A French Limited Company with a share capital of €15,550,620
Registered office: Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France
Bordeaux B 493 845 341

DOCUMENT DE RÉFÉRENCE 2014

CONTAINING THE ANNUAL FINANCIAL REPORT AND THE MANAGEMENT REPORT

AUTORITÉ DES MARCHÉS FINANCIERS

This *Document de référence* was filed with the *Autorité des marchés financiers* (French Financial Markets Authority, or the "**AMF**") on April 28, 2015 under number R. 15-023, in accordance with the AMF General Regulation, particularly Article 212-13. This document may only be used in support of a financial transaction if it is supplemented by a Securities Note as specified by the AMF. It has been prepared by the issuer and is binding on the signatories.

The document was filed with the AMF in accordance with the provisions of Article L. 621-8-1-I of the French Monetary and Financial Code after verification by the AMF that the document is complete and comprehensible and that the information provided is consistent. It does not imply verification by the AMF of the accounting and financial items presented.

Pursuant to Article 28 of EC Regulation No. 809/2004, the following information is incorporated by reference into this *Document de référence:*

- the consolidated financial statements prepared in accordance with IFRS for the fiscal year December 31, 2013 and the related Statutory auditors' report on pages 186 to 240 of the *Document de référence* filed with the AMF on January 12, 2015 under number R. 15-004

This document is available free of charge from the Company's registered office, and an electronic version is available on the website of the French Financial Markets Authority (www.amf-france.org) and on the Company's website (www.implanet.com).

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The information which makes up the Company and Group annual management report (Article L. 225-100 et seq. of the French Commercial Code);

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GENERAL COMMENTS

Definitions

The following terms are defined as follows in this *Document de référence*, 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 33650; 493 845 341;

- the "**Group**" refers to Implanet SA and its US subsidiary, Implanet America, Inc.;

- "***Document de référence***" means this document filed with the AMF;

- "**Date of the *Document de référence***" means the document filing date.

Notice

The *Document de référence* 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 *Document de référence* 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 *Document de référence* could prove erroneous. The Company is in no way obliged to update the information, subject to applicable regulations and in particular the "**AMF**" General Regulation.

Investors are also invited to take into account the risk factors described in Chapter 4 "Risk factors" herein before making their investment decision. The materialization of all or some of these risks could have a negative impact on the Company's business, position, financial results or objectives. Moreover, other risks that have not yet been identified or that are considered non-material by the Company, could have the same negative impact and investors could therefore lose all or part of their investment.

1. PERSONS RESPONSIBLE

1.1. PERSON RESPONSIBLE FOR THE *DOCUMENT DE REFERENCE*

Ludovic Lastennet, Implanet Chief Executive Officer

1.2. STATEMENT OF THE PERSON RESPONSIBLE

Martillac, April 28, 2015

I certify that, having taken all reasonable care to ensure that such is the case, the information contained in the *Document de référence* is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

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 on pages 10 and 11 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.

I have obtained a completion letter from the Statutory auditors stating that they have checked the information relating to the financial position and the financial statements presented in this *Document de référence* and that they have read all of this *Document de référence*.

The Statutory auditors' report on the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union for the fiscal year ended on December 31, 2014 contains the following observation:

- "Without questioning the opinion above, we would draw your attention to Note 2.1 “Accounting principles” in the notes to the financial statements, which describes the information underlying the going concern assumption".

The Statutory auditors' report on the annual financial statements for the fiscal year ended December 31, 2014 contains the following observation:

- "Without questioning the opinion above, we would draw your attention to Note 2.1 “Accounting principles” in the notes to the financial statements, which describes the information underlying the going concern assumption".

Ludovic Lastennet
Chief Executive Officer

1.3. PERSON RESPONSIBLE FOR THE FINANCIAL INFORMATION

Denis Saint-Denis
Deputy Chief Executive Officer, Chief Financial Officer
Address: Technopole Bordeaux Montesquieu - Allée François Magendie, 33650 Martillac, France
Telephone: +33 (0)5 57 99 55 55
Email address: investors@implanet.com

2. AUDITORS

2.1. STATUTORY AUDITORS

Ernst & Young Audit, member of the Versailles regional company of auditors, 1-2, Place des Saisons, 92037 Paris La Défense Cedex
represented by Franck Sebag
Date of appointment: April 30, 2013
Duration of appointment: six years
Expiry of appointment: General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018

INKIPIO Audit, member of the Lyon regional company of auditors, Immeuble Le Sans-Souci, 19, rue des Tuiliers, 69003 Lyon
represented by Clément Albrieux
Date of appointment: November 19, 2013
Duration of appointment: 6 years
Expiry of appointment: General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018

2.2. DEPUTY AUDITORS

AUDITEX, member of the Versailles regional company of auditors, 1-2, Place des Saisons, 92037 Paris La Défense Cedex
represented by Christian Scholer
Date of appointment: April 30, 2013
Duration of appointment: 6 years
Expiry of appointment: General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018

INKIPIO SAS, member of the Lyon regional company of auditors, 78 A rue Guy Lussac, 01440 Viriat.
represented by Gérard Albrieux
Date of appointment: November 19, 2013
Duration of appointment: 6 years
Expiry of appointment: General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018

2.3. DECLARATION OF FEES PAID TO THE AUDITORS

The table below shows the Statutory auditors' fees paid by the Company over the last two years:

(Amounts in euros, excl. VAT.)	12/31/2014		12/31/2013	
	Ernst & Young	**INKIPIO AUDIT**	**Ernst & Young**	**INKIPIO AUDIT**
Statutory audit work	69,500 (1)	51,000 (1)	40,000	28,000
Other services and due diligence directly linked to the statutory audit work	19,000 (2)	3,000	187,957 (3)	
Subtotal	**88,500**	**54,000**	**227,957**	**28,000**
Other services rendered				
- Tax				
- Other				
Subtotal	***0***	***0***	***0***	***0***
Total	**88,500**	**54,000**	**227,957**	**28,000**

(1) Including €15,000 in fees for reviewing the Document de référence *filed by the AMF on January 12, 2015 under number R.15-004 for each of the Statutory auditors.*

(2) Including fees of €15,000 for reviewing the compliance of the transfer pricing policy between Implanet SA and Implanet America, Inc..

(3) These fees were paid for the work involved in listing the Company on the stock market.

3. SELECTED FINANCIAL INFORMATION

3.1. HISTORICAL FINANCIAL INFORMATION

The financial information selected and presented below is taken from the Group's consolidated financial statements prepared in accordance with IFRS for the fiscal year ended December 31, 2014 in Section 20.1 "Consolidated financial statements prepared in accordance with IFRS for the fiscal year ended December 31, 2014" of the *Document de référence*.
The accounting and operating data presented below should be read in conjunction with the information in Sections 9 “Financial position and results” and 10 “Cash and share capital”.

Simplified consolidated balance sheets in euros *IFRS*	**12/31/2014** 12 months *Audited*	**12/31/2013** 12 months *Audited*
TOTAL ASSETS	**14,554,598**	**23,924,090**
Non-current assets	**5,795,142**	**11,354,200**
of which intangible fixed assets	622,212	686,335
of which property, plant and equipment	2,041,878	1,387,554
of which other non-current financial assets (1) (2)	3,131,053	9,280,311
Current assets	**8,759,456**	**12,569,890**
of which inventories	3,096,238	4,116,925
of which trade receivables	2,062,883	2,337,119
of which other receivables	1,181,030	1,149,221
of which other current financial assets (1) (2)	308,116	2,001,091
of which cash and cash equivalents	2,111,188	2,965,534
TOTAL LIABILITIES	**14,554,598**	**23,924,090**
Shareholders' equity	**7,214,130**	**13,868,467**
Non-current liabilities	**1,805,329**	**3,325,391**
of which amounts due to personnel	74,629	34,802
of which non-current financial liabilities	1,722,170	3,211,750
of which derivative instrument liabilities	8,530	78,838
Current liabilities	**5,535,139**	**6,730,232**
of which current financial liabilities	2,473,224	2,703,256
of which provisions	0	144,631
of which trade and other accounts payable	2,297,232	3,216,886
of which tax and social security liabilities	748,808	663,595
of which other creditors and miscellaneous debt	15,875	1,864

(1) At December 31, 2014, other non-current financial assets were mainly composed of marketable medium-term warrants for €2.8 million. Current financial assets were only composed of liquid term deposits.

(2) At December 31, 2013, other non-current financial assets were mainly composed of marketable medium-term warrants for €8.5m and term deposits for €0.3 million. Current financial assets are only made up of marketable medium-term warrants.

Simplified consolidated income statements in euros *IFRS*	**12/31/2014** 12 months *Audited*	**12/31/2013** 12 months *Audited*
OPERATING INCOME	**7,038,416**	**6,690,382**
Of which net revenue	7,038,416	6,690,382
OPERATING EXPENSES	**(13,674,745)**	**(13,186,246)**
Net operating income	**(6,636,329)**	**(6,495,864)**
Financial net income	**(235,257)**	**(347,592)**
Net income/(loss)	**(6,871,586)**	**(6,843,456)**
Net earnings per share	(1).27	(2).14

Simplified cash flow statement in euros *IFRS*	**12/31/2014** 12 months *Audited*	**12/31/2013** 12 months *Audited*
Cash flows from operating activities	**(5,293,119)**	**(5,385,988)**
Of which free cash flow	(4,855,005)	(5,329,317)
Of which variation in working capital requirement	438,114	56,671
Cash flows from investing activities	**7,487,364**	**(10,947,806)**
Cash flow from financing activities	**(2,884,167)**	**19,453,819**
Impact of changes in exchange rates	(164,424)	0
Change in cash	**(854,346)**	**3,120,026**

(1) Change in cash flows from investing activities is mainly due to the subscription to medium-term warrants and term deposits for an expense of €10.5 million in 2013 and their demobilization for €7.7 million in 2014.

(2) In 2013, flows from financing activities mainly came from the capital increase following the listing on the stock market for €14.1 million, the KREOS bond loan issue for €4.7 million and the issue of bonds redeemable in shares for €4.4 million.
In 2014, cash requirements were essentially linked to the repayment maturity of the KREOS bonds for €2.3 million.

Net indebtedness in euros *IFRS*	**12/31/2014** 12 months *Audited*	**12/31/2013** 12 months *Audited*
+ Non-current financial liabilities	1,722,170	3,211,750
+ Current financial liabilities	2,473,224	2,703,256
- Cash and cash equivalents	2,111,188	2,965,534
- Current and non-current financial assets	3,439,169	11,281,402
Total net indebtedness	**(1,354,963)**	**(8,331,930)**

4. RISK FACTORS

Investors are asked to consider all of the information included in the Document de référence*, including the risk factors described in this chapter, before deciding to subscribe or purchase Company shares. The Company has reviewed the risks that could have a significant negative impact on the Group, its business, financial position, results, outlook or its ability to fulfill its objectives. It considers that, at the date of the* Document de référence*, there are no other significant risks besides those presented in this chapter.*

Investors are also advised that the list of risks and uncertainties described below is not exhaustive. Other unknown risks or uncertainties which, at the date of the Document de référence*, were not considered likely to have a significant negative impact on the Group, its business, financial position, results or outlook, may exist or become important factors likely to have a significant negative impact on the Group, its business, financial position, results, development or outlook.*

In each Section below, the risk factors are presented in decreasing order of importance based on the Company's assessment on the date of the Document de référence*. The emergence of new facts, whether internal or external to the Group, is therefore likely to modify this order of importance in the future.*

4.1. RISKS LINKED TO THE COMPANY'S BUSINESS AND MARKET

4.1.1. The orthopedic products sector is extremely competitive and Implanet may not be sufficiently competitive on this market.

The orthopedic products sector for knee, hip and spinal surgery is a competitive market dominated in particular by major international players. Even if this sector is receptive to the launch of new products (such as Jazz, which is in the process of international commercial deployment, see Chapter 6) and new commercial practices, the most market-leading products have been sold for several decades, proof that the market is well established. The market features as well as certain competing solutions and technologies identified at this point by the Company are described in Sections 6.4 to 6.9 of the *Document de référence*.

Implanet is in competition with other companies, particularly with regards to:

- technology, reliability, performance and product quality;
- price, taking into account the level of reimbursement authorized by the health insurance bodies and the national and local healthcare systems;
- the scope of the product range;
- financial and human resources;
- intellectual property;
- time frames and marketing methods;
- relationships with surgeons, healthcare establishments and other providers and third party payers of healthcare services;
- services attached to the products and customer service;
- relationships with distributors, sales agents, suppliers and subcontractors; and
- geographic coverage.

The global orthopedics products market is dominated by large international players (such as Medtronic, Depuy/Synthes, Stryker, Zimmer, Biomet and Smith & Nephew), which often grow through acquisitions. Implanet estimates that these companies hold the large majority of the global orthopedic products market. These companies, like many others on the orthopedic products market, are well established and have considerable resources, exceeding those of Implanet, including in particular:

- significant financial resources;
- larger budgets for research and development, clinical trials, product marketing and management of intellectual property disputes;
- larger networks of partner surgeons;
- more products that benefit from long-term clinical data;
- more established distribution networks;
- greater experience and more extensive means in terms of launches, promotion, marketing and product distribution;
- more established infrastructures; and
- greater notoriety.

Moreover, the significant growth of the orthopedic products market and the historical development of this market have attracted other players of varying sizes with innovative technologies and have encouraged those companies already present on this market to become more competitive or to grow through acquisitions.

If these companies continue to develop, Implanet estimates:

- that competition will intensify yet again;
- that the phenomenon of concentrating on one product or one specific segment of the market will increase.

With regard to general orthopedic products marketed by the Company, competition could lead to a fall in prices, which in turn could result in reduced profit margins and thus have a negative impact on the Company's financial position.

With regard to the innovative Jazz product for the spinal surgery market, competition is less intense on the more recent braided implant segment (see Section 6.9). However, the Company is still in competition with major players who develop and market classic solutions (screws, rods and/or hooks) which are currently used in the majority of surgical procedures targeted by the Company. Although Jazz has all the prerequisites to penetrate the spinal surgery market (see Section 6.9) and has strong protection for its intellectual property (see Chapter 11), 11the Company is not able to predict changes in the intensity of the competition on the market targeted by this implant.

4.1.2. Risks linked to the adoption of the Jazz product by practitioners and opinion leaders

At December 31, 2014, the Company had sold 6,089 Jazz implants since their launch at the start of 2013. The Company is now working on the international rollout of Jazz, in particular in France, Europe, the United States and Australia.
In order to accelerate the marketing of this product, the Company is continuing its research and development efforts and intends to launch Jazz implants of different sizes on the market (see Chapter 6) and create a broad technological platform to meet practitioners' needs.

Within this context, health professionals may be reluctant to adopt Jazz technology in the future, for the following reasons in particular:

- time required for training and to adopt the technology;
- possible resistance to change;
- lack of adherence to the operating technique for positioning the sub-laminar braid;
- fear of liability claims due to using new products;
- difficulty for healthcare establishments to cover the cost of the product, due in particular to the limitations on reimbursement by public or private health insurance systems or collective bodies.

The Company believes that surgeons and other healthcare professionals will only use the Jazz technology platform regularly once they are convinced that it is the appropriate solution to use in addition to or to replace hooks and screws in the different applications envisaged (see Sections 6.4.4, 6.5.5 and 6.5.6 of the *Document de référence*).

In order to increase adoption, Implanet uses clinical and scientific studies on braided implants, as detailed in Sections 6.4.4, 6.5.5 and 6.5.6 of the *Document de référence*. Nevertheless, if the Company fails to convince healthcare professionals of the interest of Jazz, this will result in low market penetration, which could have a significant negative impact on the Company, its business, financial position, results, development and outlook.

A sufficient number of surgeons must be trained and be confident in using the Jazz technology in order to ensure that the Company's sales efforts are successful. In particular, the Company cannot ensure that its efforts to convince more spinal surgeons to dedicate the time and energy required for training on the Jazz technology platform will be successful.

4.1.3. The innovations developed by the Company's competitors and technological developments could have a negative impact on Implanet's future growth

The innovation of competitors could affect the future growth of Implanet. The Company cannot guarantee that its competitors will not successfully develop technologies or products that are less expensive and more innovative than those currently marketed or in the process of being developed by the Company. Furthermore, the products developed by Implanet's competitors may be brought to the market before its own products. There is also the possibility that competitors' products may be more successful than the products currently marketed or in the process of being developed by the Company.

The Company's products are intended for implantation as part of complex orthopedic surgery (see Chapter 6). The development of new non-surgical and surgical technologies could result in reduced demand for these products or render them obsolete. For example, the development of medical innovations for preventive treatment of the pathologies for which the surgical procedures are currently performed could reduce or delay the need for surgical implants and eventually constitute a genuine alternative to the use of implants. However, the time required for regulatory approval and scientific validation of the evidence that these new technologies provide benefits for, should allow Implanet to take measures to reduce the impact of such external factors.

4.1.4. Implanet may not be able to successfully develop new products or improvements to existing products

Although the Company aims to develop new products and improve its existing products, it cannot guarantee that it will be able to develop or market these successfully. It is also not able to guarantee that any future products or improvements to existing products will be accepted by surgeons and approved by the regulatory authorities and paying bodies who cover the financial cost of a large number of surgical interventions performed using the Company's products. The success of any new products launched by the Company will therefore depend on several factors, in particular the Company's ability to:

- correctly identify and anticipate the needs of surgeons and patients;
- successfully develop and launch new products or improve existing products;
- not infringe the intellectual property rights of third parties;
- where applicable, demonstrate the safety and efficacy of new products using the results of preclinical studies and clinical trials;
- obtain the regulatory approvals and authorizations required to use and market new products or improvements to existing products;
- provide the necessary training to potential users of Implanet products;
- obtain adequate reimbursement agreements;
- develop a specialist distribution and sales network; and
- obtain the adoption by healthcare professionals.

A number of products are in the process of development in line with a schedule defined by the Company, which includes:

- knees: development of a revision prosthesis (see Section 6.2.3);
- Jazz: development of a more extensive range in terms of size and materials (see Section 6.2.2).

If the Company does not develop new products or does not make improvements to existing products to meet the needs of the market in a timely manner, or if there is insufficient demand for these products or improvements, the Company's business could be affected.

4.1.5. Risks linked to the extension of indications (including degenerative) and to the future results of clinical studies for Jazz

The Company uses the notoriety of braided implants to market Jazz, as well as clinical and scientific studies on the use of other braided implants for the indications which are currently approved (see Sections 6.4.4, 6.5.5 and 6.5.6). The Company intends to conduct clinical studies with Jazz for the approved indications and other indications (in particular degenerative) to confirm the efficacy of its products and highlight the advantages of Jazz compared with competing solutions or alternatives.

If the results of future studies do not confirm the Company's expectations, there will be less acceptance of the Jazz technology. This would seriously impact the Company's ability to conquer market share and could have a significant negative impact on the Company's business, financial position, results, development or outlook.

4.2. RISKS LINKED TO THIRD PARTIES

4.2.1. Risks linked to Implanet's dependence on its sales network

The products marketed by Implanet are distributed either indirectly (via a distributors' network) or directly by the Group (internal sales force or the use of specialist agents in the US) to healthcare establishments. The Company's strategy consists of marketing these products as follows (see Sections 6.1.3 and 6.2.1.1):

- France: direct sales for Jazz and indirect sales for knee products;
- United States: mainly direct sales via the subsidiary Implanet America Inc., with the exception of some indirect sales through distributors;
- Rest of the world: exclusively indirect sales via a network of distributors.

4.2.1.1. Indirect sale via commercial partners (distributors)

Implanet has established an indirect sales network by means of distribution agreements with local commercial partners who, at December 31, 2014, accounted for around 77% of Implanet's annual revenue.

At the date of this *Document de référence*, Implanet has distribution agreements with 13 commercial partners in 15 countries (see Section 6.2.1.1).

Implanet cannot guarantee that it will be able to retain its commercial partners nor that they will continue to dedicate the necessary resources to ensure the commercial success of its products, which depend in particular on the marketing efforts of the commercial partners. The Company's ability to establish itself on its target markets depends to a large extent on the level of customer service provided by the distributors of its products. In general, this indirect sales system means that Implanet is commercially dependent on its commercial partners, particularly with regard to the *intuitu personae* relationship that these commercial partners have with surgeons and healthcare establishments.

Regarding in particular the international marketing (outside the US) of Jazz, the Company hopes to extend its current distribution network by means of distributors.

Although the Company uses a rigorous system to select its commercial partners, particularly through the sharing of common objectives for the ramp up of marketing of Jazz, it cannot be ruled out that one or several commercial partners will not perform as expected, which would have a negative impact on the Company, its business, financial position, results, development or outlook.

4.2.1.2. Direct sales

Implanet products are only sold through direct channels in France and the United States.

This distribution channel is not favored by the Company abroad (outside the United States). For its international development, the Company wishes to have the flexibility to adjust its sales force to meet its requirements and limit counterparty risk.

More specifically, since its creation, Implanet America Inc. has signed 29 agreements with commercial partners (agents) and plans to sign others to improve its coverage of this region.

