doubtful or disputed receivables.

(2) Where there is no taxable net income, the receivables due from the Government in respect of the Research tax credit (CIR) are payable in the year following that of their recognition:
- CIR 2018: €159 thousand reimbursement expected in 2019;
- CIR 2017: €264 thousand, repaid in November 2018.

(3) Where there is no taxable net income and considering the Company's European Union SME status, the receivables due from the Government in respect of the Research tax credit are payable in the year following that of their recognition:
- CICE 2018: €41 thousand repayment request made in 2019;
- CICE 2017: €48 thousand repaid in October 2018.

(4) Group receivables mainly relate to the Implanet America Inc. subsidiary.

Note 6: Marketable securities and cash

Accounting principles

Marketable securities appear in the assets at their acquisition value.

Any provisions for impairment are determined by comparing the acquisition value with the probable realizable value.

Summary

The table below sets out details of the marketable securities and net cash:

(Amounts in €'000)	12/31/2018	12/31/2017
	Value in use	Value in use
Medium-term bonds (1)	300	300
Term accounts (2)	550	1,050
Bank accounts and cash	25	2,527
Total Marketable Securities and Net Cash Balances	**875**	**3,877**

(1) Including, at December 31, 2018:
- a medium-term negotiable note (BMTN) of €300 thousand maturing in 2019, with early redemption possible.

(2) Including, at December 31, 2018:
- a €25 thousand term deposit maturing in 2021 with early redemption possible;
- a €150 thousand term deposit renewable and pledged in favor of HSBC as security for a loan taken out in 2020;
- a €100 thousand term deposit, pledged in favor of Banque Courtois as security for a loan taken out in 2020;
- a €275 thousand term deposit, pledged in favor of Banque Courtois as security for a loan taken out in 2021.

Note 7: Prepayments and accruals

The amount of prepaid expenses is broken down by type as follows:

PREPAID EXPENSES (Amounts in €'000)	12/31/2018	12/31/2017
Real estate leases	64	53
Equipment leases	4	15
Insurance policies	2	14
IT Maintenance	14	14
Fees	28	29
Miscellaneous	15	15
Total prepaid expenses	**128**	**140**

The amount of prepaid expenses only concerns operating expenses.

There were no prepaid expenses at December 31, 2017 and 2018.

Note 8: Shareholders' equity

8.1 Changes in shareholders' equity

The change in shareholders' equity over the 2018 and 2017 fiscal years is detailed as follows:

IMPLANET Changes in shareholders' equity Amounts in €'000	Capital *Number of shares*	Capital	Issue premiums	Retained earnings	Reserves and net income	Shareholders' equity
At December 31, 2017	**27,592,562**	**1,380**	**17,136**	**(3,199)**	**(5,382)**	**9,934**
Appropriation of the 2017 net income		-	-	(5,382)	5,382	-
2018 net income		-	-	-	(6,166)	(6,166)
Capital decrease				-	-	-
Conversion of bonds	*6,520,187*	326	1,241	-	-	1,566
Share subscription warrants (BSA)		-	6	-	-	6
Share issue costs		-	(4)	-	-	(4)
At December 31, 2018	**34,112,749**	**1,706**	**18,379**	**(8,582)**	**(6,166)**	**5,336**

The Ordinary General Shareholders' Meeting of June 4, 2018, decided to allocate the 2017 losses of €5,382,187.45 to the retained earnings account.

During the 2018 fiscal year, the Company also carried out a capital increase of €326 thousand following:

- the conversion of 142 bonds held by the European Select Growth Opportunities Fund generating the issue of 5,575,744 shares with a nominal value of €0.05.
- the conversion of 3 bonds held by the Nice & Greengenerating the issue of 944,443 shares with a nominal value of €0.05.

8.2 Composition of the share capital and detail by class of shares

COMPOSITION OF THE SHARE CAPITAL	12/31/2018	12/31/2017
Capital (in €'000)	1,706	1,380
Number of shares	34,112,749	27,592,562
of which, Ordinary shares	34,112,749	27,592,562
Nominal value (in euro)	€ 0.05	€ 0.05

The share capital amounted to €1,705,637. It is divided into 34,112,749 ordinary shares which are fully subscribed and paid up with a nominal value of €0.05.

This number is stated exclusive of share subscription warrants (“BSAs”), founders' warrants (“BSPCEs”) and stock options granted to certain investors and individuals, whether employees or not of the Company, and which have not yet been exercised.

Management of capital

The Company's policy consists of maintaining a solid capital base, in order to maintain the confidence of investors and creditors and to support the future development of the business.

In this respect, a liquidity contract was signed on November 20, 2013 with Banque Oddo et Cie. This contract was transferred to TSAF – Tradition Securities And Futures on December 1, 2017.

At December 31, 2018, the Company held 170,500 treasury shares.

8.3 Distribution of dividends

The Company did not distribute any dividends during the fiscal years presented.

Note 9: Equity instruments

9.1 Share subscription warrants (BSAs)

The table below summarizes the data related to the plans issued:

Type	Award date	Features of the plans				
		Total number of options awarded	**Exercise period**	**Initial exercise price**	**Adjusted exercise price (1) (2) (3)**	
BSA $_{09/11}$	AGM of 09/26/2011	**60,000**	10 years	€ 1.00	€ 8.21	
BSA $_{05/12}$	AGM of 06/29/2012	**10,245**	10 years	€ 1.00	€ 8.21	
BSA $_{2012}$	AGM of 06/29/2012	**165,000**	10 years	€ 1.50	€ 12.31	
BSA $_{09/2012}$	AGM of 10/11/2012	**100,000**	10 years	€ 1.50	€ 12.31	
BSA $_{01/2013}$	AGM of 01/22/2013	**25,000**	10 years	€ 1.50	€ 12.31	
BSA $_{01/2014}$	Board meeting of 01/08/2014	**27,398**	10 years	€ 6.68	€ 5.48	
BSA $_{07/2015}$	Board meeting of 07/15/2015	**44,699**	10 years	€ 2.89	€ 2.75	
BSA $_{07/2016\ T1}$	Board meeting of 07/11/2016	**56,000**	10 years	€ 1.33	€ 1.27	
BSA $_{07/2016\ T2}$	Board meeting of 07/11/2016	**30,000**	10 years	€ 1.33	€ 1.27	
BSA $_{09/2017}$	Board meeting of 09/19/2017	**60,000**	10 years	€ 0.66	N/A	(4)
BSA $_{01/2018}$	Board meeting of 1/23/2018	**80,000**	10 years	€ 0.65	N/A	(4)

(1) Following the reverse share split decided on by the extraordinary General Shareholders' Meeting of July 19, 2013, ten warrants awarded prior to this date give the right to subscribe to one share.

(2) Following the capital increase with preferential subscription rights in March 2015, the warrants were adjusted to parity at 1.16 (Board of Directors' decision of March 18, 2015).

(3) Following the capital increase with preferential subscription rights in November 2016, the warrants were adjusted to parity at 1.05 (Board of Directors' decision of November 17, 2016).

(4) These warrants were not adjusted to parity given there were no warrants in circulation on the last adjustment date (Board of Directors' decision of November 17, 2016).

The vesting period for the plans issued is as follows:

Type	Vesting period			12/31/2018 Number of exercisable warrants	12/31/2018 Number of warrants in the process of being vested
BSA $_{09/11}$	All options on award date			60,000	
BSA $_{05/12}$	All options on award date			10,245	
BSA $_{2012}$	All options on award date			40,000	
BSA $_{09/2012}$	All options on award date			100,000	
BSA $_{01/2013}$	All options on award date			25,000	
BSA $_{01/2014}$	1/3 on 01/08/2015	1/3 on 7/08/2015	1/3 on 1/08/2016	16,199	
BSA $_{07/2015}$	1/3 on 7/01/2016	1/3 on 7/01/2017	1/3 on 7/01/2018	44,699	
BSA $_{07/2016\ T1}$	1/3 on 7/01/2017	1/3 on 7/01/2018	1/3 on 7/01/2019	37,333	18,667
BSA $_{07/2016\ T2}$	All options on award date			30,000	
BSA $_{09/2017}$	1/3 on 09/19/2018	1/3 on 09/19/2019	1/3 on 09/19/2020	13,333	26,667
BSA $_{01/2018}$	1/3 on 02/01/2019	1/3 on 02/01/2020	1/3 on 02/01/2021		80,000
				376,809	**125,334**

The BSAs awarded to Directors are subject to a condition of attendance of the beneficiaries at the Company's Board of Directors' meetings. With regard to the BSAs awarded to consultants and in the process of being vested, they may be acquired provided that their contract with the Company was in force for the entire calendar year prior to the date in question.

Type	Award date	12/31/2017	Awarded	Exercised	Void	12/31/2018	Maximum number of subscribable shares (1) (2) (3)
BSA $_{09/11}$	AGM of 09/26/2011	60,000				60,000	7,308
BSA $_{05/12}$	AGM of 06/29/2012	10,245				10,245	1,248
BSA $_{2012}$	AGM of 06/29/2012	40,000				40,000	4,872
BSA $_{09/2012}$	AGM of 10/11/2012	100,000				100,000	12,180
BSA $_{01/2013}$	AGM of 01/22/2013	25,000				25,000	3,045
BSA $_{01/2014}$	Board meeting of 01/08/2014	16,199				16,199	19,730
BSA $_{07/2015}$	Board meeting of 07/15/2015	44,699				44,699	46,934
BSA $_{07/2016\ T1}$	Board meeting of 07/11/2016	56,000				56,000	58,800 *
BSA $_{07/2016\ T2}$	Board meeting of 07/11/2016	30,000				30,000	31,500
BSA $_{09/2017}$	Board meeting of 09/19/2017	40,000				40,000	40,000 *
BSA $_{01/2018}$	Board meeting of 1/23/2018	-	80,000			80,000	80,000 *
Total		**422,143**	**80,000**	**-**	**-**	**502,143**	**305,617**

** note that some warrants are in the process of being vested.*
***these warrants were not subscribed during the subscription period and have therefore become void*
(1) (2) (3) Following the adjustments to parity as described above.

9.2 Founders' warrants (BSPCEs)

The table below summarizes the data related to the plans issued:

Type	Award date	Features of the plans: Total number of options awarded	Exercise period	Initial exercise price	Adjusted exercise price (1) (2) (3)	
BSPCE 02/2009	Board meeting of 02/05/2009	**106,500**	10 years	€ 1.50	€ 12.31	
BSPCE 03/2010	Board meeting of 04/22/2010	**167,500**	10 years	€ 1.50	€ 12.31	
BSPCE 06/2011	Board meeting of 04/06/2011	**269,000**	10 years	€ 1.50	€ 12.31	
BSPCE 09/2011	Board meeting of 11/18/2011	**103,500**	10 years	€ 1.50	€ 12.31	
BSPCE 03/2016	Board meeting of 03/24/2016	**370,000**	10 years	€ 1.50	€ 1.43	
BSPCE 07/2016 T1	Board meeting of 7/11/2016	**209,488**	10 years	€ 1.33	€ 1.27	
BSPCE 07/2016 T2	Board meeting of 7/11/2016	**50,000**	10 years	€ 1.33	€ 1.27	
BSPCE 01/2018	Board meeting of 1/23/2018	**418,000**	10 years	€ 0.65	N/A	(4)

(1) *Following the reverse share split decided on by the extraordinary General Shareholders' Meeting of July 19, 2013, ten warrants awarded prior to this date give the right to subscribe to one share.*
(2) *Following the capital increase with preferential subscription rights in March 2015, the warrants were adjusted to parity at 1.16 (Board of Directors' decision of March 18, 2015).*
(3) *Following the capital increase with preferential subscription rights in November 2016, the warrants were adjusted to parity at 1.05 (Board of Directors' decision of November 17, 2016).*
(4) *These founders' warrants were not adjusted to parity given there were no warrants in circulation on the last adjustment date (Board of Directors' decision of November 17, 2016).*

The vesting period for the plans issued is as follows:

Type	Vesting period			12/31/2018: Number of exercisable warrants	12/31/2018: Number of warrants in the process of being vested
BSPCE 02/2009	1/3 by calendar year from granting date			13,000	
BSPCE 03/2010				30,000	
BSPCE 06/2011				68,000	
BSPCE 09/2011				49,000	
BSPCE 03/2016	1/3 on 04/01/2017	1/3 on 04/01/2018	1/3 on 04/01/2019	226,000	113,000
BSPCE 07/2016 T1	1/3 on 07/11/2016	1/3 on 07/01/2017	1/3 on 07/01/2018	203,203	
BSPCE 07/2016 T2	1/3 on 07/01/2017	1/3 on 07/01/2018	1/3 on 07/01/2019	33,333	16,667
BSPCE 01/2018	1/3 on 02/01/2019	1/3 on 02/01/2020	1/3 on 02/01/2021		380,500
				622,536	**510,167**

The BSPCEs are subject to a condition of presence of the beneficiaries within the Company as employees or Directors.

Type	Award date	12/31/2017	Awarded	Exercised	Void	12/31/2018	Maximum number of subscribable shares (1) (2) (3)
BSPCE 02/2009	Board meeting of 02/05/2009	13,000				13,000	1,583
BSPCE 03/2010	Board meeting of 04/22/2010	30,000				30,000	3,654
BSPCE 06/2011	Board meeting of 04/06/2011	68,000				68,000	8,283
BSPCE 09/2011	Board meeting of 11/18/2011	49,000				49,000	5,969
BSPCE 03/2016	Board meeting of 03/24/2016	369,000			(30,000)	339,000	355,950 *
BSPCE 07/2016 T1	Board meeting of 7/11/2016	207,263			(4,060)	203,203	213,363
BSPCE 07/2016 T2	Board meeting of 7/11/2016	50,000				50,000	52,500 *
BSPCE 01/2018	Board meeting of 1/23/2018	-	418,000		(37,500)	380,500	380,500 *
Total		**786,263**	**418,000**	**-**	**(71,560)**	**1,132,703**	**1,021,803**

** note that some warrants are in the process of being vested.*

(1) (2) (3) Following the adjustments to parity as described above.

9.3 Stock options

The table below summarizes the data related to the plans issued:

Type	Award date	Features of the plans: Total number of options awarded	Exercise period	Initial exercise price	Adjusted exercise price (1)	
Stock option 07/2015	Board meeting of 07/15/2015	**22,500**	10 years	€ 2.66	€ 2.53	
Stock option 03/2016	Board meeting of 03/24/2016	**70,000**	10 years	€ 1.50	€ 1.43	
Stock option 01/2018	Board meeting of 1/23/2018	**22,500**	10 years	€ 0.65	N/A	(2)

1. *Following the capital increase with preferential subscription rights in November 2016, the warrants were adjusted to parity at 1.05 (Board of Directors' decision of November 17, 2016).*
2. *These stock-options were not adjusted to parity given there were no warrants in circulation on the last adjustment date (Board of Directors' decision of November 17, 2016).*

The vesting period for the plans issued is as follows:

Type	Vesting period			12/31/2018: Number of exercisable warrants	12/31/2018: Number of warrants in the process of being vested
Stock option 07/2015	1/3 on 09/01/2016	1/3 on 09/01/2017	1/3 on 09/01/2018	12,500	
Stock option 03/2016	1/3 on 04/01/2017	1/3 on 04/01/2018	1/3 on 04/01/2019	6,667	3,333
Stock option 01/2018	1/3 on 02/01/2019	1/3 on 02/01/2020	1/3 on 02/01/2021		22,500
				19,167	**25,833**

The stock options are subject to a condition of presence of the beneficiaries within the Company as employees.

Type	Award date	12/31/2017	Awarded	Exercised	Void	12/31/2018	Maximum number of subscribable shares (1)
Stock option 07/2015	Board meeting of 07/15/2015	12,500				12,500	13,125 *
Stock option 03/2016	Board meeting of 03/24/2016	70,000			(60,000)	10,000	10,500 *
Stock option 01/2018	Board meeting of 1/23/2018	-	22,500			22,500	22,500 *
Total		**82,500**	**22,500**	**-**	**(60,000)**	**45,000**	**46,125**

** Note that these warrants are in the process of being vested.*
(1) Following the adjustment to parity as described above.

9.4 Equity instruments awarded to executives

	Issue and award decision	Type	Issued, awarded and subscribed	Awarded and likely to be subscribed	Exercisable at closing 12/31/2018	Exercisable subject to conditions	Number of subscribable shares (1)
Ludovic Lastennet	3/24/2016	Founders' warrant (BSPCE)	140,000		93,333	46,667	*147,000*
	7/11/2016	Founders' warrant (BSPCE)	112,601		75,068	37,533	*118,231*
	1/23/2018	Founders' warrant (BSPCE)	70,000			70,000	*70,000*
	TOTAL		**322,601**	**-**	**168,401**	**154,200**	**335,231**
Jean-Gérard Galvez	10/11/2012	Warrant (BSA)	50,000		50,000		*6,090*
	1/22/2013	Warrant (BSA)	25,000		25,000		*3,045*
	7/11/2016	Founders' warrant (BSPCE)	32,719		32,719		*34,355*
	7/11/2016	Founders' warrant (BSPCE)	50,000		33,333	16,667	*52,500*
	1/23/2018	Founders' warrant (BSPCE)	20,000		-	20,000	*20,000*
	TOTAL		**177,719**	**-**	**141,052**	**36,667**	**115,990**

(1) After adjusting the number of shares that may be subscribed upon exercise of BSPCEs and the exercise price of the BSPCEs following the successive increases in capital while maintaining the shareholders' preferential subscription right, in accordance with Article L. 228-99 of the French Commercial Code. The warrants were adjusted to parity at 1.16 in March 2015 (Board of Directors' decision of March 18, 2015) then at 1.05 in November 2016 (Board of Directors' decision of November 17, 2016).

Note 10: Provisions for liabilities and expenses and for impairment

Accounting principles

Provisions for liabilities and expenses

These provisions, recognized in compliance with CRC Regulation No. 2000-06, are intended to cover the liabilities and expenses which current or past events make probable, whose amount is quantifiable in terms of their scope, but for which the realization, due date or amount are uncertain.

The Company may be involved in judicial, administrative or regulatory proceedings during the ordinary course of its activities. A provision is recognized by the Company where there is a sufficient probability that such disputes may lead to costs for the Company, on the basis of claims, legal obligations and lawyers' opinions.

PROVISIONS (Amounts in €'000)	12/31/2018 Amount at start of year	Allocations	Reversals	Amount at year end
Provisions for legal disputes	576		75	501
Provisions for foreign exchange losses	24	1	24	1
Total provisions for liabilities and expenses	**599**	**1**	**99**	**501**
	Amount at start of year	**Allocations**	**Reversals**	**Amount at year end**
Provisions on other investments	2,437	1,649	0	4,086
Long-term financial assets	45	47	46	47
Provisions for inventories and work in progress	490	161		651
Provisions for trade receivables	368	16	256	128
Provisions for other receivables	587			587
Total provisions for depreciation and amortization	**3,927**	**1,873**	**302**	**5,499**
Grand total	**4,526**	**1,874**	**401**	**6,000**

On December 31, 2017, the Company recorded provisions for legal disputes of €501 thousand, mainly due to a commercial dispute to cover the sentence representing the best estimate of the risk incurred to date.

Lastly, a reversal of provision was recorded in 2018 for €75 thousand for a completed dispute.

The amount of provisions for risks and litigation is therefore €501 thousand at December 31, 2018.

Provisions for impairment

- See Note 3.2 for impairments of long-term financial assets
- See Note 4 for impairments of inventories
- See Note 5 for impairments of receivables

Note 11: Bond issue

CHANGES IN BOND ISSUES (Amounts in €'000)	Convertible bonds L1 Capital	Convertible bonds Nice & Green	Total
At December 31, 2017	**10**		**10**
(+) Subscription	1,500	196	1,696
(+) Redemption premium		4	4
(-) Redemption			-
(+) Capitalized interest/accretion			-
(+/-) Translation	(1,420)	(150)	(1,570)
At December 31, 2018	**90**	**50**	**140**

Issue of Convertible bonds in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND

<u>Initial agreement</u>

On October 12, 2015, the Company entered into an issuance of convertible bonds with warrants attached ("OCABSA") with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND), enabling the Company potentially raise €5 million, at its own discretion.

The OCAs have the following characteristics:

- nominal value: €10,000;
- subscription price: 99% of par value;
- maturity: 12 months;
- no interest;
- conversion terms: N = Vn/P where
  - N is the number of shares that can be subscribed,
  - Vn is the value of the bond receivable,
  - P is 92% of the lowest of the 10 average daily prices quoted weighted by the volumes of the Company's share immediately preceding the conversion application date, and as a minimum equal to the nominal value of the share (€0.70).

<u>New agreement</u>

On March 7, 2018, the Company entered into an issuance of convertible bonds ("OCA") enabling the Company potentially raise €5 million, at its own discretion. This new financing, with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND, cancel and replace the €1.9 million balance related to the previous financing agreement executed on October 2015.

The new OCAs have the following characteristics:

- nominal value: €10,000;
- subscription price: 100% of par value;
- maturity: 12 months;
- no interest;
- conversion terms: N = Vn/P where
  - N is the number of shares that can be subscribed,
  - Vn is the value of the bond receivable,
  - P is 92% of the lowest of the 10 average daily prices quoted weighted by the volumes of the Company's share immediately preceding the conversion application date, and as a minimum equal to the nominal value of the share (€0.05).

The Board of Directors decided the issue of:

- Through the initial agreement:
  - an initial tranche of 100 OCABSAs with a total value of €1.0 million on October 12, 2015;
  - a second tranche of 35 OCABSAs with a total value of €350 thousand on June 29, 2016;
  - a third tranche of 25 OCABSAs with a total value of €250 thousand on July 29, 2016;
  - a fourth tranche of 150 OCABSAs with a total value of €1.5 million on May 29, 2017, being noted that the BSAs attached to the new tranches issued are immediately transferred to the Company at the overall price of €0.01 for their cancellation.
- Through the new agreement:
  - an initial tranche of 100 OCAs with a total value of €1,000 thousand on March 7, 2018;
  - a second tranche of 50 OCAs with a total value of €500 thousand on August 2, 2018.

Type	Award date	Features of the plans									Maximum number of subscribable shares (1)
		Total number of options awarded	Exercise period	Initial exercise price	Adjusted exercise price (1) (2) (3)	12/31/2017	Awarded	Exercised	Void	12/31/2018	
BSA $_{L1T1}$	Board meeting of 10/14/2015	**400,000**	5 years	€ 2.50	€ 0.70	294,988				294,988	1,474,645
BSA $_{L1T2}$	Board meeting of 06/29/2016	**244,755**	5 years	€ 1.43	€ 0.70	244,755				244,755	700,000
BSA $_{L1T3}$	Board meeting of 07/28/2016	**186,567**	5 years	€ 1.34	€ 0.70	186,567				186,567	500,000
						726,310	-	-	-	**726,310**	**2,674,645**

(1) Following the capital increase with preferential subscription rights in November 2016, and the capital increase with cancelation of preferential subscription rights for the benefit of named persons in November 2017, the warrants were adjusted for parity at 4.999 for the BSAs$_{L1T1}$, 2.860 for the BSAs$_{L1T2}$ and 2.680 for the BSAs$_{L1T3}$ (Board of Directors' decision of November 17, 2016 and November 6, 2017).