4.2.2. Risks linked to dependency on third parties for product distribution

Implanet distributors may not complete their tasks within the time periods set or may not fulfill their commitments, particularly with regard to regulations and medical device vigilance. If a distributor fails to transmit information relating to incidents or accidents or potential incidents or accidents, this would cause the medical device vigilance procedures implemented by Implanet to fail. The consequences of this could have a negative impact on the distribution of Implanet products and its business in general.

4.2.3. Risks linked to the misuse of the Company's products by practitioners

Although, since its initial creation, the Company has developed and continues to develop a training program and documentation on the use of its products, surgeons may use the Company's products incorrectly. Misuse may damage the Company's image and, in certain cases, result in legal proceedings against the Company. The consequences of this could have a negative impact on the distribution of Implanet products and its business in general.

4.2.4. For the manufacture of its products, Implanet depends on the ability of its suppliers to respect the applicable regulations

The manufacture of Implanet products is exacting, due in particular to the strict regulations that apply. The Company's products are classified as medical devices and are therefore subject to specific regulations in all countries where they are manufactured, tested or marketed. These regulations impose obligations with regards to product design, manufacturing, control and quality assurance and, in certain cases, preclinical tests or clinical trials of the products (see Section 0).

These regulations apply to the Company and its subcontractors for products for which it is the regulatory manufacturer. The Company also depends on the application of these regulations by third party manufacturers, for products that it distributes only (see Section 6.11 of the *Document de référence*).

The Company has chosen to outsource the majority of activities required to manufacture its products. At the date of this *Document de référence*, the Company works with around twenty subcontractors based on very strict specifications.

The Company has several subcontractors for general orthopedic metallic implants and there are many potential supply sources in Europe. The Company has created a list of subcontractors to replace its current subcontractors should any of the latter be at fault. The Company also owns its drawings and molds, thus giving it the necessary flexibility to change subcontractors for the manufacture of its general orthopedic products. However, any change in subcontractor for the molding processes of knee prostheses would require validation studies and the submission of a file to the regulatory authorities before selling activities could resume.

With regards to Jazz, the Company relies on different subcontractors to manufacture the metallic part and the braid (see Section 6.4 for the description of Jazz). The metal part is manufactured by the same subcontractors used by the Company for its general orthopedic products. It is therefore easy to change subcontractor for the manufacture of this part. For the manufacture of the braid, to limit development costs (many strength tests in particular), which are very high for this type of product, the Company has a single subcontractor (see Chapter 22). Implanet therefore depends on the know-how of this subcontractor; should the latter be at fault, this could have a negative impact on its business, financial position, results, development or outlook.

The Company also uses subcontractors to clean, package and sterilize its products; these operations are relatively standardized and there are easily identifiable alternative supply sources. The cleaning and packaging operations are performed by a single subcontractor based in Italy for knee implants and by the braid manufacturer for Jazz. A subcontractor based in the south of France is responsible for finally sterilizing all of the products. Failure on the part of one of these subcontractors could result in delays in Implanet's product production chain, which could have a negative impact on the Company's general business.

In order to limit the risk of failure on the part of one of its subcontractors, the Company has put in place a Quality system that is based on procedures to detect any non-compliant product internally or externally, among others. This Quality system has been certified by a third party body in accordance with the regulatory requirements of the applicable European Directive 93/42/EEC and the reference standards ISO 9001 and ISO 13485. Moreover, the Company requires its subcontractors to sign confidentiality agreements to protect its knowledge, for which multiple patents have been filed.

Implanet's ability to sell its products therefore depends in part on its ability to obtain from its suppliers products that have been manufactured in accordance with the regulatory provisions, in the quantities requested and in a profitable way.

Implanet cannot, however, guarantee that its subcontractors respect or will respect the applicable regulations. The regulatory authorities may, during an inspection of new or existing facilities or as part of any other regulatory process, identify breaches of the applicable standards and look to resolve these by requesting corrective action likely to delay the manufacture and supply of Implanet products. If any of Implanet's subcontractors were to lose or have their approval or certification suspended, or their manufacturing facilities were to be partially or fully closed, this could damage Implanet's reputation and have a negative impact on its business, financial position and net operating income. The Company has already faced this type of situation and considers it part of the risks inherent to its activity.

4.3. RISKS LINKED TO THE COMPANY'S ORGANIZATION

4.3.1. Risks linked to key personnel

The Company's success largely depends on the actions and efforts taken by its executives, executive officers and personnel holding key posts ("**Key Personnel**").

The Key Personnel includes the grand majority of the Group's 45 employees (on the date of this *Document de référence*). The surgeons, researchers and scientific experts who regularly collaborate with the Company are not Company employees.

Temporary or permanent unavailability of Key Personnel could alter the Company's ability to fulfill its objectives.

The Company has put in place a talent management policy to motivate and retain all of its Key Personnel over the long term. Key Personnel receive variable remuneration amounts based on certain quantitative and qualitative criteria. They are also allocated share subscription warrants (BSA) and/or founders' warrants (BSPCE) (see Section 15.1).

The success of this motivation and retention policy is confirmed in the generally low staff turnover rate.

The work and management contracts signed between the Company and Key Personnel include confidentiality, loyalty and non-competition clauses. They also contain clauses that allow the Company to own the intellectual property created by its employees.

The Company will without doubt have to recruit additional experienced managers and qualified scientific personnel in the future to develop its business. It is in competition with other companies, research bodies and academic institutions to recruit and retain highly qualified scientific, technical and management personnel. When this competition is strong, the Company may not be able to attract and retain employees under conditions that are economically acceptable.

The Company's inability to retain Key Personnel and/or attract new talent could prevent it overall from achieving its objectives and thus have a significant negative impact on its business, results, financial position and outlook.

4.3.2. Risks linked to the management of IT systems

The Company's IT systems are essential to its business since they ensure the traceability of products and thus compliance with regulatory standards. Any failure of the IT systems could have a significant impact: regulatory non-compliance, activity interruption, mobilization of internal resources, financial impact, etc.

The Company has put in place measures to ensure the reliability and security of its IT data and to anticipate exceptional situations that could suddenly interrupt the functioning of these systems with external service providers for the French and American sites.

However, if in the future, the Company is not able to cope with a failure in its IT systems, this could affect its business, results, financial position, development and outlook.

4.3.3. Risks linked to organic growth

The Company may have to recruit additional personnel and expand its operational capacities in the future, which could be very time-consuming for its internal resources. To allow for this, the Company must in particular:

- train, manage, motivate and retain an increasing number of employees;
- anticipate the expenses linked to this growth as well as the associated financial needs; and
- anticipate the demand for its products and the revenues they are likely to generate.

The Company's inability to manage its growth, or unexpected difficulties faced during expansion, could have a significant negative impact on its business, results, financial position, development and outlook.

4.4. LEGAL RISKS

The Company manages legal aspects internally relating to the compliance of its activity with the corresponding regulatory framework (selling authorizations, insurance, intellectual property, registering brands and domain names, etc.). For this purpose, the Company uses intermediaries, service providers or specialist consultants to complement its expertise, or subcontract certain tasks. Thus, the Company uses the following in particular: consultants, distributors or local regulatory representatives to submit certification files to certain local regulatory authorities, specialist intellectual property firms for filing and instructing on files, or insurance brokers.

4.4.1. Risks linked to the regulations applicable to medical devices developed by the Group and any possible changes

The Group's products are subject to strict regulations which are constantly changing, and which govern their marketing. These regulatory constraints have a significant impact on all of the Group's business: the development, control, manufacture and sale of products.

These regulatory processes may be lengthy and costly and there is no guarantee that the authorizations will be granted, nor as to the time necessary to obtain them or whether such authorizations will be retained. If the certification or authorization to market the Group's products is refused, suspended or retracted, marketing of the products may be delayed or prohibited in the countries concerned.

If such a situation were to arise, it could have a significant negative impact on the Group, its business, financial position, results, development or outlook.

Even if the Group takes into account, in the framework of its activity, potential changes in legislation or changes to standards or the regulations applicable in the States in which the Group markets its products and plans to markets its products, new regulatory constraints could prevent the marketing of Group products should its marketing authorizations be withdrawn, suspended or not renewed or marketing could be delayed, thus making their production or development in particular more expensive.

The subsequent discovery of previously unknown problems relating to a product or a manufacturer could lead to fines, delays or suspensions of regulatory authorizations, product seizures or recalls, notifications to doctors or any other action in this area, restrictions concerning operation and/or criminal proceedings.

If such a situation were to arise, it could have a significant negative impact on the Group, its business, financial position, results, development or outlook.

4.4.2. Risks linked to authorizations already obtained or on-going proceedings

4.4.2.1. Risks linked to the regulatory environment in Europe-CE marking

The Group's products are classed as medical devices and are governed, among others, by the provisions of European Directive 93/42/EEC, amended, which harmonizes the conditions for the sale and free circulation of the Group's products within the European Economic Area.

These products can only be placed on the market when they have been granted certificates allowing them to use the CE marking, which are valid for three years. CE marking confirms that the medical device concerned complies with the essential health and safety requirements fixed by the applicable European Directive and certifies that it has undergone adequate evaluation procedures to determine its compliance.

Although the current products have already obtained CE marking, products under development will be subject to this same regulation and their launch on the market could be delayed if they fail to obtain the certificates permitting CE marking in a timely manner.

If such a situation were to arise, it could have a significant negative impact on the Group, its business, financial position, results, development or outlook.

Requests to renew certificates relating to CE marking require, among other things, continued compliance of the quality system, the taking into account of regulatory developments, update of the risk management and compliance with the essential requirements of the applicable European Directives.

If the Group fails to obtain the necessary certificate renewals for the CE marking of its existing products within the required timeframe, marketing of these products will be suspended until the authorizations are obtained.

If such a situation were to arise, it could have a significant negative impact on the Group, its business, financial position, results, development or outlook.

Finally, in September 2012, the European Commission presented a major review of the European legislation relating to medical devices. In particular, it plans to replace the current Directive with a regulation that would apply directly to all Member States and would leave no room for national particularities. In essence, the new regulations will significantly strengthen provisions relating to clinical evaluation during the lifetime of a product and market vigilance, to ensure patient safety. Such a change in regulations would reduce the Company's operating margin. The Commission stated that the regulation could be adopted in 2014 and implemented between 2015 and 2019. Since then, the European Parliament adopted a legislative resolution on the proposed regulation at first reading on April 2, 2014. The EU Council must in turn vote on the text for the regulation to be adopted. No date was announced in this respect.

4.4.2.2. Risks linked to the regulatory environment in the United Sates

The American market is governed by federal regulation 21 CFR, which covers the marketing of medical devices by imposing pre- and post-marketing requirements; the controlling body is the Food and Drug Administration (FDA).

The marketing of medical devices, such as those manufactured by the Group, on the American market is subject to notification to the FDA before market launch and requirements relating to the quality system as set out in 21 CFR820. These products are medical devices that present a moderate potential risk (class II for the FDA) and for which a substantial equivalence to a medical device that is already approved on the American market can be shown. The Company can use the "510(k)" procedure to submit the file for examination by the FDA. Once the file is approved, the medical device is registered in a computer database, which is kept up-to-date by the FDA.

Jazz was granted the 510(k) authorization on September 13, 2012 under number K121541 and the Implanet Spine System on July 16, 2012 under number K120564.

The Martillac site underwent an FDA audit in February 2014 and no comments were made.

Information relating to the American regulations applicable to Implanet appliances is subject to the developments presented in Section 6.11 of the *Document de référence*.

If the FDA authorizations relating to the Group's existing products are called into question or any requests for authorizations relating to new Group products are rejected by the FDA, the Company cannot market its products on the American market or must implement other, longer and more costly procedures to obtain or renew these authorizations. If such a situation were to arise, it could have a significant negative impact on the Group, its business, financial position, results, development or outlook.

4.4.2.3. Risks linked to the regulatory environment in other countries

The marketing of medical products in other countries requires specific measures to obtain the necessary authorizations (particularly in Brazil, India, Iran, etc.).

There is, however, recognition and equivalency in terms of certification in certain countries (particularly in Turkey, South Africa and Australia). This equivalency and recognition plays an important part in the decision to market the Group's products in a new country.

The Group has already obtained marketing authorizations for some of its existing products in certain countries outside the European Union and the United States, notably South Africa, Australia, Brazil, India, Iran, Russia and Turkey. (see Chapter 6).

As part of its development, the Group studies deployment opportunities for its new products and its existing products in new countries.

The Group's inability to obtain or retain the necessary authorizations for its products could have a significant negative impact on the Group, its business, financial position, results, development or outlook.

4.4.3. Risks linked to product liability claims

The Company's activity exposes it to risks of product liability claims, which are inherent to the research and development, preclinical and clinical studies, the manufacture, marketing, promotion, sale and operation of the Company's products. Civil or criminal proceedings may be filed against the Company by users (patients, surgeons and other health professionals), the regulatory authorities, commercial partners (distributors or agents) and any other third party using or marketing its products. Product liability claims may be costly to defend and negative rulings may be issued against the Company.

To date, the Company is not involved in any civil or criminal proceedings in this respect and has liability insurance for faulty products (see Section 4.9) which covers the 4.9's activities in the United States in particular. The problem of product liability in the United States is a particularly crucial one since this market is favorable to costly disputes.

4.4.4. Risks linked to reimbursement policies for medical devices

The Company's ability to generate revenue from the products that it develops, the level of success of the Company's products and their performance partly depends on the coverage and reimbursement conditions in the countries where it markets or intends to market its products.

Many patients may not be able to pay for an existing product or a product that the Company may develop in the future. The Company's ability to obtain acceptable levels of reimbursement from governmental authorities, private health insurers and any other body will have an impact on its ability to successfully market these products. Whether implants are reimbursable or not affects customers' decisions about which products to buy and the price they are willing to pay. Reimbursement varies from one country to another and could have a significant impact on the acceptance of new products and services. The Company may not be guaranteed optimum reimbursement in the United States, Europe and elsewhere for products that the Company has developed or could develop, and any reimbursement may be reduced or withdrawn in the future.

In Europe, the United States and other major markets on which the Company may sell its products, there is constant economic, regulatory and political pressure to limit the cost of procedures involving medical devices. Paying third parties are increasingly questioning the price of medical devices and many paying third parties could refuse or reduce the share reimbursed for certain devices.

New legislative or administrative reforms of American reimbursement systems or those of other countries could also significantly reduce the reimbursement of interventions using the Company's medical devices (or even refuse to insure these interventions) by regulating prices or competitive pricing, amongst other tools.

The absence of or insufficient reimbursement or coverage of the Company's products or the adoption of more restrictive measures in terms of reimbursement or coverage, could have a significant negative impact on the Company, its business, financial position, results, development or outlook.

4.4.5. Risks linked to the failure of industrial processes (for example, product traceability, etc.)

The Company's products are classed as medical devices and are therefore subject to specific regulations in all countries where they are manufactured, tested or marketed. These regulations impose obligations relating to the following in particular:

- design;
- preclinical testing and clinical trials for products;
- product manufacture, control and quality assurance;
- product labeling, including instructions for use;
- product storage;
- product identification and traceability;
- data conservation procedures; and
- post-marketing vigilance and notification of incidents linked to product use.

These regulations apply to the Company for products for which it is the regulatory manufacturer. The Company relies on the application of these regulations by third party manufacturers for the products for which it is the distributor.

The Company cannot however guarantee that its suppliers or subcontractors respect or will respect the applicable regulations at all times. The notified body, during a certification or monitoring audit, or the regulatory authorities, during an inspection or any other regulatory process, may identify breaches of the regulations or applicable standards and require that these be resolved by means of corrective action which could interrupt the manufacture and/or supply of the Company's products.

The suspension, complete interruption or complete or partial ban on the activities of the Company's suppliers could have a significant impact on the Group's business, financial position, results and reputation.

The Company has put in place a quality system, which includes, amongst other elements, procedures to detect any non-compliant product internally or externally. This quality system has been certified by a third party body in accordance with the regulatory requirements of the applicable European Directive 93/42/EEC and the reference standards (ISO 9001 and ISO 13485). These procedures have been integrated into a compliance failure management system called CAPA (Corrective Action and Preventive Action), the aim of which is to:

- identify and register compliance failures relating to the products or the quality system;
- register all investigations and analyses linked to the analysis of the causes of these compliance failures and the related risks;
- identify and implement corrections or corrective and preventive actions; and
- measure the efficacy of the actions taken to correct the compliance failures.

The management of any declaration of an incident with consequences on patients and/or users and/or third parties is defined by the regulations relating to medical device vigilance, which describe the methods for notifying the competent authorities of incidents. The Company has an internal procedure to monitor and analyze the incident reports received, and where applicable, their declaration by the medical device vigilance officer to the national regulatory authorities (for example, the ANSM, [*Agence nationale de sécurité du medicament et des produits de santé* (French National Agency for Medicines and Health Product Safety)].

4.4.6. Litigation and exceptional events

There is no governmental, legal or arbitration procedure, including any procedure that the Company is aware of, that remains unresolved or threatened against the Company that is likely to have or have had a significant effect on the Company or Group's financial position or profitability over the last 12 months.

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.

4.5. RISKS LINKED TO INTELLECTUAL PROPERTY AND RELATED LITIGATION

4.5.1. Limitations of the protection granted by patents and other intellectual property rights

The commercial success of Implanet and the protection of its inventions depends on its ability to obtain, retain and protect its patents, brands, drawings, models and related applications, as well as any other intellectual property or similar rights (such as commercial secrets and know-how in particular). The Company dedicates significant financial and human efforts to the protection of its technology and implements common industry practices (such as filing additional developments to extend one or several patent claims) to prolong the protection of its technology beyond the initial period; however it cannot guarantee that any such application will be approved. To the Company's knowledge, the inventions incorporated into the Company's implants and/or instruments are protected by its patents and patent applications (see Chapter 11).

However, the Company may not be able to maintain adequate protection for its intellectual property rights and, as a result, lose its technological and competitive advantage.

It should be noted that the Company's intellectual property rights provide protection for a term that may vary from one region to another (for example, in France and Europe the term for patents is 20 years from the date on which the patent application is filed).

Furthermore, when a patent application is filed, another patent may have priority despite not being published yet. Despite the priority research and vigilance that the Company conducts, it cannot be certain that it is the first to create an invention and to file a patent application, given in particular that in the majority of countries, patent applications are published 18 months after applications are filed.

The Company may also file brands, drawings and models. If the Company registers one of its brands in a country where it is not covered, the Company may find that the brand name in question is not available in that country. A new brand must therefore be found for that country.

The Company may therefore encounter difficulties filing and obtaining some of its applications for patents, brands or other intellectual property rights that are currently being examined/registered.

Moreover, the granting of a patent, brand, drawing, model or other intellectual property rights does not guarantee their validity or opposability. The Company's competitors may successfully contest the validity or opposability of its patents, brands, drawings and models or the relating applications at any time before a tribunal or as part of other procedures, which, depending on the result of these claims, could limit their scope, render them invalid or cause them to be sidestepped by competitors.

Finally, developments, changes or different interpretations of the laws governing intellectual property in Europe, the United States or other countries could allow competitors to use the Company's inventions or intellectual property rights to develop or market the Company's products or technologies without any financial compensation. There are also certain countries that do not protect intellectual property in the same way as Europe or the United States and the effective procedures and rules required to defend the Company's rights may not exist in these countries.

As a result, the Company's rights over its patents, brands, drawings and models and the relating applications and other intellectual property rights may not provide the expected protection against the competition. The Company is therefore unable to guarantee that:

- the Company will develop new inventions that can be patented;
- the Company's patent applications that are in the process of examination will result in patents being granted;
- the patents granted to the Company will not be contested, invalidated or sidestepped;
- the scope of protection granted by the Company's patents, brands and intellectual property rights is and will remain sufficient to protect the Company from its competition and the patents, brands and intellectual property rights of third parties covering similar devices;
- third parties will not contest ownership of rights over patents or other intellectual property rights belonging to the Company; and
- the Company's employees will not contest rights or the payment of additional remuneration or a fair price in consideration of the inventions that they helped to create.

4.5.2. Limitations on the protection of the Company's commercial secrets and know-how

It is also important that the Company protect itself against the unauthorized use and disclosure of its confidential information and commercial secrets. The Company may need to supply, in different formats, information, technologies, processes, know-how, data or information that is not patented and/or not patentable, to third parties with whom it collaborates (such as university establishments and other public or private entities, or its subcontractors) concerning the research, development, testing, manufacture and marketing of its products. In this case, the Company requires the signature of confidentiality agreements. The technologies, processes, know-how and data that are not patented and/or not patentable are considered commercial secrets that the Company tries to partially protect with such confidentiality agreements.

The Company also ensures that the collaboration or research agreements that it signs grant it full ownership of the results when it has participated in the creation of the invention. With regards to license agreements, Implanet also looks to retain control of patent management or to enjoy operational exclusivity in its field of activity.

However, the means of protecting these elements only offer limited protection and cannot prevent illegal use of the Company's technologies by third parties. Despite the precautions, particularly contractual, taken by the Company with regard to these entities, the latter could contest ownership of the intellectual property rights resulting from tests performed by their employees, for example. These entities may not be able to grant operational exclusivity to the Company under terms that it deems acceptable.

Such contracts therefore expose the Company to the risk of seeing the third parties concerned (i) contest the intellectual property rights on the Company's inventions, (ii) fail to ensure the confidentiality of the Company's non-patented innovations or developments and know-how, (iii) disclose the Company's commercial secrets to its competitors or develop its commercial secrets independently, and/or (iv) violate such agreements, without the Company having any appropriate solution against such violations.

Consequently, the Company's rights over its commercial secrets and know-how may not grant the required protection against competition and the Company cannot guarantee:

- that its know-how and commercial secrets will not be usurped, sidestepped, transmitted without its authorization or used;
- that the Company's competitors have not already developed technology, products or devices that have a close resemblance or are similar in nature or purpose to those of the Company; and
- that no co-contractor will contest the intellectual property rights over the Company's inventions, know-how or results.

4.5.3. Specific risks linked to the violation of intellectual property rights

To ensure the success of its business, it is important that the Company is able to exploit its products freely without infringing on the patents or other intellectual property rights of third parties and without third parties infringing the intellectual property rights of Implanet.

4.5.3.1. Risks of the Company violating the intellectual property rights of a third party

Implanet therefore continues to conduct, as it has done to date, the preliminary studies that it deems necessary with regard to the above-mentioned risks before investing with a view to marketing its different products. In particular, it continues to monitor the activity (particularly in terms of patent filing) of its competitors.

More particularly, and in relation to Jazz, with the help of its French and American intellectual property consultant agencies, the Company has conducted priority research to study the situation relating to equivalent products and compare it with the specific characteristics of Jazz. The Company has also analyzed the freedom to operate patents filed by Implanet relating to Jazz compared to those of its competitors. The Company thus has particularly relevant elements that will allow it to develop Jazz confidently.

However, monitoring the non-authorized use of products and technology is difficult. The Company is not able to guarantee:

- that it will be able to prevent the misuse or unauthorized use of its technology, particularly in foreign countries where its rights may not have the same level of protection due to the territorial scope of its industrial property rights;
- that its products do not infringe upon or violate the patents or other intellectual property rights belonging to third parties;
- that there are no patents that are difficult to interpret or other intellectual property rights that may cover certain Company products, procedures, technologies, results or activities, and that no third parties infringe or act in violation of their rights with respect to the

Company with a view to obtaining damages and/or the termination of its manufacturing activities and/or the marketing of the products or procedures incriminated in this way;

- that there are no rights relating to brands, drawings or models or other prior intellectual property rights belong to a third party that could allow for infringement action against the Company; and/or
- that the Company's domain names will not be subject to a UDRP (Uniform Dispute Resolution Policy) or similar procedure or infringement action by a third party who holds prior rights (e.g. trademarks).

Any proceedings brought against the Company could result in substantial costs and compromise its reputation and financial position, regardless of the outcome. If these proceedings were to proceed, the Company may be forced to interrupt (subject to a penalty) or to delay the research, development, manufacture or sale of products or procedures covered by these claims, which would have a significant impact on its business. Certain competitors with greater resources than the Company would be able to better support the costs of a complex proceeding. Any dispute of this type would therefore impact on the Company's ability to perform all or part of its activity to the extent that the Company could be forced to:

- cease selling or using any of these products relying on the intellectual property contested in a given geographic region, which could reduce revenues;
- obtain a license from the holder of the intellectual property rights, a license that may not be possible to obtain or may be obtained under unfavorable conditions;
- review its design or, with regards to claims concerning trademarks, rename its products to avoid infringing on the intellectual property rights of third parties, which may be impossible or involve a long and costly process and could impact de facto on its marketing efforts.

4.5.3.2. Risks of violation of the Company's intellectual property rights by third parties

Other companies may use or try to use elements of the Company's technology protected by an intellectual property right, which would be damaging for the Company. The Company cannot guarantee that it will not file legal or administrative proceedings to enforce the monopoly granted by its intellectual property rights (particularly patents, brands, drawings and models or domain names) by legal means.

Legal action by the Company may be necessary to enforce the respect of its intellectual property rights, to protect its commercial secrets or to determine the validity and scope of its intellectual property rights. A dispute may result in considerable expenses, have a negative impact on the Company's results and financial position and may not even provide the protection or sanction desired.

4.5.3.3. Impact of legal action

If one of the aforementioned scenarios should occur in relation to the Company's intellectual property rights, this could have a significant negative impact on the Company's business, outlook, financial position, results and development. Nevertheless, on the day on which this *Document de référence* was registered, the Company neither faced any of these situations nor was involved in any dispute, as the claimant or defendant, relating to its intellectual property rights or those of a third party.

4.5.4. Risks related to the pledge of goodwill in favor of KREOS CAPITAL IV (UK) LTD

On July 19, 2013, the Company concluded a venture loan agreement with KREOS CAPITAL IV (UK) LTD, as amended by an additional clause on April 16, 2015, which took the place of a master agreement for the subscription of a €5,000,000 bond issue by KREOS CAPITAL IV (UK) LTD, the issue of share subscription warrants (BSA) by the Company in favor of KREOS CAPITAL IV (Expert Fund) LTD and the pledge of the Company's goodwill (including, in particular, all intellectual property rights held currently and in the future by the Company) in favor of KREOS CAPITAL IV (UK) LTD. (See Sections 22.3, in particular, for further details on the commitments given by the Company in relation to the bond issue, as well as on early repayment events).

The purpose of the above-mentioned pledge is to guarantee all the Company's payment obligations relating to reimbursement of the bond, totaling five million euros (€5,000,000), comprising the amount of the bond plus any late interest payments, fees, costs, compensation and incidental expenses.

Any breach by the Company of its commitments under this bond or the occurrence of events (such as failure to pay one of the sums on its due date, breach of the protocol and commitments given in this respect, the Company's insolvency, a change in the Company's field of activity, the transfer of intellectual and industrial property rights held by the Company) could result in this pledge being implemented and the ownership of the Company's goodwill being transferred, including all its intellectual property rights.

The occurrence of such events would have a negative impact on the Company, its business, financial position, results, development and outlook.

4.6. INDUSTRIAL AND ENVIRONMENTAL RISKS

The nature of the Company's activities does not pose any significant risk to the environment.

4.7. FINANCIAL RISKS

4.7.1. Risks linked to operating losses

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

- its stage of development: research and development costs for projects in progress: Madison (full knee prosthesis for first-line treatment), and Jazz (posterior fixture and spinal deformity reduction system): mechanical and clinical testing, filing of patents, costs associated with the protection of intellectual property, etc.;
- marketing and commercial rollout costs (launch of new products, territorial expansion, etc.);
- development costs of the Beep N Track activity until 2011.

For the fiscal year ended December 31, 2014, the Company recorded a net loss of €6,872 thousand.

In the event that the Company is not able 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 Company, its business, financial position, results, development and outlook.

4.7.2. 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 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 regards to the concentration of credit risk,

- two French distributors accounted for 10% of consolidated revenue and 30% of sales at December 31, 2014;
- one export distributor accounted for 10% of consolidated revenue at December 31, 2014.

Implanet has implemented policies that allow it to ensure that its customers have a suitable credit history.

4.7.3. Risks linked to the management of working capital

The marketing of orthopedic implants requires the Company to:

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

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, whether to distributors 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. Likewise, a shortening of the payment terms of the Company's suppliers would also have a negative impact on changes to its working capital.

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

4.7.4. Liquidity risk

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 stock market in November 2013 and the capital increase with preferential subscription rights for shareholders in March 2015) totaling €64,122 thousand since its creation.

In addition, with a view to anticipating future cash requirements, the Company has opened an equity line of credit with Kepler Cheuvreux (not used to date).

The Company has also used public funding:

- repayable advances from French innovation financing agency OSEO Innovation;
- OSEO subsidy;
- ERDF subsidy from the Aquitaine Regional Council;
- research tax credits (*Crédits Impôts Recherche-CIR*);
- COFACE marketing insurance.

Please refer to Section 10.1 10.1the *Document de référence*.

The repayment schedule for the repayable advances presented in accordance of IFRS breaks down as follows at December 31, 2014:

	OSEO Knees
At December 31, 2014	**226,779**
Part due in less than 1 year	68,520
Part due between 1 and 5 years	158,259
Part due in more than 5 years	

Further, 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 (BSA) by the Company in favor of KREOS CAPITAL IV (Expert Fund) LTD and the pledge of the Company's goodwill in favor of KREOS CAPITAL IV (UK) LTD. (See Section 22.3, in particular, for further details on the commitments given by the Company in relation to the bond issue, as well as on early repayment

events). 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 subject to the condition precedent of the Company issuing to KREOS CAPITAL IV (Expert Fund) LTD 18,473 share subscription warrants (BSA) by June 30, 2015 at the very latest (refer to Section 22.3.3 of the *Document de référence* for more details on the nature of the bond issue following the rescheduling).

Non-compliance on the part of the Company with any of its commitments under this bond or events (such as failure to pay one of the sums on its due date, breach of the protocol and commitments given in this respect, the Company's insolvency, a change in the Company's field of activity, the transfer of intellectual and industrial property rights held by the Company) could result in the early repayment of the entire bond.

Early repayment and payment default on the part of the Company in respect of the bond could result in the enforcement of securities granted by the Company to KREOS CAPITAL IV (UK) LTD and the transfer of all of its intellectual and industrial property rights.

This loan has fixed monthly installments of €191 thousand between January 2014 and March 2015. Once the amendment to the aforementioned venture loan agreement has entered into force (with retroactive effect on April 1, 2015), the monthly installments due by the Company will amount to €94 thousand (with the exception of the final installment which will fall due on December 1, 2017 and will be for €72.5 thousand).

The Company may not be able to meet the repayment installments for this loan and may find itself unable to repay the loan or deprived of all or part of the assets pledged as a guarantee against repayment.

	Non-convertible KREOS bond issue
At December 31, 2013	**4,733,383**
(+) Subscription	0
(-) Derivative liability	0
(-) Redemption	(1,860,324)
(+) Capitalized interest	0
(+/-) Impact of amortized cost	142,999
(+/-) Conversion	0
At December 31, 2014	**3,016,058**

(See 22.322.3 of the *Document de référence*, in particular, for the commitments given by the Company in relation to this bond, and early repayment events.)

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 €4,404 thousand in the fiscal year ending December 31, 2014 and €5,386 thousand for the fiscal year ended December 31, 2013.

At December 31, 2014, the Company's cash and cash equivalents amounted to €2,111 thousand. Realizable current and non-current financial assets (cash balances) totaled €3,439 thousand.

On the date the annual financial statements were closed, the Board of Directors deemed the Company as going concern, given its financial strength in terms of financial needs over the next 12 months.

This analysis is based on the following information:

- the Company's available cash (€2.1 million);
- its cash balances (other non-current financial assets for €0.3 million and other current financial assets for €2.8 million);
- and the capital increase (issue premium included) of €11.2 million completed in March 2015.

Revenue sources over forthcoming years will be:

- the sale of its orthopedic products (spinal, arthroscopy);
- the commercial rollout of the Jazz technological platform;
- public subsidies and the reimbursement of the research tax credit to the Company.

The interruption or reduction of these revenue sources could have a significant negative impact on the Company's business, outlook, financial position, results and development.

On the date this *Document de référence* was filed, the Company was able to meet its financial obligations in the next 12 months.

The Company may have additional financial needs in the future to develop and market its products. The Company may find that it is unable to fund its growth itself and may need to look for other sources of funding, consolidating its equity by means of a capital increase and/or by taking out bank loans.

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.

4.7.5. Risks of dilution

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

At the date of this *Document de référence*, the Company has issued and allocated share subscription warrants (BSA) and founders' warrants (BSPCE) and opened an equity line of credit.

At the date of this *Document de référence*, the full exercise of all of the instruments giving access to the share capital allocated and outstanding on this date would enable the subscription of 513,702 new shares, thus leading to dilution equal to 4.96% based on the capital existing today, and 4.72% based on the fully diluted share capital (excluding exercise of the share issuance warrants (BEA) issued in favor of Kepler Cheuvreux (for detailed terms and conditions see Section 21.1.4.2 of the *Document de référence*).
On this same date, the exercise of all BEAs issued in favor of Kepler Cheuvreux would enable the subscription of 530,000 shares, leading to dilution of 5.11% based on the share capital existing today, and of 4.86% based on the fully diluted share capital.
Thus, the full exercise of all instruments giving access to the share capital allocated and outstanding on this date (including the BEAs issued in favor of Kepler Cheuvreux) would enable the subscription of a maximum of 1,043,702 new shares, leading to total dilution of 10.07% based on the share capital existing today, and of 9.15% based on the fully diluted share capital).
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.

4.7.6. 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 2014 CIR totaled €379 thousand.

The research tax credits in respect of 2010 and 2011 were subject to a tax audit resulting in an additional tax cost of €79,879 (including late payment interest and penalty). This amount was included in the provision of €109 thousand in respect of the tax audit, made on December 31, 2013.

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.

4.7.7. Risks linked to public advances

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

At December 31, 2014	Amount granted in € thousands	Amount received in € thousands	Amount repaid in € thousands
OSEO Knee	350	350	110
OSEO – Beep N Track	650	650	650
COFACE USA – Beep N Track	194	194	194
Total	**1,194**	**1,194**	**954**

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 made under this loan are broken down as follows:

- €280 thousand on March 1, 2010;
- €70 thousand on May 9, 2011.

Following the project's technical and commercial success, the repayment of this innovation loan will be made in installments starting in March 2013 and until December 31, 2017.

With regards to the repayable OSEO advances, 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.

4.8. MARKET RISKS

4.8.1. Interest rate risks

The Company is not exposed to interest rate risk with regard to the asset items recognized in its balance sheet, to the extent that the cash equivalents comprise term accounts of less than one year and it has not taken out any variable-rate debt.

The Company issued a non-convertible bond for the sum of €5,000 thousand to KREOS CAPITAL IV (UK) LTD on July 19, 2013 (which was amended by an additional clause on April 16, 2015), with fixed-rate interest of 11.5%. (See Section 22.3of the *Document de référence*).

The lease agreements signed by the Company to finance its ancillary devices and instruments have a fixed interest rate.

Further, at the date of this *Document de référence*, the Company has no overdraft authorizations.

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

4.8.2. Foreign exchange risks

The Company's cash is exclusively invested in euro-denominated investment products. At December 31, 2014, all cash was denominated in euros.

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 main risks related to the foreign exchange impact on purchases and sales in foreign currencies are considered non-material.

The Company opened a subsidiary in the United States (in February 2013). Accordingly, this opening generated greater exposure to the foreign exchange risks linked to variations in the euro/US dollar exchange rate.

In its current state of development, the Company has not made any provisions to hedge against variations in foreign exchange rates. The Company cannot ignore the possibility that a significant increase in its activity could result in greater exposure to foreign exchange risks and it would then require a policy to hedge against 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.

4.9. INSURANCE AND COVERAGE OF RISKS

The Company has put in place a policy to cover the main insurable risks with the amount of security suitable for the nature of its activity. The expenses paid by the Company relating to its insurance policies (France and United States) amounted to €260,517 for the fiscal year ended December 31, 2014.

Table summarizing the Company's insurance policies:

Type of insurance	Insurance Company or Broker	Coverage		Amounts covered	Deductible per claim
Third Party liability for businesses	Gras Savoye - CNA	Region: Worldwide			
	Operation	All damage taken together, including personal injury, of which: (per claim and per year of insurance)	€	7,500,000	None.
		- Inexcusable fault	€	1,000,000	€5 thousand per victim
		- Material and immaterial damage including:	€	1,500,000	$2,000
		- Theft committed by agents/employees	€	50,000	$500
		- Damage to entrusted goods	€	30,000	$2,000
		- Immaterial non-consecutive damage	€	300,000	$2,000
		- Sudden and accidental pollution	€	500,000	$2,000
	Products/after Delivery	All damage taken together, including personal injury, of which:			
		per claim	€	3,500,000	$10,000
		and per period of insurance	€	10,000,000	
		Immaterial non-consecutive damage	€	500,000	$15,000
		Withdrawal expenses	€	500,000	$15,000
		USA/Canada guarantee per claim	€	3,500,000	$20,000
		USA/Canada guarantee per period of insurance	€	10,000,000	
	Legal expenses	Legal expenses	€	100,000	Disputes exceeding €500
Industrial and Commercial Multi-risk	Gras Savoye - CNA	Principal guarantees:			
		Fire, Explosions, Lightning, Falling aircraft,		Guaranteed	up to
Damage to goods		Impact by terrestrial vehicle, Storms, Vandalism, Terrorism,			the insured amounts
and Operating Losses		Water Damage			
		Damage to electrical, electronic, computer and office equipment	€	600,000	
		Breakage of IT and office equipment	€	600,000	
		Breakage of Machines	€	8,000	
		Breakage of Windows	€	10,000	
		Theft, attempted theft (assets, furniture, goods for resale)	€	300,000	
		Cash and valuables in cash registers or safety deposit box	€	5,000	
		Transport of funds		Excluded	
		Loss of goods for resale subject to controlled temperatures		Excluded	
		Subsidence	€	100,000	
		Other natural events	€	100,000	
		All risks except (other material damage)	€	50,000	
		Goods during transport	€	10,000	
		Goods in any place at third parties	€	10,000	
		Goods entrusted	€	10,000	
		Assets during construction		Excluded	
		Goods during "Assembly-Trials"		Excluded	
		Automatic Insurance	€	100,000	
		Differences in conditions, limits and definitions	€	1,000,000	

Type of insurance	Insurance Company or Broker	Coverage		Amounts covered	Deductible per claim
Transported goods for resale	Gras Savoye - CNA	Sea transport	€	300,000	with no deductible
		River, air and land transport	€	200,000	with no deductible
		Own transport	€	60,000	with no deductible
		Trade fairs-Exhibitions	€	150,000	with no deductible
		Postal	€	1,000	with no deductible
Third-Party liability of Executives and corporate officers	Gras Savoye - CNA	Third-party liability for corporate officers, Legal defense fees, assistance in criminal cases	€	1,000,000	
Automobile fleet	AXA	Damage caused by all Accidents, Collisions, Fire or Explosion Criminal damage, Hail and Storms Theft Breakage of windows Natural disasters Personal injury			

5. INFORMATION ON THE ISSUER

5.1. HISTORY AND DEVELOPMENT OF THE COMPANY

5.1.1. Registered name of the Company

The Company's registered name is: Implanet SA.

5.1.2. 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.

5.1.3. Date of incorporation and duration

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

5.1.4. 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* (public limited 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.

5.1.5. History of the Company

2006

- Establishment of the Company by its founders

2007

- First round of financing of €13 million from historical financial investors who remain Company shareholders to this day
- Recruitment of management, administration, marketing, Research & Development, and regulatory and commercial affairs teams
- Design and implementation of industrial and logistical infrastructure

2008

- ISO 13485 (13419) and ISO 9001 (13417) certification
- CE marking and placement of first knee arthroscopy implants
- CE marking and placement of first hip implants
- Implementation of the ISS (Implanet Smart System) in pilot hospitals, enabling virtualization of logistics and automation of traceability.