At December 31, 2018, nine convertible bond (OCA) and 726,310 BSAs (294,988 BSAs$_{T1}$, 244,755 BSA$_{T2}$ and 186,567 BSA$_{T3}$) were outstanding.

Issue of convertible bonds in favor of NICE & GREEN

On November 9th, 2018, the Company entered into an issuance of convertible bonds with a profit sharing plan ("OCAPI") with Nice & Green enabling a minimum raise of €0.8 million under the following time schedule:

DATE	Amount (in € thousand)
Before December 31, 2018	200
Before January 31, 2019	200
Before February 28, 2019	200
Before March 31, 2019	200

NICE & GREEN also get an option at its discretion to call up an additional tranche of 4 OCAPIs at any time up to March 31, 2019.

The OCAPIs have the following characteristics:

- nominal value: €50,000;
- subscription price: 98% of par value;
- maturity: 12 months;
- no interest;
- conversion or reimbursement at the Company convenience
    - conversion terms: N = Vn/P where
        - N is the number of shares that can be subscribed,
        - Vn is the value of the bond receivable,
        - P is 92% of the lowest of the 6 average daily prices quoted weighted by the volumes of the Company's share immediately preceding the conversion application date (it being specified that P cannot be less than 75% of the 5 average daily prices quoted weighted by the volumes and cannot be less than the nominal value of one Implanet share).
    - reimbursment terms: V = Vn/0.97 where
        - V is the amount to be repaid,
        - Vn is the value of the bond receivable.

The Company may also benefit from a profit sharing plan amounting to 10% of the net profit achieved by Nice & Green between the granting date and the date when all the shares from the conversion of the OCAPIs will be sold.

At December 31, 2018, one convertible bond (OCAPI) was outstanding.

Note 12: Loans from financial institutions

Accounting principles

Loans are valued at their nominal value. Issue expenses for loans are recognized immediately.

Accrued interest is recognized in liabilities, at the interest rate set out in the contract.

Summary

CHANGE IN BANK LOANS (Amounts in €'000)	Loan 06/2015	Loan 04/2017	Loan 09/2017	Loan 04/2018	Total
At December 31, 2016	**254**	**-**	**-**	**-**	**254**
(+) Subscription	-	200	210	-	410
(-) Redemption	(168)	(38)	(17)	-	(224)
At December 31, 2017	**85**	**162**	**193**	**-**	**440**
(+) Subscription	-	-	-	500	500
(-) Redemption	(85)	(66)	(69)	(109)	(330)
At December 31, 2018	**-**	**95**	**124**	**391**	**610**

On June 10, 2015, the Company took out a loan with Banque Courtois.

The main characteristics of the loan are as follows:
- Nominal value: €500 thousand;
- Term: three years;
- Interest rate: 1.95% per year ;
- Interest paid quarterly in arrears.

On April 4, 2017, the Company signed a loan agreement with HSBC Bank for the purpose of "financing the operation cycle".

The main characteristics of the loan are as follows:
- Nominal value: €200 thousand;
- Term: three years;
- Interest rate: 1.00% per year;
- Interest paid monthly in arrears.

On September 12, 2017, the Company signed a loan with Banque Courtois for the purpose of "financing surgical instruments".

The main characteristics of the loan are as follows:

- Nominal value: €210 thousand;
- Term: three years;
- Interest rate: 1.95% per year ;
- Interest paid monthly in arrears.

On April 2018, the Company signed a loan with Banque Courtois for the purpose of "financing surgical instruments".

The main characteristics of the loan are as follows:

- Nominal value: €500 thousand;
- Term: three years;
- Interest rate: 1.50% per year ;
- Interest paid monthly in arrears.

The amount of repayments during the 2018 fiscal year is €330 thousand.

Note 13: Loans and miscellaneous financial debts

Accounting principles

Conditional advances

Advances received from public bodies for the financing of the Company's research activities or for regional commercial market prospecting, for which repayments are conditional, are presented in liabilities under “Loans and miscellaneous financial debts” and their characteristics are detailed below.

In the event of a bad debt, the waiver of the receivable is recognized as a subsidy.

Subsidies

Subsidies received are recognized as soon as the corresponding receivable becomes certain, taking account of the conditions imposed for the grant of the subsidy.

Operating subsidies are recognized in ordinary income taking account, where applicable, of the rate of the corresponding expenses in such a way as to comply with the principle of matching expenses to income.

Summary

Loans and miscellaneous financial debts comprise reimbursable advances granted by public bodies (BPI marketing insurance) and an interest-free loan for innovation BPI France.

The table below sets out the composition and changes in the loans and miscellaneous financial debts:

CHANGES IN REIMBURSABLE ADVANCES & INTEREST-FREE LOANS (Amounts in €'000)	**BPI - Marketing insurance**	**BPI - Interest-free innovation loan - JAZZ Braid**	**Total**
At December 31, 2017		**800**	**800**
(+) Subscription	98		98
(-) Redemption			-
(+/-) Other movements			-
At December 31, 2018	**98**	**800**	**898**

13.1 Avance remboursable OSEO Innovation – Genou

13.1 Reimbursable OSEO Innovation advance - Knee

On February 25, 2010, OSEO granted Implanet an interest-free repayable innovation loan of €350 thousand to "develop a three-compartment knee prosthesis for first-line treatment and the related instruments".
The payments from OSEO were made in stages between the signature of the contract and the end of the project, the principal stages being:

- first payment of €280 thousand following the signature of the contract (received on March 1, 2010);
- the balance on completion of the work on May 9, 2011.

Following the technical and commercial success of the project, the reimbursement of this innovation subsidy has begun in accordance with the following schedule:

- €13 thousand per quarter in 2014 on the last day of the quarter;
- €18 thousand per quarter in 2015 on the last day of the quarter;
- €20 thousand per quarter in 2016 on the last day of the quarter;
- €23 thousand per quarter in 2017 on the last day of the quarter.

This repayable advance was fully repaid as at December 31, 2017.

13.2 BPI France interest-free loan for innovation – Jazz braid implant

In June 2016, the Company obtained BPI France's agreement for an interest-free loan for innovation of €800 thousand for the "development and clinical assessment of the Jazz braid implant for degenerative spinal surgery (particularly the securing or replacement of pedicle screws)". The funds were received by the Company on August 19, 2016, after deduction of the processing costs of €24 thousand.

This loan has the following characteristics:

- deferred redemption of three years;
- repayment of €40 thousand per quarter from July 31, 2019 until April 30, 2024.

The balance of this BPI France repayable interest-free loan for innovation amounts to €800 thousand at December 31, 2018.

13.3 Marketing insurance BPI France

In July 2018, the Company obtained BPI France's agreement for marketing insurance interest free loan covering the "Germany" and "United Kingdom" areas. The amount of the marketing expenses covered by the contract for the whole coverage period €300 thousand, to be multiplied by a 65% ratio.

The Company received a first installment of €98 thousand in August 2018.
The repayment period is from May 1st, 2023 to April 30, 2026.

The reimbursement will be as follows:

- From May 1st, 2023 to April 30, 2024: the reimbursment will correspond to 30% of the amounts received by the Company;
- From May 1st, 2024 to April 30, 2026: reimbursment based on the revenue done by the Company on these areas.

Note 14: Maturity dates of the debts at year-end

STATEMENT OF LIABILITIES (Amounts in €'000)	12/31/2018 Gross Amount	Due in less than 1 year	From 1 to 5 years	Due in more than 5 years
Financial debt				
Convertible bond issues	140	140		
Bond issue and accrued interest	0	0	-	
Loans and debts due to financial institutions	835	528	307	
Loans and miscellaneous financial liabilities	898	80	738	80
Total debt	**1,873**	**748**	**1,045**	**80**
Operating liabilities				
Trade payables and related accounts	2,217	2,217		
Employees and related accounts	232	232		
Social security and other social bodies	264	264		
Other taxes, duties and similar payments	21	21		
Other liabilities	156	156		
Total operating liabilities	**2,890**	**2,890**	**-**	**-**
Grand total	**4,763**	**3,638**	**1,045**	**80**

The loans and debts due to financial institutions of €835 thousand include the bank overdraft facility of €225 thousand (Banque Courtois).

Note 15: Details of accrued expenses

Accrued expenses are broken down as follows for the two fiscal years presented:

DETAIL OF ACCRUED EXPENSES (Amounts in €'000)	**12/31/2018**	**12/31/2017**
Bond issue		
Interest payable		
Total bond issue	**-**	**-**
Trade and other accounts payable		
Suppliers - Invoices not yet received	352	390
Total trade payables and related accounts	**352**	**390**
Tax and social security liabilities		
Employees - provision for vacation pay	182	204
Employees - accrued expenses	109	239
Accrued social charges	37	134
State - accrued expenses	19	41
Total tax and social security liabilities	**347**	**618**
Other liabilities	30	31
Total other liabilities	**30**	**31**
Grand total	**729**	**1,039**

Note 16: Revenues

Accounting principles

The recognition of income depends on the nature of the sales made by the Company:

- **Export sales to distributors or to its distribution subsidiary:** the transfer of title occurs at the time of collection of the merchandise from Implanet (incoterms: EXWORKS). Contracts do not include specific clauses for returns ;

- **Sales in France to hospitals and clinics:** the invoicing takes place at the time of the effective fitting of the implant to a patient, based on information provided by the healthcare facilities;

- **Sales in France to distributors:**
  - instruments and a set of implants are provided to healthcare facilities (instruments in Implanet’s fixed assets and implants in consigned inventory),
  - invoicing to distributors takes place on the date of the fitting of the implants, generating restocking from consignment stock;

- **Sales in France via sales agents:**
  - invoicing of healthcare facilities is carried out directly by Implanet on receipt of the information related to the fitting of implants,
  - agents' commissions are recognized in “Other external purchases and expenses”.

The Company's revenues essentially comprise the sale of orthopedic implants.

Summary

Revenue by geographic region for the last two fiscal years ended December 31, 2018 and 2017 are as follows:

REVENUE BY GEOGRAPHIC REGION (Amounts in €'000)	12/31/2018	12/31/2017
France	3,914	3,794
Rest of the World	1,739	2,861
Total revenue by geographic region	**5,653**	**6,655**

Note 17: Transfers of expenses

TRANSFERS OF EXPENSES (Amounts in €'000)	12/31/2018	12/31/2017
Movement of inventories of ancillary devices into fixed assets	358	398
Benefits in kind granted to employees	76	65
Reimbursement from training bodies	3	10
Rebilling of expenses	65	70
Employment aid	3	2
Insurance reimbursements related to claims	2	16
Total transfers of expenses	**507**	**563**

At the time of provision of ancillary devices to healthcare establishments, a transfer of these devices from inventories to fixed assets is carried out by means of a transfer of expenses.

Note 18: Financial income and expenses

Accounting principles

Financial net income mainly comprises the following:

- interest expenses related to the factor and loans;
- interest income from term deposit accounts and Medium-Term Notes (“MTN”);
- charges to and reversals of provisions for impairment of treasury shares;
- charges to and reversals of impairment of current account with the subsidiary Implanet America Inc.;
- and foreign exchange gains and losses.
  As a result of ANC ruling no. 2015-05 of 07/02/2015, foreign exchange differences on commercial operations are no longer recorded in financial income (loss) but in net operating income.

Summary

FINANCIAL INCOME (Amounts in €'000)	12/31/2018	12/31/2017
Foreign exchange gains	9	224
Interest income	9	2
Reversal of provisions for impairment of Implanet America's current account		2,918
Reversal of provisions for impairment of treasury shares	46	294
Reversal of provisions for foreign exchange losses	24	-
Total financial income	**88**	**3,438**

FINANCIAL EXPENSES (Amounts in €'000)	12/31/2018	12/31/2017
Foreign exchange losses	2	63
Provisions for risk of foreign exchange losses	1	20
Provision for impairment of Implanet America's current account		587
Provision for impairment of Implanet America securities	1,649	2,437
Provision for impairment of treasury shares	47	286
Interest expense	12	194
Total financial expenses	**1,710**	**3,587**

Note 19: Non-recurring income and expenses

Distinction between recurring and non-recurring net income

Recurring net income records the income and expenses related to the ordinary activity of the business.

Unusual items related to ordinary activities are recorded in recurring net income. In particular, these include the following items:

- charges to and reversals of provisions for exceptional and non-recurring legal disputes;
- operating subsidies;
- transfers of operating expenses relating in particular to capitalized production and inventories of ancillary devices transferred into fixed assets at the time of their delivery to healthcare establishments.

Exceptional items not related to ordinary activities constitute non-recurring net income.

Summary

NON-RECURRING EXPENSES (Amounts in €'000)	12/31/2018	12/31/2017
Net carrying amount of assets sold	6	30
Cost of fund raising		5
Provision pour litige		456
Loss from buyback of treasury shares	44	57
Non recurring restructuring expenses	97	
Miscellaneous non-recurring expenses	1	9
Total non-recurring expenses	**148**	**557**

Note 20: Corporate income tax

Since the Company made a loss, it did not bear any income tax charge.

The amounts recognized in the income statement in respect of corporate income tax are income related to the research tax credit (CIR) and amounted to:

- €159 thousand in 2018
- €265 thousand in 2017

At December 31, 2018, the amount of the Company's tax losses which can be carried forward indefinitely amounted to €69,232 thousand.

The corporation tax rate applicable to the Company in 2018 is the current rate in force in France, i.e. 28% for the share of profits not exceeding €500 thousand; above that the applicable tax rate is 33.33%.

Note 21: Related parties

21.1 Transactions with related parties

As part of the ordinary management of the Company, it maintains arm's length relations with its subsidiary.

21.2 Executives' compensation (excluding awards of capital instruments)

In application of Article 531-3 of the General Accounting Plan, the Executive Directors of a *Société Anonyme* (public limited company) with a Board of Directors are deemed to be the Chairman of the Board of Directors, the Deputy Chief Executive Officers and the natural or legal person Directors (and their permanent representatives).

No post-employment benefits are granted to members of the Board of Directors.
The compensation due to the executives of Implanet during the 2018 and 2017 fiscal years was as follows:

DIRECTORS' COMPENSATION (Amounts in €'000)	Function	Fixed compensation	Variable compensation	Benefit in kind	Charges patronales	Advisory fees	Attendance fees	Total
					12/31/2018			
Mr. Ludovic Lastennet	Director since January 22, 2013. Sales Director CEO since November 27, 2012	217	45	32				294
Mr. Jean-Gérard Galvez	Chairman of the Board of Directors					108		108
Mr. Brian Ennis	Member of the Board of Directors and Chairman of the US subsidiary	163						163
Ms. Mary Shaughnessy	Member of the Board of Directors						10	10
Ms. Paula Spears	Member of the Board of Directors						10	10
Mr. Jan Egberts	Member of the Board of Directors						10	10
Total Directors' compensation		**379**	**45**	**32**	**-**	**108**	**30**	**594**

Mr. Brian Ennis has been an employee of the Implanet America subsidiary since January 1, 2016 and left the subsidiary on January 15, 2018. He received total compensation of €163 thousand (including a terminatin package) fully paid by the said subsidiary.

DIRECTORS' COMPENSATION (Amounts in €'000)	12/31/2017						
	Function	Fixed compensation	Variable compensation	Benefit in kind	Advisory fees	Attendance fees	Total
Mr. Ludovic Lastennet	Director since January 22, 2013. Sales Director CEO since November 27, 2012	212	45	27			284
Mr. Jean-Gérard Galvez	Chairman of the Board of Directors				108		108
Mr. Brian Ennis	Member of the Board of Directors and Chairman of the US subsidiary	267	22				290
Ms. Mary Shaughnessy	Member of the Board of Directors					11	11
Ms. Paula Spears	Member of the Board of Directors					9	9
Mr. Jan Egberts	Member of the Board of Directors					10	10
Total Directors' compensation		**480**	**67**	**27**	**108**	**30**	**712**

The terms for the allocation of the variable part of compensation are based on performance criteria.
For the award of equity instruments to executives, see Note 9.3.

Note 22: Commitments given

22.1 Retirement Benefits

Accounting principles

The amounts of future payments corresponding to benefits granted to employees are valued using an actuarial method, using assumptions concerning the trend in salaries, retirement age and mortality; these valuations are then discounted.

These commitments are not the subject of provisions but appear in the off-balance sheet commitment below.

Calculation methodology

The purpose of the actuarial valuation is to produce an estimate of the discounted value of Implanet's commitments in terms of retirement benefits provided for in the collective agreements.

This amount is determined on the various year-end dates on the basis of an actuarial valuation, based on the use of the projected credit unit method, taking into account staff turnover and mortality rates.

Actuarial assumptions

The main actuarial assumptions used for evaluation of the retirement benefits are the following:

ACTUARIAL ASSUMPTIONS	12/31/2018		12/31/2017	
	Managers	Non managers	Managers	Non managers
Retirement age	Voluntary departure between ages 65 and 67			
Collective agreements	Metallurgy Engineers and Managers	Metallurgy Gironde Landes	Metallurgy Engineers and Managers	Metallurgy Gironde Landes
Discount rate (IBOXX Corporates AA)	1.57%		1.30%	
Mortality table	INSEE 2017		INSEE 2017	
Rate of revaluation of salaries	2.00%		2.00%	
Rate of turnover	Average (AG2R table)		Average (AG2R table)	
Rate of social security charges	50%	49%	51%	49%

Calculated commitments

The commitments calculated for the retirement benefits are broken down as follows:

RETIREMENT BENEFITS (Amounts in €'000)	12/31/2018	12/31/2017
Amount of commitments	157	144

22.2 Commitment under contract with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND and NICE & GREEN

Within the framework of the OCA contract signed with EUROPEAN SELECT GROWTH OPPORTUNITIES FUND and the OCAPI contract signed with NICE & GREEN, the Company granted the following sureties and commitments:

- Commitment (a) not to participate in any floating-rate financing, (b) not to pay dividends in the form of Company assets or shares, (c) not to issue Equity Lines, being noticed this is not applicable to other financing operations (such as capital increase with or without preferential subscription rights or the issuance of transferable securities conferring a right to acquire equity based on a fixed conversion ratio).

- Company commitment not to enter into any mortgage, physical collateral, pledge of goodwill or guarantee against debt securities conferring a right to acquire equity without granting the same guarantees to them.

22.3 Lease-financing

LEASE FINANCING (Amounts in €'000)	12/31/2018	12/31/2017
Original value	**1,719**	1,830
Depreciation and amortization:	-	0
- cumulative total for prior years	1,603	1,289
- allocations for the year	84	341
Total	**1,687**	**1,630**
Royalties paid		
- cumulative total for prior years	3,099	2,792
- royalties for the year	51	307
Total	**3,149**	**3,099**
Royalties remaining to be paid		
- in less than one year	50	51
- between one and five years		50
- in more than five years		
Total	**50**	**101**
Residual value		
- in less than one year		1
- between one and five years		1
- in more than five years	-	0
Total	**-**	**2**
Amount recognized during the year	**52**	**304**

Finance lease contracts cover software, installations, equipment and tooling.

22.4 Commercial leases

Real estate leases

Implanet SA has concluded the following commercial lease:

Real estate complex (administrative and logistics buildings):

Address: Technopole Bordeaux Montesquieu - Allée François Magendie, 33650 Martillac, France

Term: October 1, 2016 – September 30, 2026

Early departure: Possible at the end of the second three-year period

Annual rent excl. VAT and charges €224 thousand

Charges and commitments

The amount of the rental payments recognized at the end of 2018 and the commitments up until the next three-year period are broken down as follows:

					12/31/2018 Commitment until the next termination date		
Location	Real estate leasing contracts	Effective start date of lease	Expiry date of lease	Leasing expenses excluding charges at 12/31/2018	Due in less than 1 year	From 1 to 5 years	Due in more than 5 years
MARTILLAC	Ensemble immobilier (bâtiments administratif & logistique)	10/1/2016	9/30/2026	224	228	614	

22.5 Factoring contract

The Company uses the CGA and CofaCrédit factoring organizations for financing, by assigning to it trade receivables originating in France and export. At the end of the two fiscal years presented, the outstanding balances (amounts discounted at the year-end date), together with the financial expenses arising from the use of the factor, were as follows:

FACTORING COMPANY (Amounts in €'000)	**12/31/2018**	**12/31/2017**
Outstanding financing balance with factor	868	1,002
Total factor debt	**868**	**1,002**
Commissions on factor drawdowns	37	32
Interest on factor drawdowns	2	8
Total factor expenses	**39**	**40**

The counterparty for the assignment of the trade receivables to the factor is paid into the Company's cash balance by the factor.

The customer risk which may arise from an unpaid receivable included in the outstanding balance is not transferred to the factor but remains borne by Implanet. The Company re-incorporates into its trade receivables those which have been assigned to the factor, where the latter is the subject of a bad debt by a customer and where the factor has reassigned it to Implanet; a provision for impairment of these receivables is made as soon as the risks are identified.

Factoring and financing commissions are recognized in financial net income. The amount of the guarantee fund for factoring contracts was €69 thousand at the end of the fiscal year, recognized in assets (see Note 5.2).

22.6 Other financial commitments

Documentary credits and remittances

The Company may put in place documentary credits or remittances on certain markets.
No documentary credits or remittances were in progress at the close of the two fiscal years presented.

Pledge of term accounts and medium-term notes

- Renewable pledge of a €150 thousand term deposit account under a bank loan signed HSBC Bank and maturing in 2020,
- Pledge of a term deposit of €100 thousand under a bank loan signed with Banque Courtois, maturing in 2020,
- Pledge of a term deposit of €275 thousand under a bank loan signed with Banque Courtois, maturing in 2021.

Bank sureties

- Bank surety of €10 thousand from the Banque Courtois on behalf of Implanet in favor of TOTAL.

Note 23: Headcount

The average headcount of Implanet during the last two fiscal years was as follows:

AVERAGE HEADCOUNT	2018 fiscal year	2017 fiscal year
Managers	24.6	24.2
Employees	15.5	17.3
Total average headcount	**40.1**	**41.5**

Note 24: Management and measurement of financial risks

Implanet may find itself exposed to various types of financial risks: market risk, credit risk and liquidity risk. Where applicable, Implanet puts in place simple means proportionate to its size in order to minimize the potentially unfavorable effects of these risks on its financial performance. Implanet's policy is not to subscribe for financial instruments for the purposes of speculation. Implanet does not make use of derivative financial instruments.

24.1 Interest rate risk

Implanet does not have significant exposure to interest rate risks, inasmuch as:

- cash investments include term accounts and medium-term marketable warrants;
- the Company has no variable-rate debt.

24.2 Credit risk

Credit risk is linked to deposits with banks and financial establishments. Implanet relies on first class financial establishments for its cash balances and therefore carries no significant credit risk on its cash flow.

The Company distributes its implants to distributors and to public and private hospitals.
The credit risk on these healthcare facilities and distributors is low. Furthermore, the customer payment terms comply with the requirements of the Modernization of the Economy Act (LME).
It has implemented policies that allow it to ensure that its customers have a suitable credit history.

With regard to the concentration of credit risk, two distributors each account for more than 10% of revenue at December 31, 2018: one Export distributor (9%) and one France distributor (37%).

24.3 Currency risk

The chief risks in respect of the foreign exchange impact on purchases and sales in foreign currencies relate essentially to transactions with its subsidiary in US dollars.