2009

- Second round of financing of €7.6 million, subscribed by historical financial partners
- Winner of the "DELL Innovation Award" and the "IBM Information Champion Award" for the Beep N Track traceability and logistics technology for orthopedic implants
- Launch of the "Madison" knee project
- Launch of the "Implanet Spine System" spinal project
- Deployment of the Beep N Track activity, making it possible to manage the complete logistics and traceability of implants between the operating theaters and the manufacturers (patent granted at the end of the year)
- Attainment of CE marking for the Twist (Knee) femoral fixation button
- Signing of distribution agreements in Brazil and submission of regulatory filings for the knee arthroscopy range
- Signing of distribution agreements in Iran and submission of regulatory filings for the Knee ranges

2010

- Launch of Jazz concept
- Third round of financing of €8 million, subscribed by historical financial partners and by a newcomer, CM-CIC Capital Privé, contributing €4 million to this round
- CE marking and marketing authorization for the traditional spinal implant range
- CE marking and placement of the first Madison knee prostheses
- Signing of distribution agreement in Turkey and submission of regulatory filings for the Knee (prosthesis and arthroscopy) and Spinal ranges
- Granting of €222,320 in subsidies by the Aquitaine Regional Council to fund the development of the Madison knee prosthesis

2011

- Fourth round of financing of €5 million, subscribed by historical shareholders
- Renewal of ISO 13485 (13419) and ISO 9001 (13417) certification
- Launch and placements of the first traditional implants in the spinal range
- CE marking and marketing authorization for Jazz
- Granting of marketing authorization in Brazil for the Twist Button (Knee) range
- Signing of distribution agreement in South Africa and attainment of registration for the knee and spinal ranges
- Sale of the Beep N Track business to the American company GHX, global leader in hospital logistics

2012

- "Oseo Innovative Business" label
- Switch from direct to indirect marketing for the Knee range in France
- Pre-launch of Jazz for degenerative conditions and scoliosis
- Approval of (Knee) arthroscopy range in Brazil
- FDA (510 (k)) approvals for the traditional Spinal implant range in July

- FDA (510 (k)) approvals for Jazz in October
- Signing of distribution agreement for Jazz in Belgium
- Submission of regulatory filings for the Knee range in India and Brazil

2013

- Signing of distribution agreements for Jazz in Italy, Australia and New Zealand
- Signing of distribution agreements in Russia and submission of registration filings for the Knee and Spinal ranges
- Registration of Spinal and Knee ranges in India
- 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 specialized Spine distributors 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 bond for a total amount of €2.9 million in May and July 2013
- Issue of €5 million in non-convertible bonds in favor of KREOS CAPITAL IV (UK) LTD
- Listing on the Euronext Paris stock market in November

2014

- Discontinuance of marketing of hip prostheses during the first half of 2014
- Opening of an equity line of credit by Kepler Cheuvreux
- Relocation of Implanet America Inc. from New York to Boston in January 2014
- The Company's CEO, Ludovic Lastennet, oversees the operations of the subsidiary Implanet America Inc. in the United States from Boston
- Recruitment of four employees by the American subsidiary
- First FDA audit carried out in early February at the Martillac site
- Signing of several distribution agreements in the United States, enabling the Company to extend its business network to 25 business partners, covering over 60% of the North-American market

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 of around €11.2m, including issue premiums

5.2. INVESTMENTS

5.2.1. Key investments over the last two fiscal years

Key investments over the last two fiscal years		
in euros, IFRS	**12/31/2014**	**12/31/2013**
Intangible fixed assets	**166,618**	**59,558**
of which software	*60,439*	*59,558*
of which capitalization of development expenses	*106,179*	*0*
Property, plant and equipment	**869,719**	**394,109**
of which equipment and tooling	*833,124*	*389,104*
Total	**1,036,338**	**453,667**

The Group's investments in intangible fixed assets in 2014 were mainly linked to the capitalization of development expenses for the "JAZZ Crochet" and "JAZZ Autostatique" projects, as well as software acquisitions. In 2013, investments in intangible fixed assets were only linked to software acquisitions.

Property, plant and equipment investments over the last two fiscal years mostly related to acquisitions of ancillary devices or instruments, mainly achieved through finance leases.

5.2.2. Key ongoing investments

No major investments have been made since January 1, 2015.

5.2.3. Key future investments

At this stage, the Company does not plan to make significant investments in the coming years, which would have required its managing bodies to make firm commitments.

6. OVERVIEW OF ACTIVITIES

Implanet is a company which manufactures implants designed for orthopedic surgery, with the mission of identifying, designing and producing major innovations in the most orthopedic segments (knee and spine). The Company markets its products throughout the world and recorded revenue of €7.0 million[1] in 2014.

In 2013, Implanet announced the commercial launch of an implant for treating spinal pathologies requiring vertebral fusion, in Europe and the United States. This product, Jazz, completes the range of products routinely used, such as pedicle screws and hooks, and has already been used in more than 600 surgical procedures, representing more than 6,000 Jazz implants.

The main spinal surgical procedures involve fusing vertebrae on one or more levels. For this, metal rods attached to the vertebrae are used to immobilize them while bone fusion takes place. The rods are attached to the vertebrae by pedicle screws implanted into the body of the vertebra. For more complex assemblies, hooks are also used. These techniques, developed over the past thirty years, were first used in the treatment of deformities (e.g. severe scoliosis) then extended to other spinal pathologies (traumatisms, tumors, degenerations such as degenerative disc disease, stenoses, spondylolisthesis, etc.).

The Implanet Research & Development team designed the Jazz implant to improve on the first generation of braided implants currently marketed by Zimmer. The Company considers that Jazz represents major innovations which make it easier to use in the operating theater and leads to improved surgical efficacy. The Company's ambition is to generalize the use of this third family of implants, alongside screws and hooks, with an estimated market of US$2.1 billion (see[2] Section 6.4).

Jazz, a new generation implant targeting a global market worth $2.1 billion

With Jazz, Implanet is targeting an existing surgical market for which braided implants provide clinical improvement and also cost optimization for healthcare establishments. The indications for which Jazz has been awarded marketing authorizations in Europe and the United States represent a global market estimated at US$2.1 billion (USD).

The Company's strategy is to make its Jazz implant the global reference technology on the braided implants market, for which it will help improve the selection by surgeons through its ease of use. For this, the Company also relies on its historical activity with implants for knee surgery, which is a major area of expertise and enables the Company to benefit from effects of scale on its operational activities (commercial, logistics, production, regulatory affairs, etc.), thus covering most of its fixed costs.

[1] This figure is affected by the termination of the "hip" activity during the first half of 2014 (see Section 9.2.1.).

[2] 2 Company Estimate (see Section 6.4).

6.1. SIGNIFICANT PROGRESS IN 2014

Using the strategy defined in 2013, of focusing on its Jazz technology, the Company has made significant progress in 2014. The following paragraphs review the objectives fixed in 2013 and progress made in 2014.

6.1.1. Maximize the choice of Jazz via a reference study support

6.1.1.1. Objectives announced

- document the superiority of Jazz in scoliosis;
- demonstrate Jazz's efficacy in degenerative diseases;
- intensify marketing activities and set up two US/Europe scientific advisory boards.

6.1.1.2. Achievements in 2014


implanet

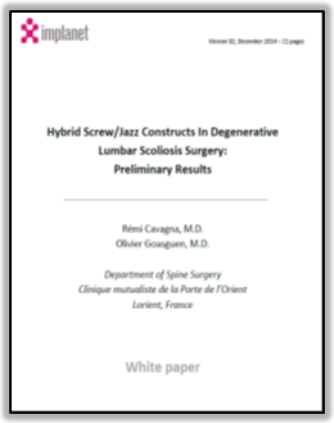
Adolescent Idiopathic Scoliosis treated by posteromedial translation using Jazz sublaminar bands: results at minimum 1 year-follow-up

Brice Ilharreborde MD, PhD

Department of Pediatric Orthopaedic Surgery, Robert Debré Hospital, Paris Diderot University, France.

White paper

Publication of a white paper by Professor Ilharreborde's team on the results of a clinical study on the restoration of frontal and sagittal balance in scoliosis surgery on adolescents (12-month follow-up/20 patients).


implanet

Hybrid Screw/Jazz Constructs In Degenerative Lumbar Scoliosis Surgery: Preliminary Results

Rémi Cavagna, M.D.
Olivier Goasguen, M.D.

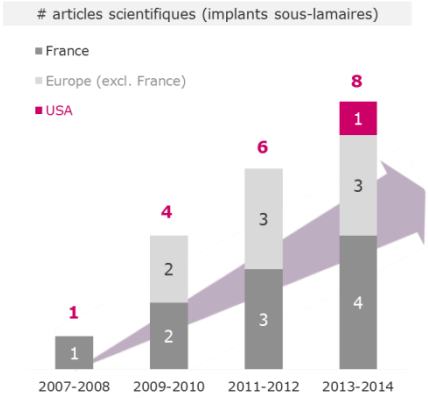
Department of Spine Surgery
Clinique mutualiste de la Porte de l'Orient
Lorient, France

White paper

Publication by Dr. Cavagna of the first white paper on the use of Jazz for elderly patients suffering from degenerative diseases.
Results of the efficacy of surgery for degenerative lumbar scoliosis with an average follow-up period of 16 months.

The Company's clinical and scientific management also collaborated with the Mayo Clinic (Rochester, Minnesota) to conduct an in-vitro study of a cadaveric osteoporotic specimen designed to study the behavior of the anchorage of pedicle screws with and without the protection of a Jazz implant. The encouraging preliminary results of this study are being analyzed by the Mayo Clinic biomechanical laboratory with the aim of publication at their initiative.

The Company continues to rely on general studies of the use of braided implants. A sign of the time lag in penetration of braided implants between Europe and the United States is the fact that the first publication by an American team took place only in 2014, by Dr. Michael Albert's team at the Dayton (Ohio) Children's Hospital. The Company sees encouraging signs in this, in the knowledge that this lag between Europe and the United States had already been noted in the 1990s and 2000s relative to the use of pedicle screws in spinal surgery. This first American study, which was retrospective over three years, used a competing braided implant. Since summer 2014, Dr. Albert's



team has been using the Jazz implant regularly.

The Company has continued to develop its scientific council which now benefits from Dr. Brian Kwon as medical advisor for the United States and Dr. Geoffrey Stewart to provide support for the education programs.

6.1.1.3. Development pathways

As detailed in Section 6.2.2.1, the Company has decided to further intensify its investment in clinical studies appropriate to its commercial development objectives and marketing support, via three themes:

- use of Jazz in severe deformities in children and adolescents;
- use of Jazz in elderly patients suffering from osteodegenerative pathologies;
- medicoeconomic studies analyzing the economic impact of using Jazz in surgical procedures.

6.1.2. Enhance the range of implants

6.1.2.1. Objectives announced

- Adaptation of the versions of Jazz to 6.0 mm and 4.75 mm rods;
- Adaptation of the Jazz range to less invasive surgical procedures.

6.1.2.2. Achievements in 2014

- Jazz 3.5 – 4.0 – 4.5 – 4.75 and 6.0 mm validated in-house for the preparation of a file enabling CE Europe marking and FDA approval in the United States for all sizes in 2015;
- rationalization of CE and FDA files for the entire range;
- instrumentation in less invasive surgery – 1st generation validated;
- development of a “Robot compatible” design.

6.1.2.3. Development pathways

In addition to the multi-diameter version planned during the listing on the Stock Exchange, Jazz has become a real technological platform that can extend its field of application to cover many surgical indications. Section 6.2.2.2 details the make-up of this platform and the Company’s objectives concerning it.

6.1.3. Large-scale deployment of the sales network

6.1.3.1. Objectives announced

- Recruiting the best positioned business partners;
- Recruiting to increase exports mainly to the United States.

6.1.3.2. Achievements in 2014

Acceleration in the United States

- 25 agency contracts signed
- 3 Sales Directors
- 1 Marketing & Training Director
- 2 Independent Directors
- 1 Medical Advisor

Europe and Rest of the world

- 1 Sales Director, Europe
- 1 International Product Manager
- 1 Training Manager
- registrations in India and Russia
- commercial rollout in Germany
- contact initiated with distributors in Scandinavia (these discussions are expected to be finalized in H1 2015)
- commercial rollout underway in Russia
- attainment of some registrations in Brazil (the remaining registrations and commercial rollout are expected in H1 2015)

It is specified that in India, major modifications to the government's reimbursement policy have meant that the Company has had to delay its commercial rollout.

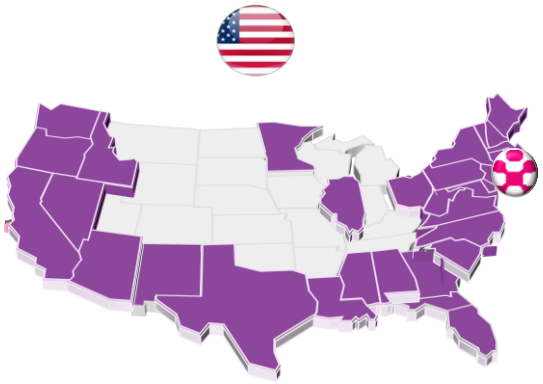
6.1.3.3. Development pathways

As set out in Section 6.2.2.3and in accordance with the strategy defined in 2013, the Company will continue to increase its sales and marketing efforts:

- United States: doubling the sales manager teams and support to business partners (agents and distributors);
- Concentrating the "rest of the world" sales organization in two regions: Europe and major export;
- Increasing marketing efforts in cooperation with the clinical and scientific management;
- Establishing the education program: Jazz Academy.

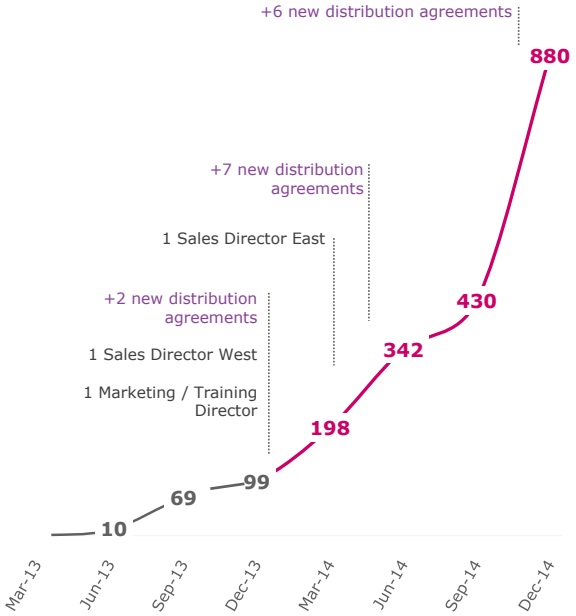
6.1.4. Encouraging initial sales in the United States and a proven commercial start-up

Sales organization (end of 2014)

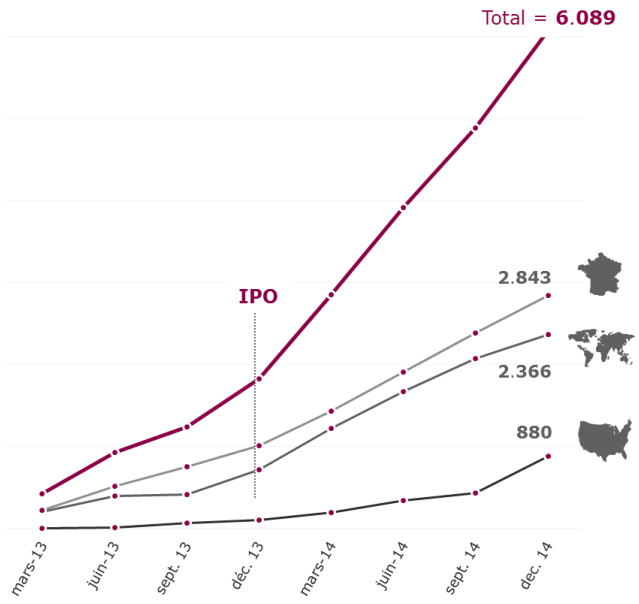


Direct distribution:
25 agencies in the US
covering 60% of the country

# of Jazz sold per quarter – Cumulative US



#Jazz vendus par trimestre (Cumulé)



The Company notes that, overall, the commercial start-up of Jazz is slower than its initial estimates but nevertheless is in line with its ambition to make Jazz a blockbuster in spinal surgery. On the American market the Company has been confronted with a greater need for raising awareness/training than expected. The recruitments carried out at the end of the first quarter did not allow it to benefit from a converted customer base as large as expected during the scheduled surgery seasons for pediatric scoliosis (May-June 2014). The Company identified this need and integrated it into its operational plan, with the Jazz Academy in particular, presented in Section 6.2.2.2 of the *Document de référence*.

Sales in the Spinal activity in 2014 experienced growth of:

- +133% in volume
- +138% in value

Since its establishment, the Company has sold 6,089 implants, corresponding to over 600 surgical procedures using a Jazz implant.

6.1.5. Concentration of general orthopedic activity on the knee

The Company has accelerated its change of direction in order to concentrate solely on its two strategic activities: Jazz and implants for knee surgery. For this purpose, in the first half of 2014 the Company announced that it would be ceasing its hip prosthesis activity, which, it should be remembered, was a purchase and resale activity generating little synergy with the rest of the Company's activities.

The knee surgery implant activity is continuing to expand, as shown, for example, by the registration obtained for the Madison range in Russia in the fourth quarter of 2014.

The prospects for this activity are set out in Section 6.2.3.

6.1.6. Strengthening the Board of Directors by adding two new independent members

The Company continued to expand its Board of Directors by adding two independent American members, in line with its internationalization strategy with a specific focus on the United States. Furthermore, these two members contribute their expertise both on the sales and marketing level in the orthopedics field and regarding the health economics aspects, a more and more important selection criterion for the referencing of new products in American hospitals.

The biographies of the members of the Board of Directors are presented in Section 14.1.2 of the *Document de référence*.

6.2. IMPLANET'S STRATEGY: BASING ITS GROWTH ON JAZZ

Implanet intends to accelerate its growth with a strategy based on two themes in the coming years:

1) Accelerating worldwide marketing of Jazz in spinal surgery to make it the benchmark braided implant;
2) Continuing its knee surgery implant activity in order to generate cash and continue to benefit from the scale effects provided by this activity.

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

6.2.1. Jazz, an attractive economic model allowing expectation of rapid growth and with high margins

On an estimated market of US$2.1 billion[3], Jazz presents characteristics allowing expectation of (i) rapid growth in sales via specialist business partners, (ii) high margins particularly in the United States, and (iii) limited working capital requirements compared with the usual requirements in the sector.

6.2.1.1. Marketing through specialist agents and distributors for rapid growth

Given that Jazz complements the vast majority of existing product ranges distributed by stakeholders in the spinal implant sector, and although a slight delay was noted in the United States, Implanet considers that it is able to select the most adequate business partners in each country (national and regional, depending on the countries).

These business partners have a sales force specializing in spinal surgery and are searching for new technologies, such as Jazz, allowing them to expand their ranges and offer their customers or prospective customers major innovations. Furthermore, the Company has already found that the simplicity of training surgeons in the operating technique and the high revenue generated by this type of surgery are particularly attractive and motivating factors for the sales force, which can expect a very rapid “return on commercial investment”. As an example, for scoliosis surgery in the United States, the average billing expected per procedure being around US$8,400, a sales agent generates an immediate commission of over US$2,000[4] from the first operation, a substantial sum and consequently attractive.

[3] Source: Company, see Section 6.4.

[4] Based on payment to agents of a 35% commission as observed by the Company.

To date, Implanet SA has signed agreements with the following business partners covering all or part of their country exclusively:

Country	Name of business partners
Germany	ORTHOVATIVE GmbH*
Australia	LIFEHEALTHCARE DIST. LTD
Benelux	HOSPITHERA SA/NV
Brazil	IMPORTEK - TECNIMED
Cyprus	UNIMED CYPRUS LTD
Spain	TRAUMEDICA*
Spain	DEFORCAN*
Spain	PRIM*
Greece	MEDIFIELD LTD
Iran	FANAVARAN ARYAN PYRAMID CO
Italy	MEDINEXT
Peru	IMPORTEK PERU SAC*
Switzerland	STOECKLI MEDICAL*

*New business partners since the Company was listed on the stock market in 2013.

Implanet America, Inc., which coordinates the commercial rollout of the Group in the United States, with the support of the business partners shown in the table below, thus covering the majority of American territory:

Name of business partners	Territory covered (entirely or partly)
Spine Enthusiast	Florida
Presidential Medical*	Ohio
Diamond Surgical*	New Jersey
Operating Room Specialties*	Arizona
Provectus Surgical Solutions*	Texas
Paradigm Biodevices*	Massachusetts
STL Spine*	Montana
OMS Surgical*	Nevada
Marquee Medical*	Colorado
Evolution Pacific*	California
Inverse Medical*	New Mexico
Spinal Resources*	Louisiana
True North Surgical*	Oregon
City Surgical*	California
Clark Medical*	Kentucky
Anthracite Orthopedics*	Pennsylvania
Touchstone Alliance*	South Carolina
American Medical Management*	Illinois
V Surgical*	Connecticut
Griffin Surgical & Spine*	Colorado
Mad River Medical*	Connecticut

Name of business partners	Territory covered (entirely or partly)
US Medical Technologies*	Minnesota
Spine-Tec*	Georgia
InMotion Medical*	Louisiana and Texas
Perpetual Medical Innovations*	Illinois
Seaside Osteo*	Maryland
WV Biologics*	West Virginia
Medical Device Solutions*	North Carolina
DSI Medical*	Kansas and Colorado

*New business partners since the Company was listed on the stock market in 2013.

Business partner selection is based on the recognized competence of these stakeholders on spinal implants, on the strength and reputation of their sales network, and especially on the proven ability of these distributors to launch new products relying on their capacity to train users, based in particular on a network of reference centers and selected opinion leaders.

6.2.1.2. Prices ensuring high margins

Jazz is an implant which allows high margins. The Company's strategy is an average unit sales price for its implant to American healthcare establishments (invoiced directly by Implanet America, Inc.) of US$1,450 and a sales price to importing distributors in other countries of €300 on average. Thus, based on an average price of US$1,000 per implant, the gross margin generated by the Company should remain above 85% (before commissions paid to sales agents, where applicable).

This high margin level achieved as early as from the product launch phase allows the margin to be distributed between all the business partners involved, whether they have distributor or sales agent status. This financial motivation is essential to ensure that all stakeholders are mobilized in the commercial deployment phase.

6.2.1.3. Potentially significant cash flow generation with limited investments and working capital requirements

The orthopedic sector, and to a lesser extent the spinal surgery sector, are considered as activities with high working capital requirements, given the substantial number of implant references required and the cost of the associated instruments provided free of charge to healthcare establishments. These working capital requirements generate major cash requirements for the vast majority of growing companies in the sector.