At this stage of its development, the Company has not made use of any hedging in order to protect its business against exchange rate fluctuations. However, the Company cannot ignore the possibility that a significant increase in its activity or the presence of a subsidiary in the United States would result in greater exposure to exchange rate risk. The Company will then envisage making use of an appropriate policy for hedging these risks.

24.4 Equity risk

The company does not hold any equity interest or investment securities that are traded on a regulated market.

Note 25: Post balance sheet events

February 2019:

- Signature of a private label distribution agreement with Seaspine Inc. covering the United States. SeaSpine, a global medical technology company focused on surgical solutions for the treatment of spinal disorders, will have exclusive rights to sell the Jazz® line under its own brand name across the US, allowing Implanet to leverage its sales force in the world’s largest market.

March 2019:

- American FDA 510(k) authorizations obtaine for the marketing of for its Jazz Cap® System. Jazz Cap® is a unique and complete proprietary solution for securing screws in poor quality bone – a factor in 10% to 30% of vertebral fusion cases in adult patients

April 2019:

- Agreement from the Nouvelle Aquitaine district for a €500 thousand loan to be repaid in fine after eighteen months.
- Signature on April 15, 2019 of a convertible bonds financing (« OC ») with Nice & Green for a total amount of €3 million (300 OC of a nominal value at € 10 thousand each). The issue will be done through twelve monthly tranches of €250 thousand each, beginning May 2019. The OC subscription price is at 98% of par value. They are not interest bearing and with a 12 months maturity from the issue date. Except in case of default, the remaining OC shall be automatically converted into shares at their maturity date.

Note 26: Subsidiaries and equity interests

The Company has two wholly-owned subsidiaries:

- Implanet America Inc. (created at the end of February 2013), whose registered office is located 60 State Street Suite 700 in Boston, Massachusetts, 02109, United States.
- Implanet Gmbh (created in July 2018), whose registered office is located, Schillerstrabe 4, Frankfurt, 60313, Germany.

TABLE OF SUBSIDIARIES AND INVESTMENTS (Amounts in €'000)	Capital	Reserves and retained earnings before allocation of net income	Portion of share capital held	Carrying amount of the securities held		Current account advances	Profit or loss from the last fiscal year	Dividends	Observations
				Gross	Net				
IMPLANET AMERICA	7,249	(4,849)	100%	-	-	1,055	(687)	-	Impairment of current account: €587 thousand Closing rate: 1.145 Average rate: 1.1854
IMPLANET Gmbh	25		100%			(20)	(1)	-	

Note 27: Fees of the Statutory auditors

FEES PAID TO STATUTORY AUDITORS	2018 fiscal year				2017 fiscal year			
	Ernst & Young		INKIPIO AUDIT		Ernst & Young		INKIPIO AUDIT	
(Amounts in €'000)	Amount excl. taxes	%	Amount excl. taxes	%	Amount excl. taxes	%	Amount excl. taxes	%
Statutory audit work	49	82%	33	81%	43	74%	33	72%
Other services and due diligence directly linked to the statutory audit work		18%	8	19%	9	16%	12	28%
Subtotal	**52**	**100%**	**41**	**100%**	**52**	**91%**	**45**	**100%**
Other services rendered								
- Tax		0%		0%	1	2%	-	0%
- Other		0%		0%	4	7%	-	0%
Subtotal		**0%**	**-**	**0%**	**5**	**9%**	**-**	**0%**
Total fees	**52**	**100%**	**41**	**100%**	**57**	**100%**	**45**	**100%**

6. REPORT BY THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS

INKIPIO AUDIT
19, rue des Tuiliers
69003 Lyon
S.A.S. au capital de € 300.000
955 508 403 R.C.S. Lyon

Commissaire aux Comptes
Membre de la compagnie
régionale de Lyon

ERNST & YOUNG Audit
Hangar 16, Entrée 1
Quai de Bacalan
33070 Bordeaux cedex
S.A.S. à capital variable
344 366 315 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Implanet
Fiscal year ended December 31, 2018

Statutory auditors' report on the consolidated financial statements

To the attention of the General Shareholders' Meeting of Implanet,

Opinion

In compliance with the assignment entrusted to us by your General Shareholders' Meetings, we have audited the Implanet company's consolidated financial statements relating to the fiscal year ended December 31, 2018, as attached to this report.

We certify that the consolidated financial statements present, in accordance with the IFRS guidelines as adopted by the European Union, a true and fair view of the results of the operations during the past fiscal year, as well as the financial position and assets at the end of the fiscal year, of the Group constituted by the persons and entities included in the consolidation scope.

Opinion basis

■ **Audit guidelines**

We conducted our audit in accordance with professional standards applicable in France. We believe that the information which we collected is sufficient and appropriate on which to base our opinion.
Our responsibilities under these standards are indicated in the section "Responsibilities of the Statutory auditors on the audit of the consolidated financial statements" in this Report.

■ Independence

We conducted our audit assignment in accordance with the rules of independence that are applicable to us, for the period from January 1, 2018 to the issue date of our report, and notably, we have not provided services prohibited by the Code of Ethics for Statutory auditors.

Justification of our assessments

In accordance with the provisions of articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters, which, in our professional judgement, were the most significant for the audit of the consolidated financial statements for the fiscal year.

The assessments thereby made form part of the context for the audit of the consolidated financial statements, taken as a whole, and have contributed to the formation of our opinion as expressed above. We do not express an opinion on the items of these consolidated financial statements taken separately.

- Note 2.1 “Principle for preparation of the financial statements » in the notes to the annual financial statements describe the assumptions used by the Board of Directors to assess going concern, in regards to the losses incurred during the fiscal year. In the context of our assesment of applied accounting principles, we reviewed the undertaken actions, the impact of the financing agreements signed during 2019, and the going concern assumptions used by the Board of Directors. We reviewed the twelve months cash forecast prepared by the management worked on sensitivity analysis. We also assessed the information in the notes.

- Your Group recognizes impairment charges for inventories in accordance with the methods described in Note 5 to the consolidated financial statements, "Inventories". Our work consisted of assessing the data and assumptions used by your Group to calculate the impairment charges on inventories and to review the calculations made.

Specific verifications

In accordance with the professional standards applicable in France, we also carried out the specific verifications provided for by the texts of law and the regulations of the information relating to the Group, included in the Board of Directors' management report.

We do not have any observations to make concerning their accuracy and their consistency with the consolidated financial statements.

Responsibilities of management and persons charged with corporate governance with respect to the consolidated financial statements

It is the management's responsibility to prepare consolidated financial statements that present a true and fair view, in accordance with IFRS guidelines as adopted by the European Union, and to implement the internal controls that it considers necessary to prepare the consolidated financial statements without significant anomalies, resulting from either fraud or errors.

When preparing the consolidated financial statements, the management is responsible for assessing the Company’s ability to continue operations, to present in its financial statements, if applicable, the information required by the going concern principle, and to apply the going concern principle unless it plans to liquidate the Company or cease its activity.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory auditors relating to the audit of the consolidated financial statements

It is our responsibility to prepare a report on the consolidated financial statements. Our aim is to obtain reasonable assurance that the consolidated financial statements, taken as a whole, do not include significant anomalies. This reasonable assurance corresponds to a high level of assurance, without, however, guaranteeing that an audit carried out in accordance with professional standards will systematically detect all significant anomalies. Anomalies may result from fraud or errors and are considered to be significant when we can reasonably expect that they may, taken separately or together, influence the business decisions that users of the financial statements may take based on them.

As stipulated in article L. 823-10-1 of the French Commercial Code, our mission to certify the financial statements does not consist of guaranteeing the viability or quality of management of your company.
As part of an audit carried out in accordance with the professional standards applicable in France, the Statutory Auditor exercises his/her professional judgment throughout the audit.
Moreover:

- he/she identifies and assesses the risks that the consolidated financial statements include significant anomalies, resulting either from fraud or errors, defines and implements audit procedures for these risks and collects the elements that he/she considers sufficient and appropriate on which to base his/her opinion. The risk of non-detection of a significant anomaly resulting from fraud is higher than that of a significant anomaly resulting from an error, as this fraud may involve collusion, falsification, voluntary omissions, false declarations or the bypassing of internal control;

- he/she takes note of the relevant internal control for the audit, in order to define the relevant audit procedures for the circumstances, and not with the aim of expressing an opinion on the effectiveness of the internal control;

- he/she assesses the appropriate nature of the accounting methods selected and the reasonable nature of the accounting estimates made by the management, as well as the information relating to them provided in the consolidated financial statements;

- he/she assess the appropriate nature of the application by management of the going concern principle, and, depending on the elements collected, the existence of a significant uncertainty associated with events or circumstances likely to call into question the Company’s ability to continue operations. This assessment is based on the elements collected up to the date of his/her report, it being recalled that the events or circumstances after this date may call into question the going concern. If he/she concludes that there is a significant uncertainty, he/she draws the attention of the report readers to the information provided in the consolidated financial statements on the subject of this uncertainty, or if this information is not provided or is not relevant, he/she provides a certification with reserves or a refusal to certify;

- he/she assesses the overall presentation of the consolidated financial statements and whether the consolidated financial statements reflect the underlying operations and events in a true and fair way;

- with regard to the financial information of persons or entities included in the consolidation scope, he/she collects the elements he/she considers sufficient and appropriate to express an opinion on the consolidated financial statements. He/she is responsible for managing, supervising and preparing the audit of the consolidated financial statements and the opinion expressed on these financial statements.

Lyon and Bordeaux, April 29, 2019

The Statutory auditors

INKIPIO AUDIT	ERNST & YOUNG Audit	
Clément Albrieux	Jean-Pierre Caton	Laurent Chapoulaud

7. 20.4.2. REPORT BY THE STATUTORY AUDITORS ON THE ANNUAL FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH FRENCH GAAP

INKIPIO AUDIT
19, rue des Tuiliers
69003 Lyon
S.A.S. au capital de € 300.000
955 508 403 R.C.S. Lyon

Commissaire aux Comptes
Membre de la compagnie
régionale de Lyon

ERNST & YOUNG Audit
Hangar 16, Entrée 1
Quai de Bacalan
33070 Bordeaux cedex
S.A.S. à capital variable
344 366 315 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Implanet
Fiscal year ended December 31, 2018

Statutory auditors' report on the financial statements

To the attention of the General Shareholders' Meeting of Implanet,

Opinion

In compliance with the assignment entrusted to us by your General Shareholders' Meetings, we have audited the annual financial statements of Implanet relating to the fiscal year ended December 31, 2018, as attached to this report.

We certify that the annual financial statements present, with regard to French accounting rules and principles, a true and fair view of the net income from operations for the fiscal year just ended, as well as of the financial position and the assets of the Company at the end of this fiscal year.

Opinion basis

■ **Audit guidelines**

We conducted our audit in accordance with professional standards applicable in France. We believe that the information which we collected is sufficient and appropriate on which to base our opinion.

Our responsibilities under these standards are indicated in the section "Responsibilities of the Statutory auditors on the audit of the annual financial statements" in this Report.

■ **Independence**

We have conducted our audit assignment in accordance with the rules of independence that are applicable to us, for the period from January 1, 2018 to the issue date of our report, and notably, we have not provided services prohibited by the Code of Ethics for Statutory auditors.

Justification of our assessments

In accordance with the provisions of articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters, which, in our professional judgement, were the most significant for the audit of the annual financial statements for the fiscal year.

The assessments thereby made form part of the context for the audit of the annual financial statements, taken as a whole, and have contributed to the formation of our opinion as expressed above. We do not express an opinion on the items of these annual financial statements taken separately.

► Note 2.1 “Principle for preparation of the financial statements » in the notes to the annual financial statements describe the assumptions used by the Board of Directors to assess going concern, in regards to the losses incurred during the fiscal year. In the context of our assesment of applied accounting principles, we reviewed the undertaken actions, the impact of the financing agreements signed during 2019, and the going concern assumptions used by the Board of Directors. We reviewed the twelve months cash forecast prepared by the management worked on sensitivity analysis. We also assessed the information in the notes.

► Your Company recognizes impairment charges for inventories in accordance with the methods described in Note 4 to the annual financial statements, "Inventories". Our work consisted of assessing the data and assumptions used by your Company to calculate the impairment charges on inventories and to review the calculations made.

► Note 3.2 “Long-term financial assets" in the notes to the annual financial statements describe the evaluation and impairment principles and methods used for equity investments and receivables, as regards the Implanet America subsidiary. Our work consisted of assessing the data and the assumptions on which these estimates are based.

Specific verifications

We have also carried out, in accordance with the professional standards applicable in France, the specific verifications required by the texts of law and regulations.

■ **Information given in the Management report and in the other documents sent to shareholders, on the financial position and the annual financial statements**

We do not have any observations to make concerning the accuracy and consistency with the annual financial statements of the information given in the management report of the Board of Directors and in the other documents sent to shareholders concerning the financial position and the annual financial statements.

We attest the fair presentation and the consistency with the financial statements of the information related to payment terms mentioned in Article D. 441-4 of the French Commercial Code (Code de commerce).

■ **Information relating to corporate governance**

We attest to the existence in the section of the Board of Directors' Management report on Corporate governance, of the information required by article L. 225-37-4 of the French Commercial Code.

■ **Other disclosures**

In application of the law, we have assured ourselves that the various items of information relating to the participations and controls and to the identity of the holders of the share capital or the voting rights have been notified to you in the management report.

Responsibilities of the management team and constituting persons on the corporate governance relating to the annual financial statements

It is the management's responsibility to prepare annual financial statements that present a true and fair view, in accordance with French accounting principles, and to implement the internal controls that it considers necessary to prepare the annual financial statements without significant anomalies, resulting from either fraud or errors.

When preparing the annual financial statements, the management is responsible for assessing the ability for the Company to continue operations, to present in its financial statements, if applicable, the information required by the going concern principle, and to apply the going concern principle unless it plans to liquidate the Company or cease its activity.

The annual financial statements have been approved by the Board of Directors.

Responsibilities of the Statutory auditors relating to the audit of the annual financial statements

It is our responsibility to prepare a report on the annual financial statements. Our aim is to obtain reasonable assurance that the annual financial statements, taken as a whole, do not include significant anomalies. This reasonable assurance corresponds to a high level of assurance, without, however, guaranteeing that an audit carried out in accordance with professional standards will systematically detect all significant anomalies. Anomalies may result from fraud or errors and are considered to be significant when we can reasonably expect that they may, taken separately or together, influence the business decisions that users of the financial statements may take based on them.

As stipulated in article L. 823-10-1 of the French Commercial Code, our mission to certify the financial statements does not consist of guaranteeing the viability or quality of management of your Company.

As part of an audit carried out in accordance with the professional standards applicable in France, the Statutory Auditor exercises his/her professional judgment throughout the audit. Moreover:

► he/she identifies and assesses the risks that the annual financial statements include significant anomalies, resulting either from fraud or errors, defines and implements audit procedures for these risks and collects the elements that he/she considers sufficient and appropriate on which to base his/her opinion. The risk of non-detection of a significant anomaly resulting from fraud is higher than that of a significant anomaly resulting from an error, as this fraud may involve collusion, falsification, voluntary omissions, false declarations or the bypassing of internal control;

► he/she takes note of the relevant internal control for the audit, in order to define the relevant audit procedures for the circumstances, and not with the aim of expressing an opinion on the effectiveness of the internal control;

- he/she assesses the appropriate nature of the accounting methods selected and the reasonable nature of the accounting estimates made by the management, as well as the information relating to them provided in the annual financial statements;

- he/she assess the appropriate nature of the application by management of the going concern principle, and, depending on the elements collected, the existence of a significant uncertainty associated with events or circumstances likely to call into question the Company's ability to continue operations. This assessment is based on the elements collected up to the date of his/her report, it being recalled that the events or circumstances after this date may call into question the going concern. If he/she concludes that there is a significant uncertainty, he/she draws the attention of the report readers to the information provided in the annual financial statements on the subject of this uncertainty, or if this information is not provided or is not relevant, he/she provides a certification with reserves or a refusal to certify;

- he/she assesses the overall presentation of the annual financial statements and whether the annual financial statements reflect the underlying operations and events in a true and fair way.

Lyon and Bordeaux, April 29, 2019

The Statutory auditors

INKIPIO AUDIT	ERNST & YOUNG Audit	
Clément Albrieux	Jean-Pierre Caton	Laurent Chapoulaud

8. CORPORATE GOVERNANCE REPORT

Dear Shareholders,

Wer are pleased to present you this report on the Company's corporate governance prepared by the Board of directors in accordance with Article L.225-37 of the French Commercial Code.

8.1. GENERAL INFORMATION ON CORPORATE OFFICERS

8.1.1. Composition of the Board of Directors

At December 31, 2018, the Board of Directors is composed of the following six members:

Name	Corporate office	Main position in the Company	Main position outside the Company	Start and end date of term of office	Audit committee	Compensation Committee
Jean-Gérard Galvez 375 avenue du pilon de St clair, 83980 Le Lavandou (France)	Director	Chairman of the Board of Directors	General Manager of HM Conseils	Appointed as Director at the General Shareholders' Meeting of March 31, 2010 and reappointed at the Meetings of April 30, 2013 and then May 24, 2016, for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018 Appointed as Chairman of the Board of Directors on April 6, 2011 and reappointed by Board meetings on January 8, 2014 and then March 24, 2016 for the term of his appointment as Director	Member	Member
Ludovic Lastennet 15, route de Bordeaux 33360 Latresne	Director	Chief Executive Officer and Marketing Director	N/A	Appointed as Director at the General Shareholders' Meeting of January 22, 2013 and reappointed at the General Shareholders' Meeting of May 24, 2016 for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018	-	-

Name	Corporate office	Main position in the Company	Main position outside the Company	Start and end date of term of office	Audit committee	Compensation Committee
Jan Egberts Koninginneweg 4 2243 Hb Wassenaar (Netherlands)	Independent Director*	-	Chief Executive Officer of Veritas Investment	Appointed as Director on March 31, 2010 and reappointed at the General Shareholders' Meetings of April 30, 2013 and then May 24, 2016, for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018	Chairman	-
Paula Ness Speers 187 Grove Street, Wellesley, Massachusetts 02482	Independent Director*	-	Partner of Health Advances	Appointed as Director at the General Shareholders' Meeting of June 10, 2014 and reappointed at the General Shareholders' Meeting of May 5, 2017 for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2019	-	Chairman
Mary Shaughnessy 777 Bay Road, Duxbury, Massachussetts 02332 (USA)	Independent Director*	-	Senior Vice President of Finance, Partners Continuing Care (PCC)	Appointed as Director at the General Shareholders' Meeting of May 24, 2016 for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018	Member	Member

The company Kreos Capital IV (UK) Limited, represented by Maurizio Petitbon, appointed as non-voting member by the General Shareholders' Meeting of November 19, 2013 and reappointed by the General Shareholders' Meeting of May 24, 2016, for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018.

8.1.2. Other corporate offices

Other current corporate offices

Name	Office	Company*
Jean-Gérard Galvez	Director Director Director Director General Manager	Echosens SA Biophytis SA(1) Polaris SA Exotec Solutions SAS HM Conseils
Ludovic Lastennet	None	None
Jan Egberts	Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Chief Executive Officer Chief Executive Officer Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board	CHDR Lead Pharma PhotoCure Pharming Mellon Medical SigmaScreening Viroclinics NLC Investments VaccinateZorg Veritas Investment Rodger TensHealth Pelvitec
Paula Ness Speers	Partner Director Member of the Finance Committee and the Patient Care and Quality Monitoring Committee Member of the Audit Committee	Health Advances EOS Imaging(1) Partners Continuing Care Partners Healthcare
Mary Shaughnessy	Treasurer Treasurer	Partners Continuing Care Board Health Services Board
Kreos Capital IV (UK) Limited représentée par Maurizio Petitbon	Director Director Director Director Director Director Director	Kreos Capital Management (UK) Ltd. Kreos Capital III (UK) Ltd. Kreos Capital Management Ltd. Kreos Capital Services Ltd Kreos Capital Services IV Limited Kreos Capital V (UK) Limited Kreos Capital Services V Limited

* The companies listed are independent from one another (i.e. they do not belong to the same group of companies).
(1) Company listed in France.
(2) Company listed in Amsterdam.

8.1.3. Compensation and benefits in all kinds of corporate officers

The information is prepared in accordance with the Compnay's corporate governance code and with recommendations of the MiddleNext Code related to the disclosures on the compensation of corporate officers.

COMPENSATION OF CORPORATE OFFICERS (Amounts in € thousand)	**31/12/2018**	**31/12/2017**
Fixed due compensation	217	480
Variable due compensation	-	67
Benefits in kind	32	27
Share-based payments	31	58
Advisers' fees	108	108
Attendance fees	30	30
TOTAL	**418**	**770**

8.2. AGREEMENTS BETWEEN AN EXECUTIVE OR MAJOR SHAREHOLDER OF THE COMPANY AND A SUBSIDIARY

The Company has entered into an unwritten and undetermined service provider agreement with HM Conseils, a limited liability company with Jean-Gérard Galvez as its Managing Director. This agreement was ratified by the Company's General Shareholders' Meetings on July 19, 2013 and May 24, 2016 and was subject to a special report by the Company's Statutory auditors (see the Statutory auditors' special report on regulated agreements in section 9).

Under this agreement, HM Conseils provides the Company with support and consulting services including, for example, the preparation and the definition of the Company's various budgets, definition and implementation of the Company's development strategy in preparation for its operations in the United States, the identification and selection of investment banks in preparation of the Company's stock market listing and its capital increases carried out in November 2016 and November 2017 and the preparation of documentation relating to these plans.

HM Conseils provides these services for a monthly flat rate of €9,000 excl. VAT since October 2015. This rate was previously €5,000 excl. VAT.

As of the date of the report and since January 1, 2017, the Company paid HM Conseils under this contract:

- €108,000 excl. VAT in fees for the year 2017;
- €108,000 excl. VAT in fees for the year 2018.

This agreement ended on December 31, 2018

8.3. DELEGATION OF POWERS REGARDING A CAPITAL INCREASE

The issue resolutions approved by the General Shareholders' Meetings of May 24, 2016, May 22, 2017 and March 25, 2019, in force on the date of the report are summarized below:

	Period of validity/Expiry	Ceiling (nominal value)	Pricing principles
Combined General Shareholders' Meeting of May 24, 2016			
Authorization granted to the Board of Directors for the purpose of granting options to subscribe or purchase Company shares	38 months/ July 24, 2019	432,123 shares See (2)	See (1)
Authorization to be granted to the Board of Directors to make allocations of existing or new free shares	38 months/ July 24, 2019	107,364 shares and up to a maximum of 10% of the share capital existing at the time of the allocation See (2)	

(1) The purchase or subscription price per share will be determined by the Board of Directors on the date when the option is granted, by reference to the sale price of a share when said regulated stock market or stock exchange closed on the day before the Board made the decision to allocate options. However, the purchase or subscription price per share may under no circumstances be less than ninety-five percent (95%) of the average of the price quoted on the 20 trading sessions preceding the date of the Board of Directors' decision to allocate the options.
(2) These amounts are not cumulative. The maximum cumulative number of shares authorized by the General Shareholders' Meeting and likely to be generated by the exercise of share subscription options, free share allocations and the exercise of warrants and founders' warrants is 539,487.