From this point of view, Jazz is an exception, since insertion of these implants requires simple and relatively inexpensive instruments (see Section 6.5.5.). The Company today markets a single implant size. The four additional sizes expected in the short and medium term will not require development of specific instruments. This simplicity, combined with the substantial margins, allows the Company to anticipate a very virtuous economic model from the point of view of cash generation related to the expected growth in Jazz sales. The Company expects that, on a market like that of the United States, provision of instruments and implant stocks should allow a return on investment after fewer than 10 surgical procedures per customer.

6.2.2. Clear strategic themes for the Jazz division

Implanet has defined a strategy comprising three main themes for Jazz: (i) publication of clinical studies to boost the Company's marketing efforts, (ii) extension of the range, and (iii) strong presence on the US market. These strategic objectives are consistent with the positioning the Company wishes to take on the braided implants market: capitalize on the ease of fitting Jazz to speed up the adoption of braided implants and become the leading provider of this implant technology for spinal fusion surgery.

6.2.2.1. A clinical program to support marketing

In terms of its promotion, Jazz continues to benefit from the information and collaboration campaigns carried out with several opinion leaders for the first generation of braided implants, Zimmer's Universal Clamp (this implant having been designed by the Implanet R&D Director in his previous position with Spine Next and later Abbott Spine before its takeover by Zimmer).

Implanet is supported by a database of clinical studies and regular users of braided implants for the commercial deployment of Jazz (see Sections 6.4.4, 6.5.5 and 6.5.6), as well as the first publications specific to its Jazz product, available since mid-2014, on pediatric applications to severe deformities and the use of Jazz for osteodegenerative diseases.

The Company has decided to intensify its investment in clinical studies appropriate to its commercial development objectives and marketing support:

- **Severe deformities (children + adolescents)**: continue to support publications on the use of Jazz in the pediatric scoliosis and severe deformities segment. On this subject, the Company has set up a "sub-laminar study group" which aims to group a large number of centers around a single clinical protocol. Its objective is to enable members of this group to publish clinical results concerning very large patient cohorts.

- **Osteo-degenerative (elderly patients)**: following the very encouraging results of the mechanical study of an osteoporotic specimen carried out at the Mayo Clinic, the Company has decided to intensify its efforts to promote the use of Jazz for elderly patients with poor quality bones.

- **Medicoeconomic studies**: these studies are conducted to obtain information for the files required by hospital purchasing departments, by documenting the economic advantages of using Jazz, and to allow prescribers to obtain referrals.

The following tables summarize these programs as well as the timetable objectives set by the Company:

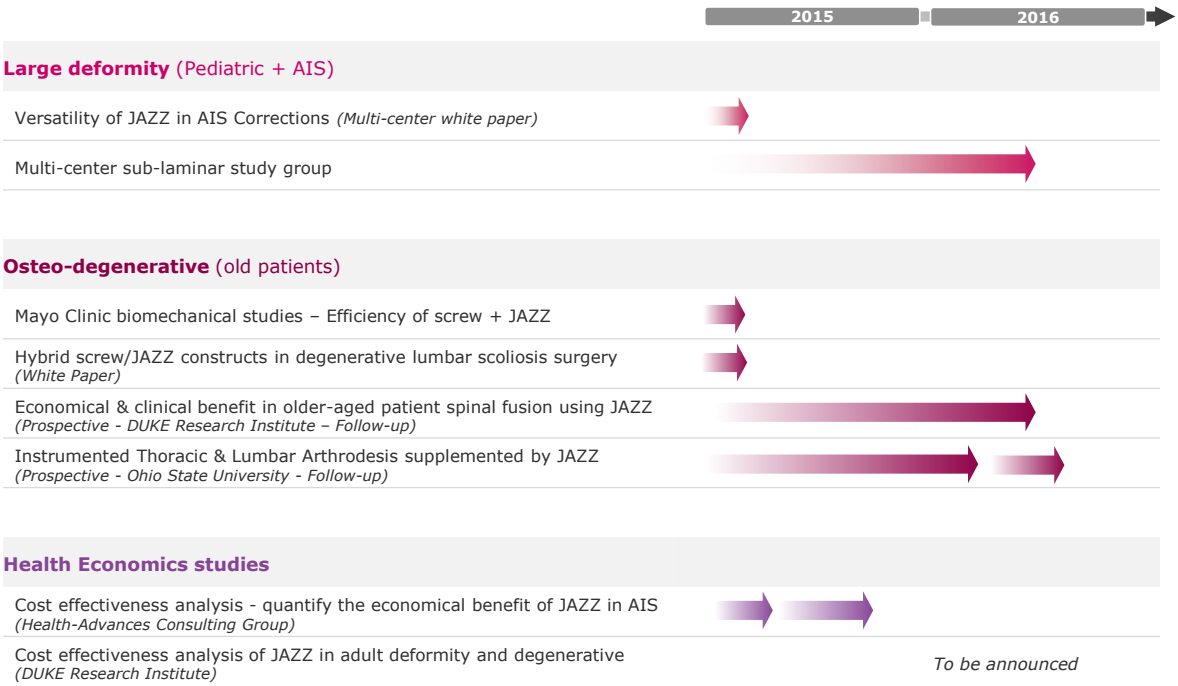
Clinical program

	Criteria	Purpose	Following stages
Major deformities (pédiatric and adolescent)			
International Sub-Laminar Study Group	▪ Multicenter ▪ Collection of standardized data ▪ Retrospective / prospective	▪ Results over large cohorts ▪ International Group	▪ Protocol validation ▪ Kick-off meeting
Osteo-degenerative (elderly patients)			
Protective efficacy of pedicle screw on osteoporotic bones MAYO CLINIC	▪ Specimen study	▪ Demonstrate the mechanical qualities for the degeneration market	▪ Publication
Thoracolumbar arthrodesis – case follow-up – protection of pedicle screws using JAZZ	▪ Multicenter (USA) ▪ Prospective ▪ Investigator initiated study	▪ Support the use of Jazz for osteo-degenerative bones in the US	▪ Recruitment ▪ Initial results

Medicoeconomic studies

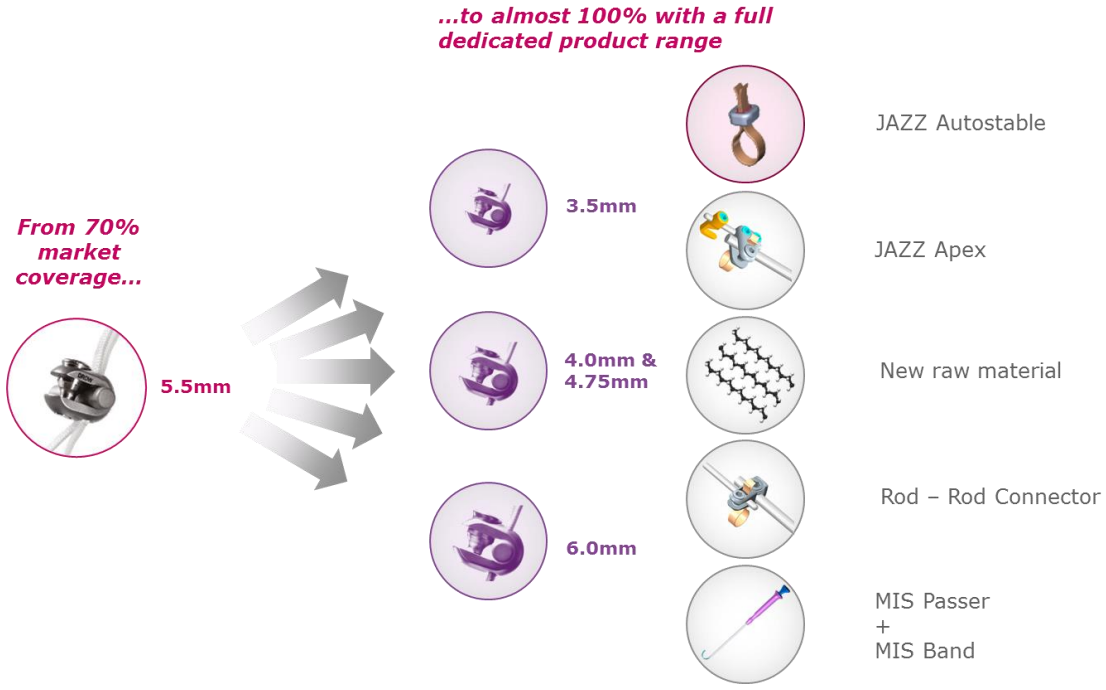
	Criteria	Purpose	Following stages
Medico-economic analysis of using Jazz to correct major pediatric deformities HEALTH ADVANCES	▪ Comparative, multi-criteria analysis ▪ 2 cohorts of 32 patients ▪ Retrospective ▪ Hybrid JAZZ construction vs screw ▪ Conducted by an independent US company	▪ Quantify the medical/economic benefits ▪ Improve listing by healthcare establishments	▪ Publication
Use of Jazz in deformities (pediatric and adult) Duke UNIVERSITY	▪ Multicenter ▪ Prospective ▪ US centers ▪ Coordinated by the Academic Research Organisation, Duke University	▪ Idem ▪ Prospective ▪ Cohort extended to adult deformities	▪ Communication of objectives

Timetable



6.2.2.2. Transform Jazz into a technological platform

The following chart details the planned evolution of the Jazz range which, in addition to the multi-diameter versions planned during its listing on the Stock Market, is about to become a real potential technological platform which can extend its field of applications to cover many surgical indications.

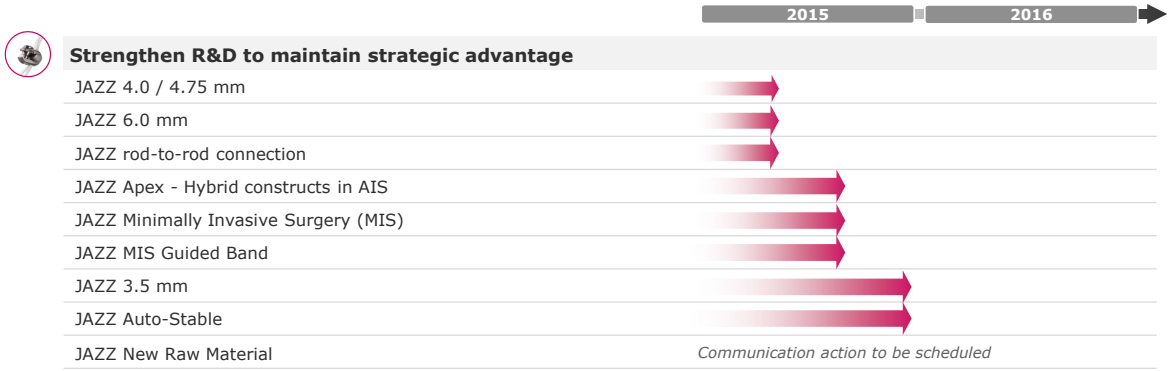


Autostable Jazz, developed by the Jazz polymer research program, is an implant which should find applications in cervical fusions, an area which was previously inaccessible to Jazz implants. The Company will also explore this product's potential in all orthopedic areas.

The Jazz Apex and Rod-Connector products are versions of Jazz which enable the Company to provide more implants during a single procedure while simplifying procedural management for the surgeon and his/her teams.

The Company is also working on opportunities to use new materials which should provide opportunities for complementing the range to penetrate new markets.

The Company has set the following objectives for the development or marketing stages for its new products.



6.2.2.3. Increased sales and marketing efforts in line with the strategy implemented in 2013

Backed by its commercial achievements in France, the United States and the rest of the world, the Company is continuing to increase its sales network internationally. In order to support this increase, the Company continues to operate a structure providing constant support for its business partners.

In this context, the Company has set itself the following objectives:

- SALES IN THE UNITED STATES. In the United States, the Company is looking to double its team of sales managers and support for business partners (agents and distributors) in 2015. The aim is to extend coverage of the American territory so as to have additional business partners who will carry out promotion of the Jazz technological platform on a daily basis.

- "REST OF THE WORLD" SALES ORGANIZATION. The arrival in late 2014 of a Europe region export manager confirms the Company's intention to increase its sales efforts in the Europe zone. Armed with CE marking for its entire range, rapid progress is expected. The other export markets in which the registration process is under way are now run by the ROW (Rest of the World) Export Manager in order to take advantage in the medium term of the sources of growth represented by these markets. The Jazz launch objectives in the main countries are summarized below.

- INCREASED MARKETING. The Marketing Department, organized around a Marketing Manager, two Product Managers and a Communications Manager, intends to step up the attention drawn to the Jazz technology and support for sales efforts. This will be done through partnerships with the main scientific companies in the field and through a greater presence at congresses, dedicated workshops and clinical and scientific symposia. In cooperation with the clinical and scientific management, the Marketing Department will host scientific boards and product development meetings.

- **JAZZ ACADEMY.** In order to facilitate the adoption of Jazz and promote its marketing to surgeons, regardless of the applications (deformities or bone degeneration), the Company has recently set up a multi-media education program within the "Jazz Academy". From 2015, the Company will organize ad hoc training sessions aiming both to train its world experts and educate future users. This program will take various forms, with both sessions at the Company headquarters, thus benefiting from the worldwide reputation of the French centers of excellence that are Implanet partners, and sessions organized locally in the reference facilities, both in the United States directly by Implanet and in other countries by the Company's business partners.

The table below summarizes the Jazz launch objectives in the key countries.

6.2.3. Continuing the development of its knee activity

The Company intends to continue its implant activity for knee surgery. The Company is careful to ensure that this activity is profitable and generates cash, and has developed a strategy that respects these requirements. The Company considers that it has reached a critical size in the field of knee surgery, allowing it to maintain its activity or grow without a sizeable increment in its working capital requirement.

6.2.3.1. Continuing to develop the activity in France through business partners

The growth of the activity in France relies on several business partners recognized in general orthopedics and for knee surgery in particular. The Company has formed close relationships with three partners, including Inverlock and Axiadis (see Chapter 22.1).

6.2.3.2. Giving priority to export distribution of its knee surgery ranges through specialist distributors

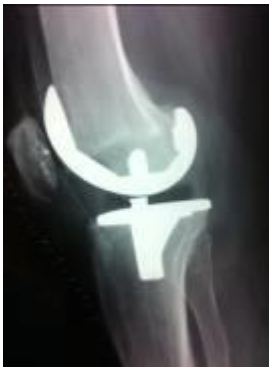
In exporting, Implanet gives priority to markets with strong growth. The Company has decided to have the distributors acquire the implant stocks and instruments provided to healthcare establishments, which considerably reduces the Company's investments and working capital requirement, even if this has an impact on its revenue growth. The Company still does not envisage marketing its knee range in the United States due to the regulatory requirements, which would require lengthy and expensive clinical studies (under the Investigational Device Exemption scheme).

6.2.3.3. Extending the surgery range with relatively little R&D effort

The Company considers that its range for knee surgery covers all the conditions that it has decided to address for the time being. In accordance with its operational plan, the Company has developed a range of knee prostheses specially designed for "revisions" (surgery for patients requiring a second intervention). This prosthesis and its instruments are currently in production in order to carry out the final tests necessary to obtain CE marking. The Company's objective is to market this prosthesis no later than early 2016.

6.3. GENERAL ORTHOPEDIC ACTIVITY, THE IMPLANET BASE OF EXPERTISE

6.3.1. A range for knee surgeons positioned at the high end of distribution products



The Company wanted to offer national distributors a product range for knee surgery promoting independence from their historic partners, the American multinationals.

Implanet noted that the world leaders in orthopedics were gradually attempting to take control of their sales in countries in which they traditionally worked with distributors. In recent years, these distributors have formed competent sales forces totally separated from the marketing of high-quality orthopedic implants. They are looking for high-quality product ranges for which they can use their marketing abilities to approach surgeons and no longer depend on their previous suppliers.

More than 30,000 surgical procedures have been performed using the Company's products since the commercial launch of lines destined for knee surgery.

The Implanet range for knee surgery meets this need with two product lines designed to meet the requirements of surgeons and health authorities in countries targeted by the Company:

Madison - The complete range of total knee prostheses

Implanet has designed and marketed a complete range of knee prostheses (cemented and uncemented with a hydroxyapatite coating, fixed and mobile tibial plates, stabilized or ultracongruent posterior inserts). This range can be used for all conventional surgical techniques (ligament retention, ligament balancing, posterior stabilization, CAD-MRI-Scan procedure planning, disposable customized cutting guides, etc.).

Composants fémoraux
- 8 tailles (1 à 8)
- Chrome cobalt
- Conservation du croisé ou postéro-stabilisé
- Sans ciment HA ou cimenté
- Trochlée anatomique

Inserts tibiaux
- 8 tailles (1 à 8)
- Polyéthylène haute densité UHMWPE
- Conservation du ligament croisé (CR) ou Ultra Congruent (UC) ou postéro-stabilisé (PS) Epaisseurs, 10, 12 et 14 mm (inc. 2 mm)

Embases tibiales
- 8 tailles (1 à 8)
- Chrome cobalt
- Symétrique
- Fixe ou mobile
- Sans ciment HA ou cimenté
- Quille de forme delta

Composants rotuliens
- 4 diamètres : 30, 33, 36 et 39 mm
- 2 épaisseurs : 8 et 10 mm
- Polyéthylène haute densité UHMWPE
- Resurfaçage et cimentée avec 3 plots

Optionnel

Tiges tibiales d'extension
- Diamètre : 11 mm
- Longueurs : 35 et 55 mm

Implanet works to ensure that its prostheses are particularly competitive with:

- An anatomical design which preserves the patient's bone reserves as much as possible. The 8 mm thick femoral component is one of the thinnest on the market. The pure lines of the trochlea reduce bone cutting to a minimum;
- A single tibial insert which obtained a European patent in 2014 (see Chapter 11);
- Simplified instrumentation reducing the learning curve for surgeons to fewer than five surgical procedures, a reduction in the number of surgical stages involving bone cutting, instrument storage in only four boxes, reducing cleaning, sterilization and storage costs;
- 125 patients in 5 reference centers were followed up for 38 months within the framework of a study to document the quality of Madison prostheses.

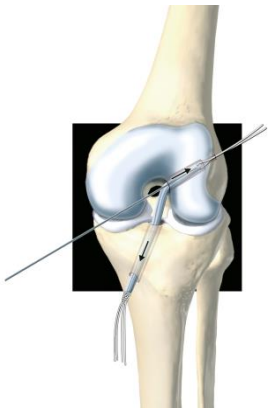
Twist - The complete “Twist” range for ligament repair

This range, composed of interference screws and external braided attachments is designed for use with all the surgical techniques used by surgeons specializing in the repair of knee ligament ruptures (Mac Intosch, Kennet-Jones or DIDT).

These products do not require specific instruments and are sold individually in sterile packaging.

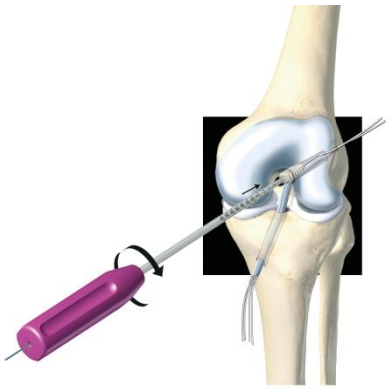
To illustrate, here is an example of using the “Twist” range in the “ligamentum patellae” technique:

1- PIN INSERTION



Once the tibial tunnel and femoral tunnel have been created, in one or two procedures depending on the technique, the pin can be inserted in the femoral tunnel, deeply enough to be stable.

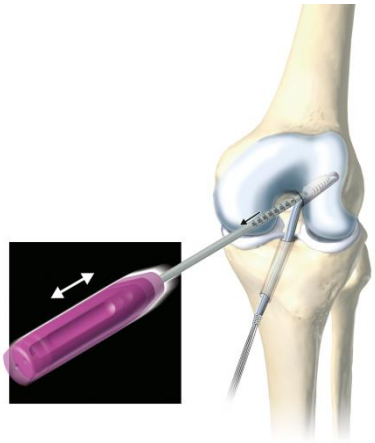
2- SCREW IMPLANTATION



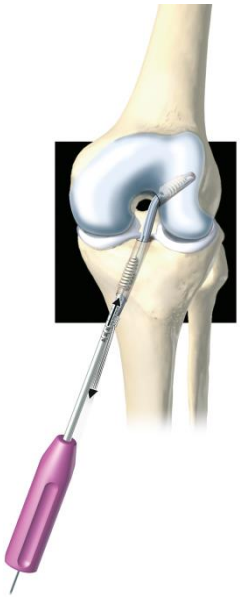
The Twist round-headed femoral interference screw can then be inserted. The screw diameter depends on the tunnel diameter, bone quality and type of transplant used.

The Twist femoral screw is loaded into the graduated and cannulated **universal screwdriver**.