	Period of validity/Expiry	Ceiling (nominal value)	Pricing principles
Extraordinary General Shareholders' Meeting of May 22, 2017			
Delegation of authority granted to the Board of Directors to issue shares and/or securities giving immediate and/or future access to the Company's share capital, with preferential subscription rights	26 months/ July 22, 2019	€813,002.30 (1)	-
Delegation of authority granted to the Board of Directors for the purpose of increasing the capital by issuing shares or any securities giving future access to the share capital, without preferential subscription rights, through a public offering and with the option to create a priority right	26 months/ July 22, 2019	€542,001.55 (1)	See (2)
Delegation of authority granted to the Board of Directors to increase the share capital, immediately or in the future, by issuing ordinary shares or any securities giving access to the share capital, within the limit of 20% of the share capital per year, without shareholders' preferential subscription rights, by means of an offer to qualified investors or a limited circle of investors in accordance with paragraph II of	26 months/ July 22, 2019	€542,001.55 (1) and up to a maximum of 20% of the existing share capital at the date of the transaction and per year	See (2)

	Period of validity/Expiry	Ceiling (nominal value)	Pricing principles
Article L. 411-2 of the French Financial and Monetary Code (private placement)			
Authorization granted to the Board in the event of an issue of shares or any securities giving access to the share capital without shareholders' preferential subscription rights, for the purpose of setting the issue price up to the limit of 10% of the share capital and within the limitation stipulated by the General Shareholders' Meeting	26 months/ July 22, 2019	up to a maximum of 10% of the share capital per year	See (3)
Delegation of authority granted to the Board of Directors for the purpose of increasing the number of shares to be issued in the context of a capital increase, with or without preferential subscription rights	26 months/ July 22, 2019	15% of the initial issue (1) (4)	Same price as the initial issue
Delegation of authority granted to the Board, for the purpose of issuing of ordinary shares or securities giving access to the share capital for the purpose of remunerating contributions, in the event of a tender offer including an exchange component initiated by the Company	26 months/ July 22, 2019	€542,001.55 (1)	-
Delegation of authority granted to the Board for the purpose of deciding to issue ordinary Company shares or securities giving immediate and/or future access, by any means, to the Company's ordinary shares, within the limit of 10% of the share capital, in compensation for contributions in kind involving equity securities or securities giving access to the share capital of third-party companies, except in the event of a public exchange offer	26 months/ July 22, 2019	€542,001.55 within the limit of 10% of the share capital per year (1)	-
Delegation of authority granted to the Board of Directors for the purpose of increasing the capital by incorporation of premiums, reserves, profits or other	26 months/ July 22, 2019	€108,500	-

(1) These amounts are not cumulative. The maximum cumulative ceiling authorized by the General Shareholders' Meeting for share capital increases has been set at a nominal value of €813,002.30. The aggregate nominal amount of issues of debt securities giving access to the Company's share capital may not exceed €10,000,000 (unless with respect to the delegation granted to the Board of Directors to carry out the issue with preferential subscription rights or shares and/or securities giving immediate and/or future access to the Company's share capital for which the overall nominal amount of issues of securities representing claims on the Company giving access to the Company's share capital may not exceed €20,000,000).

(2) The share issue price will be at least equal to the weighted average of the prices quoted on the last five trading days before the price was set, less, if applicable, the discount of a maximum of 25% on the understanding that the issue price of the securities giving access to the share capital will be such that the sum received immediately by the Company, plus, if applicable, the sum that may be received by it subsequently for each share issued as a result of the issue of said securities, is at least equal to the issue price defined above.

(3) The Board may waive the pricing conditions set out in the aforementioned resolutions (within a limit of 10% of the Company's share capital at the date of the transaction) in each 12-month period, and set the issue price of the ordinary shares and/or securities giving access to the capital, immediately or in the future, as detailed below:

- the issue price of ordinary shares will be at least equal to the weighted average of the prices of the last five trading sessions before it was set, less, if applicable, a maximum discount of 25%, on the understanding that it may under no circumstances be less than the nominal value of a Company share on the issue date of the shares involved;
- the issue price of the securities giving access to the share capital will be such that the sum received immediately by the Company, plus, if applicable, the sum that may be received by it subsequently, for each share issued as a result of the said securities, is at least equal to the issue price defined in the Section above.

(4) 15% or any other percentage determined by decree.

	Durée de validité / Expiration	Plafond (valeur nominale)	Modalités de détermination du prix
Extraordinary General Shareholders' Meeting of March 25, 2019			
Delegation of authority granted to the Board of Directors to issue shares and/or securities giving immediate and/or future access to the Company's share capital, with preferential subscription rights	26 months / May 25, 2021	1,763,328.00 €	-
Delegation of authority granted to the Board of Directors for the purpose of increasing the capital by issuing shares or any securities giving future access to the share capital, without preferential subscription rights, through a public offering and with the option to create a priority right	26 months / May 25, 2021	1,763,328.00 € (1)	See (2)
Delegation of authority granted to the Board of Directors to increase the share capital, immediately or in the future, by issuing ordinary shares or any securities giving access to the share capital, within the limit of 20% of the share capital per year, without shareholders' preferential subscription rights, by means of an offer to qualified investors or a limited circle of investors in accordance with paragraph II of Article L. 411-2 of the French Financial and Monetary Code (private placement)	26 months / May 25, 2021	1,763,328.00 € (1) and up to a maximum of 20% of the existing share capital at the date of the transaction and per year	See (2)
Delegation of authority granted to the Board of Directors for the purpose of increasing the number of shares to be issued in the context of a capital increase, with or without preferential subscription rights	26 months / May 25, 2021	15% of the initial issue (1) (3)	Same price as the initial issue
Delegation granted to the Board of Directors in order to increase the share capital by issuing ordinary shares or any negotiable securities giving access to capital, with cancellation of shareholders' preferential subscription rights in favor of a first category of persons	18 months / September 25, 2020	1,763,328.00 € (1)	See (4)
Delegation granted to the Board of Directors in order to increase the share capital by issuing ordinary shares or any negotiable securities giving access to capital, with cancellation of shareholders' preferential subscription rights in favor of a second category of persons	18 months / September 25, 2020	1,763,328.00 € (1)	See (4)
Delegation of authority granted to the Board of Directors to increase the share capital, immediately or in the future, by issuing ordinary shares, equity securities providing entitlement to other equity securities or to the allocation of debt securities, and/or securities giving access to shares with the cancellation of shareholders' preferential subscription rights in favor of a certain category of persons within the framework of an equity financing line	18 months / September 25, 2020	1,763,328.00 € (1)	See (4)

	Durée de validité / Expiration	Plafond (valeur nominale)	Modalités de détermination du prix
Delegation granted to the Board of Directors in order to increase the share capital by issuing ordinary shares or any negotiable securities giving access to capital, with cancellation of shareholders' preferential subscription rights in favor of a fourth category of persons	18 months / September 25, 2020	1,763,328.00 € (1)	See (4)
Delegation granted to the Board of Directors in order to increase the share capital by issuing ordinary shares or any negotiable securities giving access to capital, with cancellation of shareholders' preferential subscription rights in favor of a fifth category of persons	18 months / September 25, 2020	1,763,328.00 € (1)	See (4)
Delegation of authority granted to the Board of Directors for the purpose of increasing the capital by incorporation of premiums, reserves, profits or other	26 months / May 25, 2021	140,000.00 €	-
Authorization granted to the Board of Directors for the purpose of granting options to subscribe or purchase Company shares	18 months / September 25, 2020	51,000.00 € (1)	See (5)

(1) These amounts are not cumulative. The maximum cumulative ceiling authorized by the General Shareholders' Meeting for share capital increases has been set at a nominal value of €813,002.30. The aggregate nominal amount of issues of debt securities giving access to the Company's share capital may not exceed €10,000,000 (unless with respect to the delegation granted to the Board of Directors to carry out the issue with preferential subscription rights or shares and/or securities giving immediate and/or future access to the Company's share capital for which the overall nominal amount of issues of securities representing claims on the Company giving access to the Company's share capital may not exceed €20,000,000).
(2) The share issue price will be at least equal to the weighted average of the prices quoted on the last five trading days before the price was set, less, if applicable, the discount of a maximum of 25% on the understanding that the issue price of the securities giving access to the share capital will be such that the sum received immediately by the Company, plus, if applicable, the sum that may be received by it subsequently for each share issued as a result of the issue of said securities, is at least equal to the issue price defined above.
(3) 15% or any other percentage determined by decree.
(4) The issue price of the shares issued pursuant to this delegation shall be determined by the Board of Directors and shall be at least equal to the weighted average price over the last 5 trading sessions preceding the date of determination of the issue price, to which a discount of up to 25% may be applied, taking into account the date of entitlement to dividends where applicable, with the understanding that (i) in the event of the issue of securities giving access to the share capital, the issue price of the shares that may be subscribed upon their exercise, conversion or exchange may, where applicable, be set at the discretion of the Board of Directors in accordance with a calculation formula it has defined, applicable after the issue of said securities (e.g. upon their exercise, conversion or exchange), in which case the above-mentioned minimum issue price may be increased, if the Board deems it appropriate, on the date of application of said formula (and not on the issue price setting date), and (ii) the issue price of the securities giving access to share capital that may be issued under this resolution shall be such that the sum received immediately by the Company, plus, if applicable, the sum that may be received by it upon exercise or conversion of said securities, for each share issued as a result of the issue of said securities, is at least equal to the above-mentioned minimum amount.

For the fiscal year ended December 31, 2018, the Board of Directors used the aforementioned delegations and the delegations in force at that period, granted by the General Shareholders' Meeting of May 22, 2017 as follows:

March 7, 2018: the Board of Directors, making use of the delegations of authority granted to it under the 24th resolution of the General Shareholders' Meeting of May 22, 2017, decided on the free issue of 500 convertible bond warrants in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND, which may give rise to the issue of up to 500 convertible bonds (OCAs) for a maximum amount of €5 million. At the same meeting, the Board of Directors decided to issue 100 OCAs representing a total nominal amount of up to €1 million, under the terms described below:

They have a nominal value of €10,000 each and are subscribed at par. They bear no interest and have a maturity of 12 months as from their issue date. Any OCAs which have not been converted into shares by their maturity date will need to be redeemed, except for the last tranche of OCAs that may be issued. For this last tranche, if certain OCAs are still outstanding at the end of 12 months, their maturity will automatically be extended by 6 additional months, at the end of which any OCA still outstanding will automatically be converted into shares[6].
The OCAs may be converted into Implanet shares at the holder's request, at any time, in accordance with a conversion ratio determined using the formula below:

N = Vn/P

"N" corresponds to the number of new ordinary shares of Implanet to be issued upon the conversion of an OCA;
"Vn" corresponds to the bond represented by the OCA (nominal value of one OCA);
"P" corresponds to 92% of the lowest of the last ten (10) daily volume-weighted average prices of the Implanet share (as published by Bloomberg) immediately preceding the concerned OCA conversion date, it being specified that the market days during which the OCA holder concerned has sold Implanet shares will be excluded. P cannot, however, be less than the nominal value of one Implanet share, or €0.05 at the current price.

[6] The conversion price would then be the higher of the following: (i) 80% of the Implanet share's weighted average low over the ten (10) trading days preceding the conversion date or (ii) 75% of the weighted average share price over the five (5) trading days preceding the automatic conversion date.

<u>November 9th, 2018:</u> the Board of Directors, making use of the delegations of authority granted to it under the 18th resolution of the General Shareholders' Meeting of May 22, 2017, decided on the free issue of 16 convertible bond warrants in favor of NICE & GREEN ("OCAPI") indexed from 1 to 16 for a total amount of €800,000 under the terms and time schedule described below:

Periods	Total amount of the period
From November 12, 2018 to December 31, 2018	€200,000
From January 3, 2019 to January 31, 2019	€200,000
From February 1st, 2019 to February 28, 2019	€200,000
From March 1st, 2019 to March 31, 2019	€200,000

NICE & GREEN also get an option at its discretion to call up an additional tranche of 4 OCAPIs for a total amount of €200,000 to be issued by the Compnay in its favor at any time up to March 31, 2019.