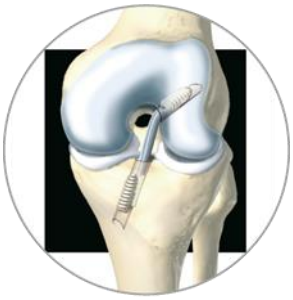
Insertion takes place with the aid of the **pin** guide**.**



The Twist graduated universal screwdriver is equipped with a unique sliding sleeve mechanism, used as a feeder, enabling easy detachment of the instrument from the screw.



After fixing the Twist “round-headed” femoral interference screw, a Twist “flat-headed” tibial screw is selected, based on the tunnel diameter, bone quality and type of transplant. Tibial attachment is generally carried out between 20°(30)° of flexion after one cycle.



6.3.2. A range of classic spinal implants: screws, rods, hooks and cages

The Company developed this range for tactical reasons and independence, so as to perform all its Jazz implant rod validation tests. This range is marketed with the same partners as those who distribute Jazz.

Consequently, it has developed a complete range of spinal implants called “Implanet Spine System", including: monaxial and polyaxial screws, rods, hooks and their associated implantation instruments. The Company considers its Implanet Spine System range to be very competitive, representing the latest developments in terms of spinal implants, notably with the possibility of using 5.5 or 6.0 mm diameter rods with the same range of pedicle screws and hooks.

The Company also has a range of intersomatic cages called Haka-Plif, used for optimal restoration of the intersomatic space.

6.3.3. Export Coverage: main distributors for general orthopedics

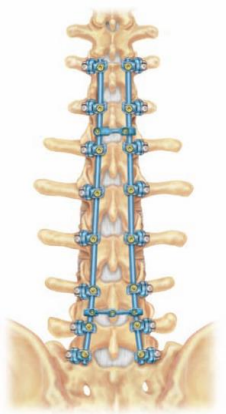
The Company markets its products (excluding Jazz and Implanet Spine System) through the specialist distributor importers shown in the table below. These distributors have been selected for their expertise in marketing orthopedic implants. They receive territorial exclusivity and are mainly active on the knee range.

Country	Name of distributor
Germany	SET ORTHOPEDICS GMBH & CO KG
Brazil	IMPORTEK - TECNIMED
Colombia	NCG IMPLANTES ORTOPEDICOS
Spain	PROTECTRAUMA S.L.
Greece	ORTHOMEDICAL SA
Iran	FANAVARAN ARYAN PYRAMID CO
Peru	IMPORTEK PERU SAC
Switzerland	ADIF MEDICAL SARL
Switzerland	EQVAL SA
Tunisia	OMEGA MEDICAL
Turkey	PASIFIK
Turkey	TRAVMED TIBBI GERECLERI LTD.S

6.4. JAZZ: TECHNOLOGY FOR A MARKET WORTH OVER US$2 BILLION

Implanet has developed Jazz, a latest generation implant for spinal surgery. Sales began in Europe and the United States in 2013 with wide-scale global rollout to follow.

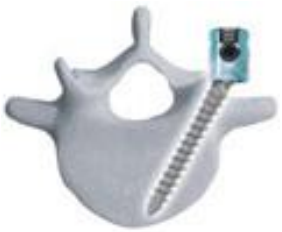
6.4.1. Introduction to spinal fusion surgery



Spinal surgery covers three main sectors:

1. Severe spinal deformities in children and adolescents (mainly evolving scolioses);
2. Traumatology (traumatic spinal fractures or those linked to severe osteoporosis) and tumor treatment;
3. Degenerative pathologies which lead to most surgical procedures carried out (degenerative deformities, degenerative scolioses, kyphoses, spondylolisthesis, etc.), discal pathologies (hernias) and lumbar canal stenoses.

Patients with degenerative spines often suffer from multiple pathologies. Surgery is mainly intended to treat back pain or sciatica consecutive to pinched nerve roots.



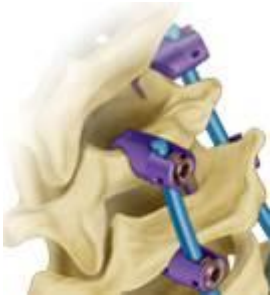
With deformities, whether degenerative or not, the technique involves repositioning the vertebrae in their normal alignment using a system of metal implants fixed to bone segments, then fusing the treated vertebrae. If there is no deformity, the technique involves fusing the operated vertebral segments, a shorter metal system being used to stabilize the spine for as long as needed for fusion.

Vertebral fusion systems are produced with metal rods attached to the vertebrae using metal screws, hooks, wires or cables.

Pedicle screws provide good anchorage in the vertebra if they are properly implanted and the bone is of good quality. The screws are inserted in the pedicles, “tubular” bony bridges connecting the posterior part of the vertebra and the body on either side of the spinal canal which holds thedura mater. Screw insertion is a very delicate operation and several technologies have been developed to reduce positioning errors that can lead to serious complications. Analysis of the literature reveals a rate of incorrectly positioned screws of around 20% using a traditional technique[5]. To adapt to all anatomical configurations encountered during surgery, the surgeon must have a wide selection of screws of different diameters and lengths available.

[5] 5 Tian NF, Huang QS, Zhou P, Zhou Y, Wu RK, Lou Y, Xu HZ. *Pedicle screw insertion accuracy with different assisted methods: a systematic review and meta-analysis of comparative studies*. Eur Spine J. 2011 Jun;20(6):846-59. Epub 2010 Sep 23.
Gelalis ID, Paschos NK, Pakos EE, Politis AN, Arnaoutoglou CM, Karageorgos AC, Ploumis A, Xenakis TA. *Accuracy of pedicle screw placement: a systematic review of prospective in vivo studies comparing free hand, fluoroscopy guidance and navigation techniques*. Eur Spine J. 2011 Sep 7

Depending on the technique used by the surgeon, hooks can also be used instead of or in addition to screws (hybrid systems). These hooks are attached to different vertebral structures such as the lamina, shown in the right-hand diagram, a bony component of the posterior arch that protects thedura mater. Here again, to adapt to different anatomical situations, the surgeon must have a wide selection of hooks of different sizes and shapes available (up to 50 for some systems currently on the market).



All these instrumentation techniques were first developed in the most complex area of spinal surgery: severe spinal deformities such as severe scolioses. In these applications, in addition to fixing rods to the vertebrae, the system must also facilitate “reduction” of the deformity, i.e. they must enable the spinal column to be repositioned in the desired anatomical conformation. Surgeons working on these severe deformities are always at the forefront of new technologies because they are dealing with extremely complex situations.

Once mastered for these demanding applications, the new techniques are then extended to less complex applications but which can be applied to more cases, such as degenerative spinal pathologies. The same applies to the Jazz implant.

The qualities required for a spinal instrumentation system are as follows:

- Quality and ease of attachment:
  - to the metal rod;
  - to the vertebrae, whether normal or pathological:
    - healthy vertebrae,
    - fragile vertebrae (e.g. for osteoporotic patients),
    - deformed vertebrae (e.g. scoliosis).

- The fastest possible implantation time: scoliosis surgery can last for more than 5 hours (operating risks increase with time).

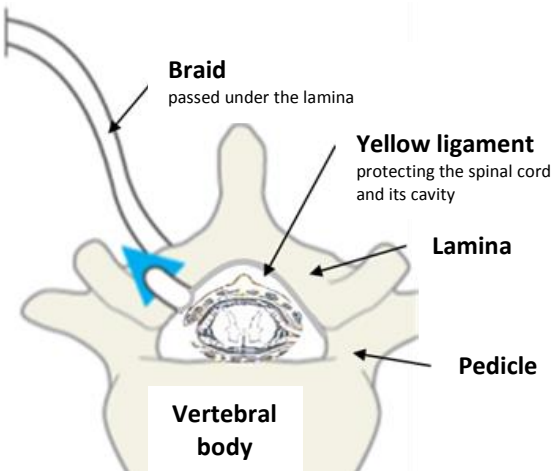
- Reduction capacity in the case of spinal deformities:
  - ease of reduction;
  - frontal reduction quality;
  - lateral reduction quality (profile);

Verma R, Krishan S, Haendlmayer K, Mohsen A. *Functional outcome of computer-assisted spinal pedicle screw placement: a systematic review and meta-analysis of 23 studies including 5,992 pedicle screws*. Eur Spine J. 2010 Mar;19(3):370(5). Epub 2010 Jan 6

  - stability over time of the correction obtained.

Screws and hooks are not always appropriate for these criteria.

6.4.2. The principle and advantages of Jazz



The principle of Jazz is to unite the rod and the vertebra using a very strong polymer braid which is attached to the rod by the Jazz connector.

Passing under the lamina, the braid conforms perfectly to the anatomy in question, thus providing excellent bone attachment without creating high contact pressure.

This type of implant is used to resolve situations in which screws and hooks are not suitable for the patient's anatomy and/or the quality of bony tissue to which they are attached.

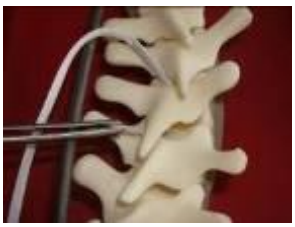
6.4.3. The Jazz implantation system

The Jazz implant, its instrumentation and surgical technique were developed for use in all situations, particularly the most complex surgery which, with screws and hooks, generally lasts for four to six hours.

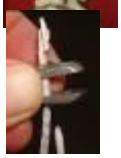
The Jazz implantation stages are as follows. The following example simulates reduction of an extremely angular spinal scoliosis:

First the rods are attached at the top and base of the spine using traditional implants (screws at the base and double hooks at the top).

The rod is preshaped with the final curve desired by the surgeon in the frontal and sagittal (profile) planes.



The braid is carried under the vertebral lamina. To facilitate its passage, the end is stiffened over the first few centimeters by a flat metal blade that can be preshaped. Passage is facilitated by the instruments developed by Implanet.



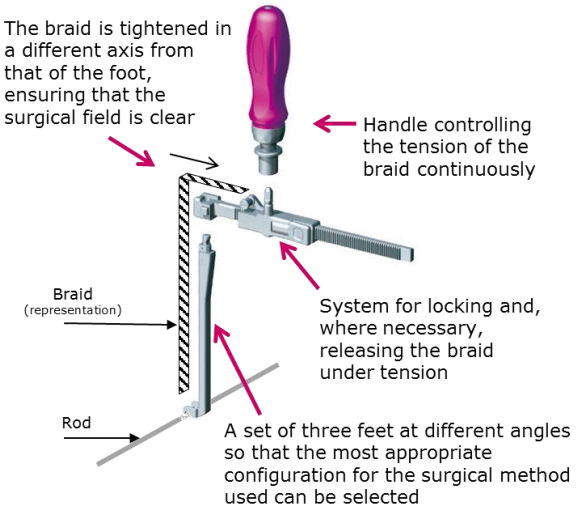
Once the braid has passed under the lamina, it is reinserted into the connector and closed on itself with a titanium part similar to a belt buckle. The braid can then be tightened and controlled as desired.

The Jazz device is then clipped to the rod using pliers provided for the purpose. The implant can easily be moved to position it in the optimal place without having to dismantle it.

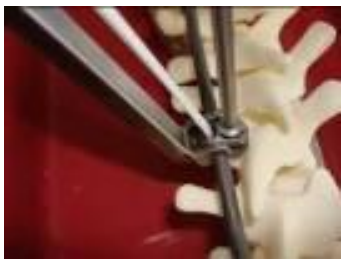
The locking screw is inserted without being tightened so that the implant can be tightened during the reduction phase.

As shown on the right, the implant remains free to ensure correct positioning in all the axes during the tightening phase and movement

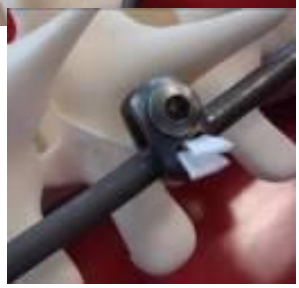
(reduction) carried out on the spine.



The braid is then tightened using a reusable instrument (see above), the tightener. This is used to control the tension exerted on the braid and ensure that it is correctly positioned anatomically and on the rods. By turning the tightener handle, reduction maneuvers can be performed gradually and gently, thereby bringing the spinal column into position against the preshaped rod.



Once the position required for the vertebral column relative to the rod is reached, the locking screw is tightened. The tightener is then removed and the braid cut with a scalpel.



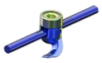
One important Jazz characteristic is its patented **clippable stirrup**. The fast method for attachment to the rod is used for initial positioning of the implant and, if necessary, repositioning throughout the surgical procedure without having to alter any or part of the system components.

Moreover, **the patented braid lock system locks the braid** by tightening the screw on the rod. The braid is thus compressed evenly between the rod and the base of the implant to ensure optimal locking as shown in the Section opposite. This locking method ensures even compression of the strip with no local pinching which could damage it and thus reduce its fatigue strength.

6.4.4. Jazz, a spinal fusion implant to use in addition to or instead of hooks and screws

By providing a different rod attachment from that which is possible with hooks and pedicle screws, braided implant systems can be positioned in addition to or instead of hooks and screws for spinal surgery.

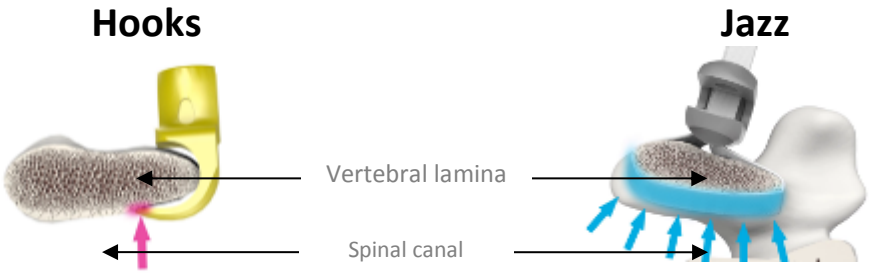
The following table shows Jazz's strong points that the Company judges to be specific relative to hooks and screws.

		 Screws	 Hooks	 Jazz
Quality/ Ease of attachment	To the rod	+++	+++	+++
	To healthy vertebra	+++	+	++
	To fragile vertebra	+	-	++
	To deformed vertebra	-	++	+++
Implantation time		--	--	+++
Ease of reduction		--	--	+++
Quality of reduction frontal plane		+++	+	+++
Quality of reduction lateral plane		-	+	+++

Like screws and hooks, Jazz provides excellent attachment to the rod, but it particularly provides very high quality attachment to the vertebrae in all anatomical configurations.

Unlike screws and hooks, only one model of Jazz is necessary no matter which surgical procedure is envisaged or the pathology treated. Jazz's ability to adapt to complex anatomical situations is the most sought after advantage of any new implant system, from the practitioner's point of view.

Although the adaptability of hooks in many pathologies has led to their popularity relative to pedicle screws, Jazz has many advantages compared with hooks:



The surgeon must have a very wide variety of hooks available so that he can choose the most suitable shape for the anatomy of the patient having surgery, thus providing the best possible anchorage on the vertebra.

Nevertheless, with its geometry, a hook does not provide optimal contact with the instrumented bony element and creates very high stress in the vertebral contact zones.

The Jazz implant braid distributes pressure evenly across the entire contact area with the vertebra, avoiding the creation of pressure peaks that could damage the vertebra.

Furthermore, since the braid adapts to all types of anatomy, a single type of implant is adequate for all needs.

6.4.5. Jazz is aimed at a potential market of over US$2 billion

The Jazz implant targets indications for which the product has received registrations in Europe and the United States, which will be set out in detail in Sections 6.5 to 6.7.

The Company expects that its product will be able to penetrate simultaneously the various vertebral fusion segments, which represent a targeted annual global market of over US$2 billion, according to the world surgical procedure volumes supplied by i-Data.

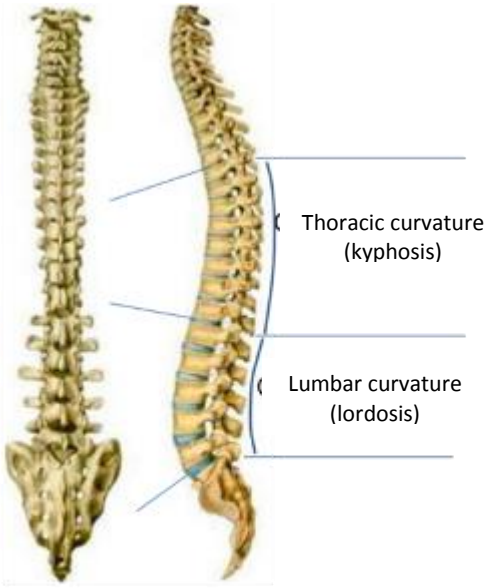
Annual global market potential by segment	No. potential cases	No. units per case	Total no. of units	Average unit price (US$)	Market in US$ millions	Sources see sections
Scoliosis/Major deformities	80,000	6	480,000	$ 1,000	$ 480	6.4.7
Trauma/Tumors	80,000	4	320,000	$ 1,000	$ 320	6.5
Osteoporotic degeneration	231,000	4	924,000	$ 1,000	$ 924	6.6.1
Degeneration: replacement of intermediary screw	200,000	2	400,000	$ 1,000	$ 400	6.6.2
TOTAL			**2,124,000**		**$ 2,124**	

6.5. USING JAZZ IN CASES OF SEVERE DEFORMITY SUCH AS SCOLIOSIS

Severe deformities, such as scoliosis, account for around 80,000[6] surgical procedures worldwide per year. These operations are long, complex and very difficult for patients. They are performed by highly specialized surgeons. For example, in the United States, this type of surgery costs on average US$134,529[7].

The following images show the curvature of a normal and a scoliotic spine:

Normal spine



Back view (frontal plane) Profile view (sagittal plane)

Scoliotic spine

A normal vertebral column is characterized by:

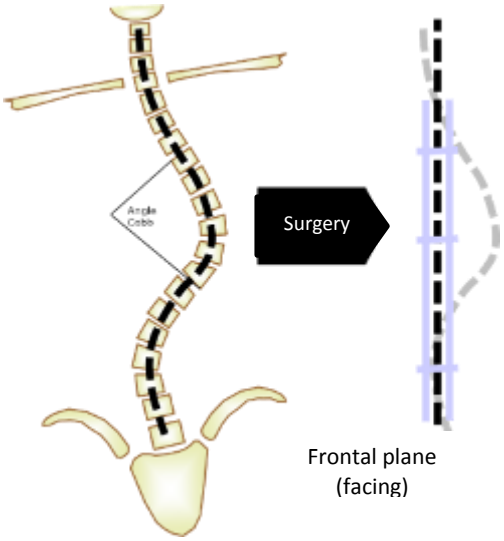
- vertebrae aligned vertically in the frontal plane;
- a large double curve in the sagittal plane. This double curve is necessary for the overall balance of the trunk and correct positioning of the center of gravity.

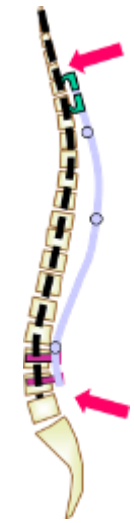
Scoliosis is characterized by a deformity in every plane in the area. Surgical treatment aims to restore the vertebrae to the anatomical position of a normal spine in both the frontal and sagittal planes. Whereas scoliosis affects 2 to 3% of adolescents, only the most severe cases (i.e. 0.2%, of which 80% are adolescents) need surgical treatment when their Cobb angle exceeds 45°.

[6] Source i-Data for 2010: 82,025 procedures worldwide.

[7] Average price invoiced for a surgical procedure by American healthcare establishments: Code 81.08 National Inpatient Sample (NIS). Healthcare Cost and Utilization Project (HCUP). 2008. Agency for Healthcare Research and Quality, Rockville, MD.

STRAIGHTENING THE SPINE. The purpose of these operations is to straighten the patient's vertebral column. For this, two long rods are attached at the base of the spine by at least four screws and at the top by hooks or screws. The column is realigned using derotations and reductions. The Cobb angle, shown opposite in the left-hand diagram, is thus reduced. The closer this angle is to zero, the better the correction.





Sagittal plane

BUT the spine must also be realigned in its profile view

The complexity of this surgery is due to the fact that the vertebral column is deformed in all three dimensions. The result is that it is difficult to straighten it in the frontal plane and also obtain the desired curve in the sagittal plane (profile). Indeed, it is essential for this curve to be respected.

A spine that is poorly balanced in the sagittal plane forces the patient to correct his/her posture to maintain balance. This correction risks over-stressing the transition zones between the operated and fused part and the untreated zone. This increase in stress may cause later problems with degeneration.

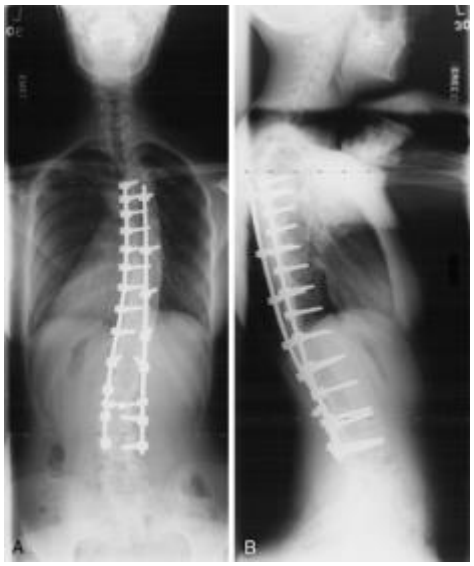
The two schools: the "Screw only" system or the "screw and Hook" hybrid system

There are broadly two major schools for performing these surgical procedures: the "screw only" school, commonly represented in the United States, and the hybrid "screw + hook" school, favored more in Europe.

The two schools coexist because each is imperfect as detailed below.

6.5.1. The "screw only" school

An example of a "screw only" assembly.



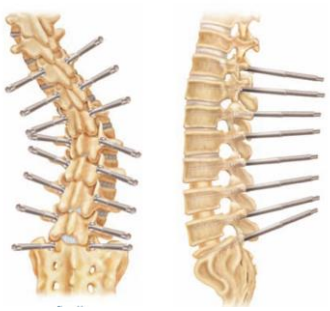
The advantages:

- Very good frontal correction
- A very stable system

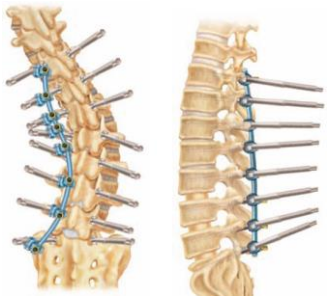
The disadvantages:

- Poor sagittal correction (flat back)
- A long procedure (5 hours 20 minutes [8]on average)
- A procedure which is difficult to perform (screw implantation very complex and risky in vertebrae deformed by scoliosis)

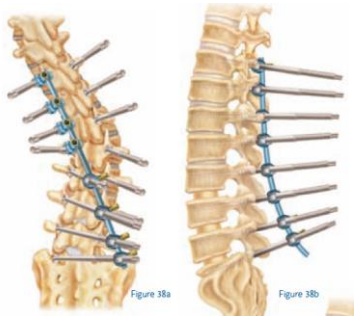
Example of "screw only" procedure as defined in the operating protocol for TSRH(3)D implants from world leader Medtronic; note that the assembly has only 8 levels (as opposed to 13 in the above example):



The screws are installed one by one (about 10 minutes per screw, a delicate operation because the vertebrae are deformed). Followed by installation of guides.

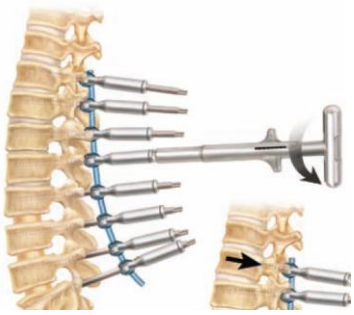


The rods, which have been preshaped, slide into the guides.

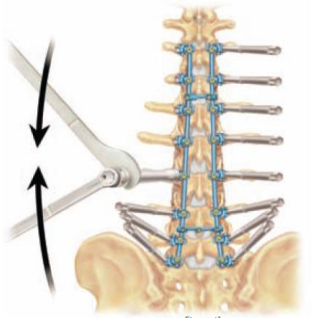


The rod is then lowered against the column to one of the ends (here, the top).

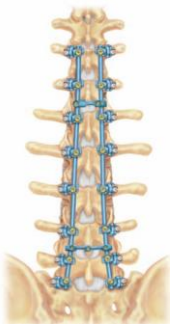
[8] Average over 7 studies and 188 patients: Crawford AH et al, Spine 2013 Epub ahead; Mattila M et al, J Bone Joint Surg Br. 2012; 94(10):1393-8.; Cheng I et al, Spine. 2005;30(18):2104-12.; Liljenqvist U et al, Eur Spine J. 2002; 11(4):336-43; Dobbs MB, et al, Spine. 2006; 31(20):2400-4.; Mooney JF et al, J Pediatr Orthop B. 2012; 21(6):602-5



Inserts are added to each guide using a tool. “Reduction” is achieved gradually in order to bring the column back against the preshaped rod.



The attachments between the screws and the rod are locked and the guides removed.



The assembly is verified by X-ray.

6.5.2. The hybrid “screw and hook” school

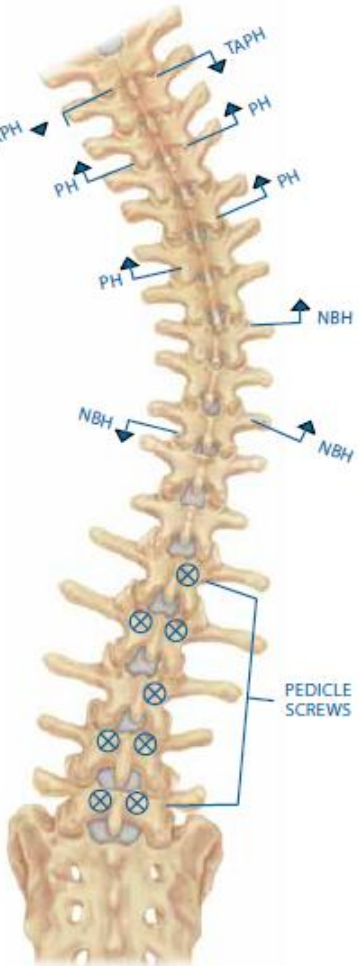
An example of a “screw and hook” assembly plan.

The advantages:

- Sagittal correction is often superior
- Very few screws to implant

The disadvantages:

- A complex choice among the type of hooks supplied and their instability before being attached to the rod.
- Frontal correction is less good
- A long procedure (5 hours 42 minutes[9] on average)
- A less stable system



Hook Construct Legend	
NBH	– Narrow Blade Hook
OH	– Offset Hook
PH	– Pedicle Hook
⊗	– Pedicle Screw
WBH	– Wide Blade Hook
	– Up-Going Hook
	– Down-Going Hook
TAPH	– Total Anatomical Pedicle Hook
TATP	– Total Anatomical Transverse Process Hook
EBH	– Extended Body Hook

[9] Average over 7 studies and 245 patients: Crawford AH et al, Spine 2013 Epub ahead; Mattila M et al, J Bone Joint Surg Br. 2012; 94(10):1393-8.; Cheng I et al, Spine. 2005;30(18):2104-12.; Liljenqvist U et al, Eur Spine J. 2002; 11(4):336-43; Dobbs MB, et al, Spine. 2006; 31(20):2400-4.; Ilharreborde, Spine 2010; 25(3):306-14

The following table is taken from an English operating manual for the line of hooks in the new SOLERA range produced by world leader Medtronic. This table can be used to illustrate the following points:

- **The hook/bone interface is not perfect**: the "Wide Blade Hook" illustrates well the problem of preventing the hook from pressing on too small an area and damaging the bone.
- **Hooks are bulky in the spinal canal:** three models of hooks are specially designed to reduce the volume of metal in the spinal canal, which can be a source of pressure on the dura mater which can lead to neurological problems. This metal may also generate artifacts during MRI imaging, thus altering the analysis needed to make sure that nerve tissue has not been damaged.

Hook Type	Vertebral Posterior Element Placement	Blade Direction	Region of Spine	Design Features
Pedicle Hook	Articular Process	↕	T1 – T10	» Bifid blade grasps thoracic pedicle for stability.
Wide Blade Hook	Lamina	↕	T1 – L5	» Wider blade width distributes forces evenly over a wider aspect of bone.
	Transverse Process	↕	T1 – L5	
Narrow Blade Hook	Lamina	↕	T1 – L5	» Narrower blade width minimizes metal volume in the spinal canal.
	Transverse Process	↕	T1 – L5	
Wide Blade Ramped Hook	Lamina	↕	T1 – L5	» Ramp reduces intra-canal intrusion.
	Transverse Process	↕	T1 – L5	
Narrow Blade Ramped Hook	Lamina	↕	T1 – L5	» Ramp reduces intra-canal intrusion.
	Transverse Process	↕	T1 – L5	
Extended Body Hook	Lamina	↕	T1 – L5	» Can correct anatomic misalignment between two laminae in the dorso-ventral plane.
	Transverse Process	↕	T1 – L5	
Offset Hook	Lamina	↕	T1 – L5	» Centralized head for balance. » Anatomic angulation to mimic the posterior spinal elements.
	Transverse Process	↕	T1 – L5	
Total Anatomical Pedicle Hook	Articular Process	↕	T1 – T10	» Centralized head for balance. » Lipped design can improve hook stability. » Anatomic angulation to mimic the posterior spinal elements.
Total Anatomical Transverse Process Hook	Transverse Process	↕	T1 – L5	» Centralized head for balance. » Lipped design can improve hook stability. » Anatomic angulation to mimic the posterior spinal elements.

Color-coding Size Reference

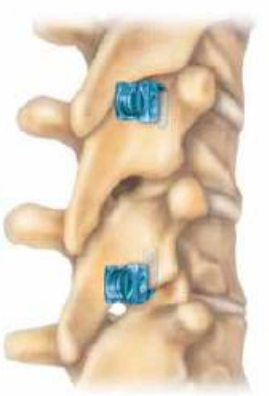
Extra Small	Small	Medium	Large
●	●	●	●

On the left, an example of boxes of implants and tools composed of more than 100 references needed to produce a hybrid "screw and hook" assembly.

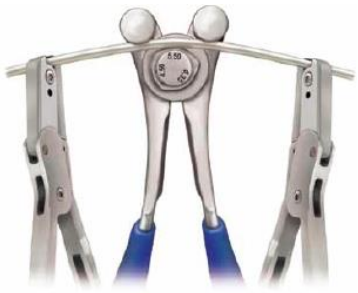
All the parts not implanted have to be cleaned and sterilized for reuse in another surgical procedure.

Moreover, these sets represent an investment of about €50,000 per surgical procedure.

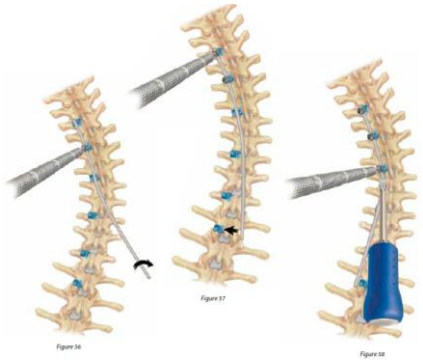
Some key stages in a hook assembly as defined in the procedure using Medtronic Solera implants.



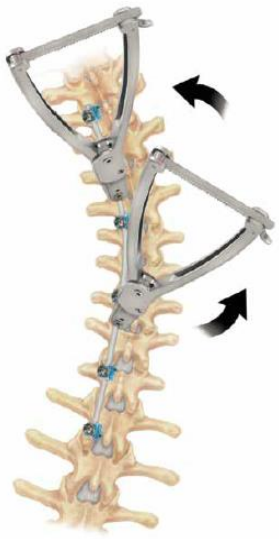
The hooks are inserted in the desired place, which is first prepared by removing parts of the bone that could get in the way.



The rods, which have been preshaped but are not in their final position because they could not be inserted into the hooks.



The rod is inserted into the hooks as optimally as possible. The patient's spine is "translated" to conform to the preshaped rod. This is one of the delicate parts of the procedure.



After inserting screws to lock the hooks in place, the rod is turned so that the column is straightened frontally and curved in the sagittal plane. Stage to be completed gently to avoid dislodging the hooks or damaging the neurological system.

It is often necessary to alter the curvature of the rods in-situ.

Once the assembly has been verified, the screws locking the hooks in place are tightened and locked.

6.5.3. "Screw only" or "Screw and Hook": The two schools coexist because each is imperfect

Analysis of a reference publication[10] comparing the "screw only" method with the "screw and hook" method as shown below illustrates the advantages and disadvantages of both techniques:

	"Screw only"[11]	"Screw and hook"[12]
Very long surgical procedures in both cases: surgery time	**5 hours 20 minutes**	**5 hours 42 minutes**
Superior frontal correction for the "screw only" method Reduction of the Cobb angle given as a % of the initial Cobb angle relative to the angle measured during follow-up. The higher the value, the better the correction.	**70%**	**42%**
However, the "screw only" gives a flat back Modification of the sagittal angle of curvature. The fact that the data are negative indicates that the patient has lost curvature. The figure of -44% for "screw only" shows that the back is too flat (so-called hypokyphotic).	**-44%**	**- 5%**

6.5.4. Advantage of Jazz for severe scoliosis

In view of this, Jazz has developed a new technology, basically compatible with both schools, which is used instead of screws or hooks, firstly in locations where screws or hooks are difficult to use, but above all, to take advantage of Jazz's exceptional ability to perform reductions, by using the flexible braid and tensioner.

[10] *10 Pedicle Screw Versus Hooks* Kim Y.J. et al., SPINE Volume 29, Number 18, pp 2040–2048, 2004.

[11] Average over 7 studies and 188 patients: Crawford AH et al, Spine 2013 Epub ahead; Mattila M et al, J Bone Joint Surg Br. 2012; 94(10):1393-8.; Cheng I et al, Spine. 2005; 30(18):2104-12.; Liljenqvist U et al, Eur Spine J. 2002; 11(4):336-43; Dobbs MB, et al, Spine. 2006; 31(20):2400-4.; Mooney JF et al, J Pediatr Orthop B. 2012; 21(6):602-5.

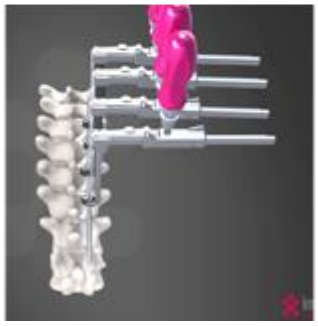
[12] Average over 7 studies and 245 patients: Crawford AH et al, Spine 2013 Epub ahead; Mattila M et al, J Bone Joint Surg Br. 2012; 94(10):1393-8.; Cheng I et al, Spine. 2005; 30(18):2104-12.; Liljenqvist U et al, Eur Spine J. 2002; 11(4):336-43; Dobbs MB, et al, Spine. 2006; 31(20):2400-4.; Ilharreborde, Spine 2010; 25(3):306-14.

The technique for reducing spinal curvature with Jazz during surgery.

After installing braids at each stage in accordance with the procedure described above, each one is then tightened with its individual tensioners.

In the example shown opposite, the four tensioners are used to produce a gradual reduction at all four levels.

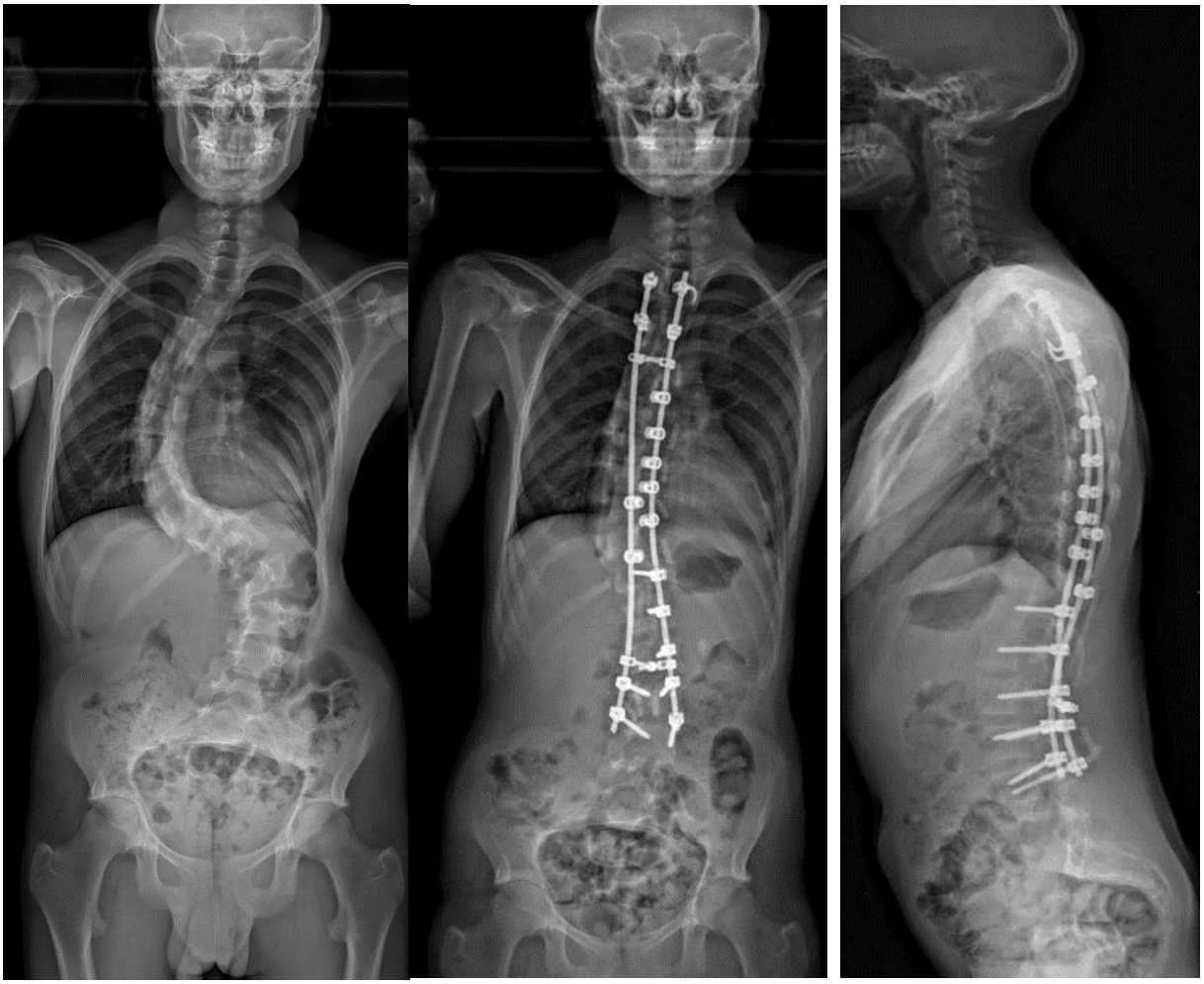
This reduction takes place evenly on all levels.



If, during this reduction, a Jazz implant has to be repositioned along the length of the rod, taking angle variations into account, this is very easy to carry out.

Reduction of curvature

An example of scoliosis correction performed using Jazz.



Pre-surgical image showing severe thoracic scoliosis.

As is the case for a screw and hook system, the rod is held by screws at the base and four hooks at the top. The reduction then takes place.

6.5.5. Jazz compared with the "screw only" technique: superior and costs 18% less

Jazz is particularly pertinent and effective in performing "reductions" in all severe deformity assemblies, particularly severe scoliosis.

	Braided implant [13]	"Screw only"[14]
Surgery time reduced by 1 hour 30 minutes	3 hours 50 minutes	5 hours 20 minutes
Frontal correction similar to that obtained with "screw only" systems Reduction of the Cobb angle given as a % of the initial Cobb angle relative to the angle measured during follow-up.	70%[15]	70%
A natural sagittal position with Jazz Modification of the sagittal angle of curvature, the higher and more positive the figure, the more the back has adequate curvature. The figure of +27% for the braided implant shows restoration of natural curvature in the sagittal plane whereas with the "screw only" system, natural curvature is not restored and a flat back is induced.	+27%[16]	-44%

The above results show the ability of braided implants to replace "screw only" assemblies:

- **a 1 hour 30 minute reduction in surgery time**. In the knowledge that one minute of theater time in the United States has an opportunity cost of around US$50,[17]this represents a saving of US$4,500 per procedure;
- **similar corrections in the frontal plane;**
- **restoration of natural sagittal curvature**, significantly superior to the results obtained with "screw only" systems;
- **fewer implants used,** including fewer screws, thus reducing the risks of complications due to incorrect screw positioning, particularly thoracic, and reducing the cost of the implants.

[13] 3 studies on Universal Clamp totaling 188 patients: Ilharreborde, Spine 2010; 25(3):306-14; Sales de Gauzy, J Child Orthop. 2011; 5(4):273-82; La Rosa, Eur Spine J. 2011; 20 Suppl 1:S90-4

[14] Average over 7 studies and 188 patients: Crawford AH et al, Spine 2013 Epub ahead; Mattila M et al, J Bone Joint Surg Br. 2012; 94(10):1393-8.; Cheng I et al, Spine. 2005; 30(18):2104-12.; Liljenqvist U et al, Eur Spine J. 2002; 11(4):336-43; Dobbs MB, et al, Spine. 2006; 31(20):2400-4.; Mooney JF et al, J Pediatr Orthop B. 2012; 21(6):602-5

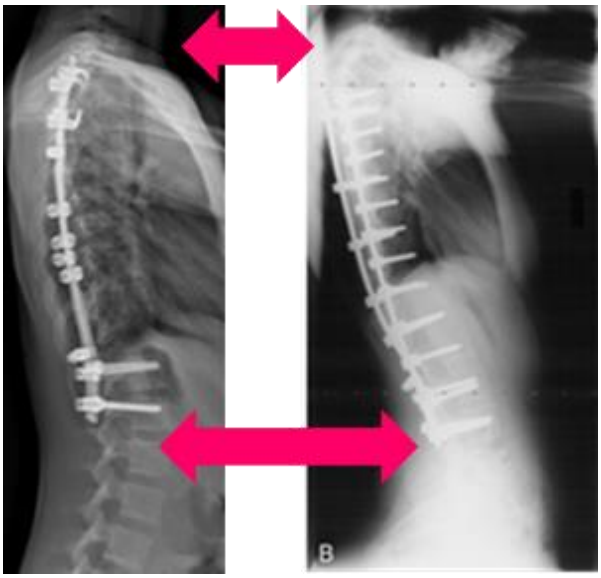
[15] Study of 2x75 patients carried out with the Universal Clamp: Sales de Gauzy Idiopathic J Child Orthop (2011).