The OCAPIs have the following characteristics:

- nominal value: €50,000;
- subscription price: 98% of par value;
- maturity: 12 months;
- no interest;
- conversion or reimbursement at the Company convenience
    - conversion terms: N = Vn/P where
        - N is the number of shares that can be subscribed,
        - Vn is the value of the bond receivable,
        - P is 92% of the lowest of the 6 average daily prices quoted weighted by the volumes of the Company's share immediately preceding the conversion application date (it being specified that P cannot be less than 75% of the 5 average daily prices quoted weighted by the volumes and cannot be less than the nominal value of one Implanet share, or €0.05 at the current price).
    - reimbursment terms: V = Vn/0.97 where
        - V is the amount to be repaid,
        - Vn is the value of the bond receivable.

The Company may also benefit from a profit sharing plan amounting to 10% of the net profit achieved by Nice & Green between the granting date and the date when all the shares from the conversion of the OCAPIs will be sold.

Whenever necessary, supplementary Board of Directors and Statutory auditors' reports were made available to shareholders in accordance with legal and regulatory requirements.

8.4. TERMS ANS CONDITIONS GOVERNING THE EXERCISE OF GENERAL MANAGEMENT

8.4.1. Board of Directors

The number of Board of Directors meetings takes into account the different events over the Company's life. Thus, the Board of Directors meets as frequently as required in the Company's interests.

For the fiscal year ended December 31, 2018, the Company’s Board of Directors met 11 times with an average attendance rate of 96.4%. For the fiscal year ended December 31, 2017, the Company’s Board of Directors also met 10 times with an average attendance rate of 96.7%.

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Director	Attendance rate to the 2018 Board meetings
Jean-Gérard Galvez	100.0%
Ludovic Lastennet	100.0%
Paula Ness Speers	81.8%
Jan Egberts	100.0%
Mary Shaughnessy	100.0%

Directors may be recompensed by attendance fees, which are allocated between the Directors according to their attendance at the Board meetings and their contribution to the Special Committees.

Rules of procedure were adopted on April 11, 2013 and amended on June 7, 2013 and on January 31, 2017 to define the role and composition of the Board of Directors, the rules of conduct and the obligations of the members of the Company’s Board of Directors. All members of the Board of Directors commit to maintaining independence of reasoning, judgment and action and to actively participate in the Board’s work. They will inform the Board should they come up against any conflicts of interest. All Board members must declare all direct or indirect transactions on the Company’s shares transacted to the Company and the French Financial Markets Authority (AMF).

The Company believes that Paula Ness Speers, Jan Egberts and Mary Shaughnessy meet the criteria for 3 Independent Directors as defined by the MiddleNext Code published in September 2016 inasmuch as Paula Ness Speers, Jan Egberts and Mary Shaughnessy:

- are not, and over the last five years have not been, employees or Executive Directors of the Company or of a Group company;
- do not have and have not had over the last two years significant business relations with the Company or the Group (clients, suppliers, competitors, service providers, creditors, banker, etc.);
- are not reference shareholders of the Company or hold a significant percentage of voting rights;

- do not have any close relationship or close family relationship with a Corporate Officer or reference shareholder; and
- have not been Company auditors in the course of the last six years.

8.4.2. Special Committees

8.4.2.1. Audit committee

COMPOSITION

On January 8, 2014, the Board of Directors decided to set up a permanent Audit Committee and to cease fulfilling the role of audit committee itself, in accordance with the French Commercial Code.

The main terms of the Audit Committee's rules of procedure are set out below.

According to these rules of procedure, the Audit Committee is composed of at least two members appointed by the Board of Directors, based on a recommendation of the Compensation Committee. The members of the Audit Committee are selected from among the members of the Board of Directors and, if possible, two of them are independent members, one of which having particular financial or accounting expertise, it being specified that they cannot be Directors who hold management positions.

As of the date of the report, the members of the Audit Committee are:

- Jean-Gérard Galvez, Chairman of the Board of Directors; and
- Mary Shaughnessy, Director.

8.4.2.1.1. Responsibilities

The Audit Committee's responsibility is to assist the Board of Directors and to ensure that the financial statements are accurate, the internal audit is properly conducted, the information provided is relevant and that the Statutory auditors correctly fulfill their mission vis-à-vis the Company, independently of the Group's management.

The main responsibilities of the Audit Committee include:

- to monitor the preparation and treatment of the financial information;
- to monitor the effectiveness of the internal audit and risk management systems;
- to monitor the audit of the annual accounts and consolidated accounts by the Statutory auditors;
- to recommend Statutory auditors to be put forward for appointment at the General Shareholders' Meeting and to review the terms of their compensation;
- to monitor the independence of the Statutory auditors;
- to check the progress of any major disputes on a regular basis; and
- in general, to offer any relevant advice and recommendations on the points listed above.

8.4.2.1.2. Operation

The Audit Committee meets at least twice a year, according to a schedule fixed by its Chairman, to examine the consolidated annual and half-yearly financial statements and, where appropriate, quarterly accounts, following an agenda decided by its Chairman and sent to the Audit Committee members at least seven days in advance of the meeting. A meeting can also be called by its Chairman, or two of its members, or by the Chairman of the Company’s Board of Directors.

The Audit Committee can hear any member of the Company’s Board of Directors and carry out any internal or external audits on any topic it deems to be part of its remit. The Chairman of the Audit Committee will notify the Board of Directors in advance. Specifically, the Audit Committee has the power to hear any person who is involved in preparing or auditing the accounts (Chief Financial Officer or the main Finance Division managers).

The Audit Committee hears the Statutory auditors. No Company representatives are required to be present at the auditors' hearing.

8.4.2.1.3. Report

The Chairman of the Audit Committee ensures that its operating reports provide the committee submits to the Board of Directors with complete information to facilitate its deliberations.

If, during its work, the Audit Committee should detect a major risk which it believes has not been properly managed, the Chairman will immediately notify the Chairman of the Board of Directors.

8.4.2.2. Compensation Committee

8.4.2.2.1. Composition

The members of the Compensation Committee have adopted rules of procedure, amended by a decision of the Board of Directors on June 7, 2013, as described below. Where possible, this committee is composed of at least two members of the Board of Directors appointed by the Board of Directors.

It is hereby stated, for whatever purpose it may serve, that no Member of the Board of Directors exercising a management function within the Company can be a member of the Compensation Committee.

As of the date of the report, the members of the Compensation Committee are:

- Jean-Gérard Galvez, Chairman of the Board of Directors;
- Mary Shaughnessy, Director; and
- Paula Ness Speers, Director.

8.4.2.2.2. Responsibilities

The main duties of the Compensation Committee are:

- to examine the main objectives put forward by general management for the compensation of the Company's executives that are not members of the Board of Directors, including free share plans and share subscription and purchase options;

- to examine the compensation of executives that are not members of the Board of Directors, including free share plans and share subscription and purchase options, retirement and benefit plans, and benefits in kind; to make recommendations and proposals to the Board of Directors concerning:
  - the compensation, retirement and benefit scheme, benefits in kind, and the other cash entitlements of the corporate officers, including those leaving their position. The Committee proposes compensation structures and amounts, specifically, the rules for determining variable compensation that take into account the Company's strategy, objectives and results and earning as well as market practices, and
  - the free shares plans, share subscription or purchase options and all other similar profit-sharing mechanisms, and in particular, personal allocations to qualifying corporate officers;
- to examine the total value of the attendance fees and their allocation system among Members of the Board of Directors, and also the terms and conditions of reimbursement of any expenses incurred by Members of the Board of Directors;
- to prepare and submit any reports required under the Board of Directors' rules of procedure;
- to prepare any other compensation-based recommendations requested by the Board of Directors; and
- in general, to provide advice and makes appropriate recommendations in any of the above areas.

8.4.2.2.3. Operation

The Compensation Committee meets at dates set by its Chairman to discuss an agenda decided by its Chairman, which is sent to the Compensation Committee members at least seven days ahead of the meeting. A meeting can also be called by its Chairman, or two of its members, or by the Board of Directors.
The non-executive Directors who are not members of the Compensation Committee are free to attend any of these meetings.
The Chairman of the Company's Board of Directors, if he/she is not a committee member, can be invited to attend the committee meetings. The Committee invites him/her to put forward proposals. He/she has no vote and does not attend deliberations about his/her own situation.
The Compensation Committee can ask the Chairman of the Board of Directors for permission to invite to the meeting any Executive Officer with the expertise required to handle a specific agenda item. The Chairman of the Compensation Committee or of the meeting will highlight the confidentiality obligations incumbent on all attendees.
The Compensation Committee met once during fiscal year 2018 and once during fiscal year 2017.

8.4.2.2.4. Reports

The Chairman of the Compensation Committee ensures that its operating reports provide the Board of Directors with complete information to facilitate its deliberations.

One of the duties of the Compensation Committee is to examine the Company's draft report on directors' compensation.

9. STATUTORY AUDITORS' SPECIAL REPORTS ON REGULATED AGREEMENTS

INKIPIO AUDIT
19, rue des Tuiliers
69003 Lyon
S.A.S. au capital de € 300.000
955 508 403 R.C.S. Lyon

Commissaire aux Comptes
Membre de la compagnie
régionale de Lyon

ERNST & YOUNG Audit
Hangar 16, Entrée 1
Quai de Bacalan
33070 Bordeaux cedex
S.A.S. à capital variable
344 366 315 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Implanet

General Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2018

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS

To the attention of the General Shareholders' Meeting of Implanet,

In our capacity as Statutory auditors of your Company, we hereby report on the regulated agreements.

We are required to inform you, on the basis of the information provided to us, of the key terms and conditions of those agreements as well as the grounds for the Company's interest therein as indicated to us or that we have identified in the course of our work. We are not required to comment as to whether they are beneficial or appropriate or to establish whether any other agreements exist. It is your responsibility under Article R. 225-31 of the French Commercial Code, to assess the benefits resulting from these agreements and decide whether to approve them.

In addition, we are required by Article R. 225-31 of the French Commercial Code to inform you, where applicable, of the implementation during the fiscal year of any agreements previously approved at the General Shareholders' Meeting.

We carried out the procedures that we considered necessary for this mission to comply with the applicable professional guidance issued by the French auditors' association (Compagnie Nationale des Commissaires aux Comptes). This consisted of verifying that the information provided to us is consistent with the documentation from which it has been taken.

Agreements submitted for approval by the General Shareholders' Meeting

We hereby inform you that we have not been notified of any agreements authorized and signed during the fiscal year just ended to be submitted to the General Shareholders' Meeting for approval in accordance with Article L. 225-38 of the French Commercial Code.

Agreements already approved by the General Shareholders' Meeting

In accordance with Article R. 225-30 of the French Commercial Code, we were informed that the following agreement, previously approved at the General Shareholders' Meeting in previous fiscal years, remained in force during the past fiscal year.

Agreement with HM Conseils

Person concerned

Mr. Jean-Gérard Galvez, Chairman of the Board of Directors of Implanet and Managing Director of HM Conseils.

Nature and purpose

Consultancy agreement entered into on March 31, 2010 between Implanet and HM Conseils. The monthly flat-rate fee was raised to €9,000 excl. VAT from October 1, 2015.

Terms and conditions

For consulting services during the fiscal year ended December 31, 2018, Implanet incurred fees of €108,000 excl. VAT.

Lyon and Bordeaux, April 29, 2019

The Statutory auditors

INKIPIO AUDIT	ERNST & YOUNG Audit	
Clément Albrieux	Jean-Pierre Caton	Laurent Chapoulaud