[16] Study of 2x75 patients carried out with the Universal Clamp: Ilharreborde, Spine 2010; 25(3):306-14

[17] http://www.akrongeneral.org/portal/page/portal/AGMC_PAGEGROUP/Price_guide/PRICE_GUIDE5

Jazz type braided implant **"Screw only" system**

13 implants 20 implants



The transition zones above and below the assembly (see arrows) will not be under the same amount of stress. In the "screw only" assembly, the flat back will over-stress the transition zones and potentially create degeneration problems in these zones.

In the Jazz type braided assembly, the curvatures at the top and base of the back have been restored. The system is aligned well with the patient's natural position.

As shown in the diagram above, in addition to improving the quality of correction, Jazz also reduces the number of implants used.

The Company estimates that the economic aspects of using Jazz compared with "screw only" systems will be very favorable because the simulations comparing implant purchase, combined with the charges for using the operating theater, show an 18% reduction in cost for an assembly including Jazz.

Compared costs of the Jazz and "screw only" methods for scoliosis surgery in the United States[18]

	Screw + Hooks + Jazz		"Screw Only"	
	Units	Cost (in US$)	Units	Cost (in US$)
Purchase of Screws	6	6,000	18	18,000
Purchase of Hooks	4	3,200	0	-
Purchase of Jazz	5	7,250	0	-
Surgery time (minutes)	230	11,500	320	16,000
Total Cost		**$ 27,950**		**$ 34,000**

More than 80 surgical procedures have taken place with Jazz, performed by opinion leaders who historically used the Universal Clamp. Their feedback confirms that Jazz produced the same quality of correction as the Universal Clamp, subject of the above-mentioned studies. However, Jazz and its associated instrumentation, designed to make implantation easier, seems to reduce operating time compared with the Universal Clamp.

6.5.6. Jazz compared to the "screw and hook" technique: superior correction quality at a 9% lower cost

Surgeons who use the "screw and hook" method are either very exacting about obtaining good correction in the sagittal plane, which they cannot obtain with a "screw only" system, or are not happy with the screw implantation technique, which carries a high risk in the event of incorrect positioning, and is particularly difficult to use in cases of severe deformity.

No matter what the surgeons' motivation may be, braided implants allow them to achieve superior frontal correction, while using a faster technique than the one they generally use. Regarding sagittal correction, braided implants have demonstrated that, in all cases, they restore the desired curvature no matter what the patient's original condition, which cannot [19]be achieved with a "screw and hook" system.

[18] Based on the surgery times mentioned previously in the document and on an average number of implants and an average purchase price of US$1,000 per screw, US$800 per hook and US$1,450 per Jazz, according to prices charged in the United States. In both cases, the cost of rods is not included because it is identical.

[19] Ilharreborde, Spine 2010; 25(3):306-14; Sales de Gauzy, J Child Orthop. 2011; 5(4):273-82; La Rosa, Eur Spine J. 2011; 20 Suppl 1:S90-4.

	Braided implant[20]	"Screw and hook"[21]
Surgery time reduced by 1 hour 52 minutes	3 hours 50 minutes	5 hours 42 minutes
Less blood loss 23% less blood loss compared with the "screw and hook" technique.[22]	0.8 L	1.1 L
Frontal correction similar to the "screw only" Reduction of the Cobb angle given as a % of the initial Cobb angle relative to the angle measured during follow-up.	70%[23]	42%
A greatly improved sagittal position Modification of the sagittal angle of curvature, the higher and more positive the figure, the more the back has adequate curvature. The figure of +27% for the braided implant shows restoration of the natural curvature in the sagittal plane, which "screw and hook" assemblies cannot achieve.	+27%[24]	-5%

The above results show the ability of braided implants to replace "screw and hook" assemblies:

- **around a 2-hour reduction in surgery time**: In the knowledge that one minute of theater time in the United States has an opportunity cost of around US$50, [25]this represents a saving of US$6,000 per procedure;
- **Superior correction in the frontal plane;**
- **restoration of sagittal curvature further improved**. Although it is the strong point of "screw and hook" assemblies, braided implants further improve the sagittal position.

Jazz produces a very significant improvement in the quality of correction obtained relative to "screw and hook" assemblies. Given the reduction in surgery time, together with the fact that the Company expects the same number of implants to be used, the Company estimates that on the American market, Jazz will have an economic benefit of more than 9%, broken down as follows:

[20] 3 studies on Universal Clamp totaling 188 patients: Ilharreborde, Spine 2010; 25(3):306-14; Sales de Gauzy, J Child Orthop. 2011; 5(4):273-82; La Rosa, Eur Spine J. 2011; 20 Suppl 1:S90-4.

[21] Average over 7 studies and 245 patients: Crawford AH et al, Spine 2013 Epub ahead; Mattila M et al, J Bone Joint Surg Br. 2012; 94(10):1393-8.; Cheng I et al, Spine. 2005; 30(18):2104-12.; Liljenqvist U et al, Eur Spine J. 2002; 11(4):336-43; Dobbs MB, et al, Spine. 2006; 31(20):2400-4.; Ilharreborde, Spine 2010; 25(3):306-14.

[22] Study of 2x75 patients carried out with the Universal Clamp: Ilharreborde, Spine 2010; 25(3):306-14.

[23] Sales de Gauzy Idiopathic J Child Orthop (2011).

[24] Study of 2x75 patients carried out with the Universal Clamp: Ilharreborde, Spine 2010; 25(3):306-14.

[25] http://www.akrongeneral.org/portal/page/portal/AGMC_PAGEGROUP/Price_guide/PRICE_GUIDE5.

Compared costs of Jazz and the "Screw and hook" method for scoliosis surgery in the United States[26]

	Screw + Hooks + Jazz		"Screw + Hooks"	
	Units	Cost (in US$)	Units	Cost (in US$)
Purchase of Screws	6	6,000	6	6,000
Purchase of Hooks	4	3,200	9	7,200
Purchase of Jazz	5	7,250	0	-
Surgery time (minutes)	230	11,500	350	17,500
Total Cost		**$ 27,950**		**$ 30,700**

6.5.7. The potential global market for Jazz in severe deformity

The Company estimates that an average of six Jazz implants will be used in assemblies designed for cases of severe deformity, i.e. for a global market of around 80,000[27] surgical procedures for this pathology, a potential of 480,000 implants per year.

Potential annual global market for Jazz for severe deformities: US$480 million

No. of surgical procedures worldwide per year	% of surgical procedures concerned	No. of implants per surgical procedure	Potential no. of implants per year
80,000	**100%**	**6**	**480,000**

This potential market amounts to US$480 million for manufacturers and distributors of braided implants, based on an average sale price of US$1,000 per implant.

6.6. USING JAZZ IN CASES OF TRAUMA/TUMOR

Spinal surgical procedures in traumatology and tumoral pathology applications are generally grouped together because they are applications that are linked to similar situations. An accident (traumatology) or a tumor creates problems in the vertebral column. Since every problem is different from one patient to the next, the type of surgery varies considerably with each case. Surgery consists of restoring spinal balance as far as possible and relieving pain and neurological problems induced by the accident or tumor.

For this type of surgery, surgeons must have as many tools as possible available so that they can treat each case. Current tools: rods held by screws or hooks, each of which has major limitations.

In this type of situation, braided implants, particularly Jazz, have the following advantages:

- a multipurpose implant which:

[26] Based on the surgery times mentioned previously in the document and on an average number of implants and an average purchase price of US$1,000 per screw, US$800 per hook and US$1,450 per Jazz, according to prices charged in the United States. In both cases, the cost of rods is not included because it is identical.

[27] Source i-Data for 2010: 82,025 procedures worldwide.

  - can be adapted to a very wide range of situations while always preserving optimal vertebral bone/braid contact and reducing volume in the medullary canal,
  - is available as a single ready-to-use sterile item,
  - avoids the need for a complete set of implants to cope with different situations;
- adding Jazz to rod/screw assemblies reduces the length of these assemblies and thus minimizes the number of vertebrae permanently fused. This is particularly important for patients who are often young and for whom retaining intact vertebral segments reduces the risk of later degeneration of levels adjacent to the fused zone;[28]
- for patients who commonly have to undergo MRI or CT scan imaging of their bone marrow and/or the medullary canal after surgery, using Jazz instead of screws or hooks significantly reduces imaging artifacts linked to the presence of these implants close to the zones being studied. These artifacts may sometimes prevent correct interpretation of the fused clinical situation[29].

Potential annual global market for Jazz in traumatology and tumors: US$320 M

No. of surgical procedures worldwide per year	Of which accessible surgical procedures	No. of implants per surgical procedure	Potential no. of implants per year
80,000[30]	**80,000** (100%)	**4**	**320,000**

This potential market amounts to US$320 million for manufacturers and distributors of braided implants, based on an average sale price of US$1,000 per implant.

[28] Ilharreborde B *et al*, J Pediatr Orthop. 2012; 32(5):440-4.

[29] Gazzeri R *et al*. Acta Neurochir (2009) 151: 1673–1680.

[30] Source i-Data for 2010: 80,617 procedures worldwide.

6.7. USING JAZZ IN CASES OF DEGENERATION

Annually, around 700,000 [31]procedures are carried out on degenerative spines. With its Jazz implant, the Company is targeting three opportunities in particular.

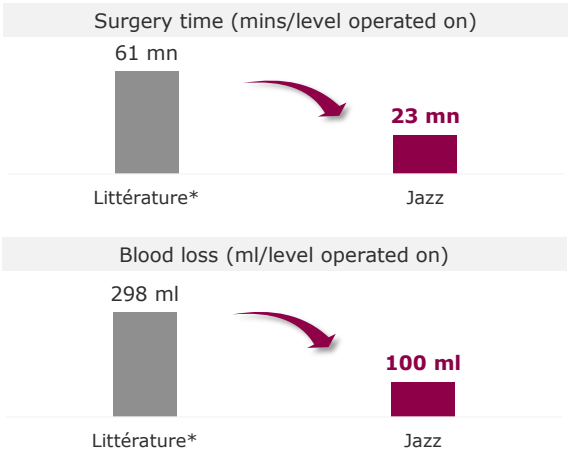
6.7.1. Degenerative spinal deformity (scoliosis-kyphosis)

The treatment of degenerative deformity emerges naturally from the pediatric application detailed previously. However, the populations treated are very different: the patients are elderly, fragile, often osteoporotic, with multiple comorbidities, and the rate of complications for this surgery is high. Moreover, unlike infantile scoliosis, the prevalence rate of degenerative scoliosis in patients aged over 60 is very high (more than 60%[32]).

A series of prospective monocentric hybrid screw/Jazz assemblies carried out on 21 patients (average age 68 years) with an average follow-up period of 16 months was assessed by Dr. Cavagna (Clinique de la Porte de l'Orient, Lorient, France). This study was recently the subject of a white paper that was made public.

The hybrid screw/Jazz assemblies used by Dr. Cavagna gave clinical results equivalent to the data in the literature in terms of reducing deformity and improving patients' quality of life.

The reduction obtained is safe, fast and easy to achieve. Compared with data from published literature on similar patients, the use of Jazz and its reduction system provides a significant reduction in surgery time, blood loss and the number of implants required. The graph opposite shows the key data from the study, comparing them with data from the literature referenced in the study.[33] In addition to its economic aspect, this reduction has a certain advantage because the duration of surgery and peroperative blood loss are known to be sources of a significant rate of later complications.

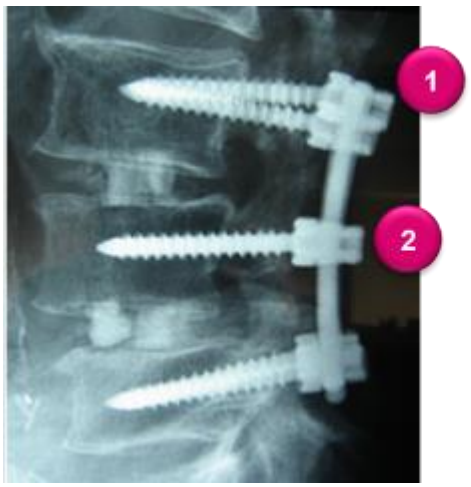


[31] Source i-Data for 2010: 702,761 procedures worldwide.

[32] *Adult scoliosis: prevalence, SF-36, and nutritional parameters in an elderly volunteer population*. Schwab F, Dubey A, Gamez L, El Fegoun AB, Hwang K, Pagala M, Farcy JP. Spine (Phila Pa 1976). 2005 May 1;30(9):1082-5.

[33] Comparative studies: Cho K-J et al, Spine. 2007/Daubs MD et al, Spine. 2007 Sep 15/Wu C-H et al, J Spinal Disord Tech. 2008 Jul/Tang H et al, J Orthop Surg Res. 2014 (patients with complications)/Tang H et al, J Orthop Surg Res. 2014 (patients without complications)/Pellisé F et al, European Spine Journal. 2014 Sep/Lonergan T et al, J Spinal Disord Tech. 2012 Oct 10; [published ahead of print].

Over and above this clear indication, the following diagram identifies the two new applications that surgeons envisage for Jazz on a short lumbar assembly.



Secure the screw in a fragile bone (e.g. osteoporosis)

Replace the intermediate screws

6.7.2. Securing a screw in a fragile, osteoporotic type bone

More than 33% of patients undergoing spinal surgery have osteoporotic bones[34]. The bones' fragility means that the assemblies are not very reliable and lead to a failure rate of more than 40%[35]. In this case, the rate of repeat surgery can rise as far as 60%[36]. This is, for example, the case when the desired fusion is not achieved (pseudarthrosis). Under these conditions, the system continues to support all the mechanical loads applied to the operated vertebrae, which leads, in most cases, to a mechanical rupture of the assembly (screw or rod broken, screw escaping from the pedicle, etc.) and a new operation is needed.

In osteoporosis, several techniques have been suggested to avoid these problems:

- make a longer assembly to distribute the load over several screws, to reduce mechanical stress on the bone anchorages;
- use hollow screws and cement injection;
- use conical screws;
- use screws covered with hydroxyapatite;
- develop expansion screws.

For the moment, none of these techniques is completely satisfactory.

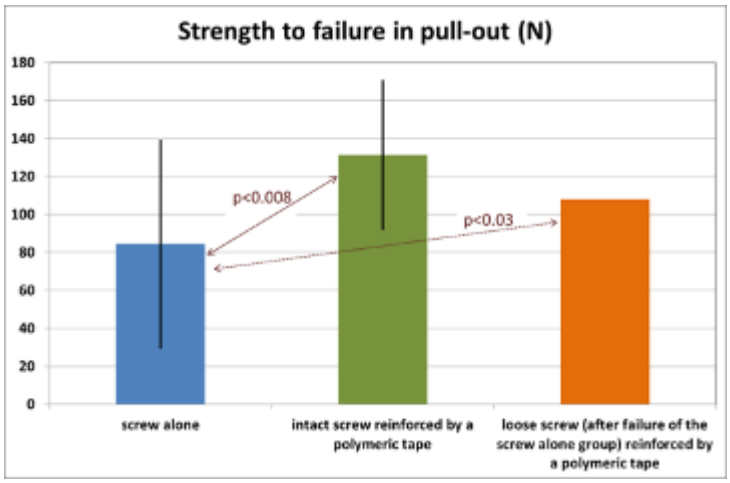
For bones weakened by osteoporosis or other bone pathologies, Jazz can be used to reinforce the assembly, making it completely secure. The principle of adding sub-laminar braids was tested in a

[34] D. K. *Chin et* al. Osteoporos Int (2007) 18:1219–1224.

[35] Yadla S, Maltenfort MG, Ratliff JK, Harrop JS. Adult scoliosis surgery outcomes: a systematic review. Neurosurg Focus. 2010 Mar;28(3):E3.

[36] Burneikiene S, Nelson EL, Mason A, Rajpal S, Serxner B, Villavicencio AT. Complications in patients undergoing combined transforaminal lumbar interbody fusion and posterior instrumentation with deformity correction for degenerative scoliosis and spinal stenosis. Surg Neurol Int. 2012;3:25.

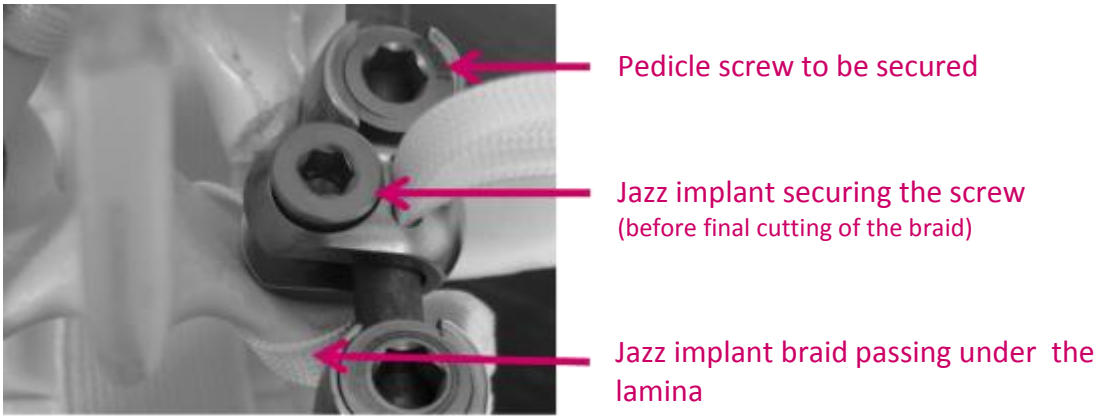
study of an anatomical specimen published in 2010[37] and shows that even with a braid simply knotted to the rods, the assemblies are considerably stronger.



On the graph opposite, the left-hand column shows the force needed to pull out a screw. The center column shows that a force more than 60% greater is needed to pull out a screw secured by a knotted braid.

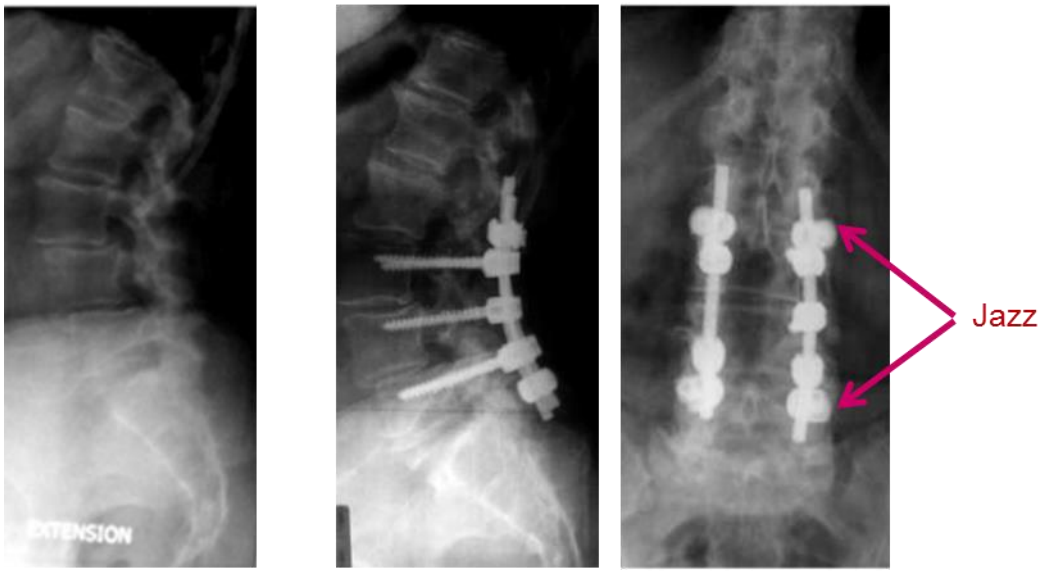
The right-hand column shows that a screw that has been pulled out and then held in place with a braid has greater holding strength (+30%) than the screw initially fixed into the vertebral bone.

Positioning a Jazz implant to secure a pedicle screw in a fragile bone:



The Jazz implant, with its patented metal system of attachment to the rod, strengthens the screw/rod/vertebra assembly to a much greater extent than a simple knotted braid as was used in this study, so the results for increased holding strength of the screws in osteoporotic bone should be even better.

[37] Hamasaki T, Tanaka N, Kim J, Okada M, Ochi M, Hutton WC. Pedicle screw augmentation with polyethylene tape: a biomechanical study in the osteoporotic thoracolumbar spine. J Spinal Disord Tech. 2010 Apr;23(2):127–32.



Pre-op Post-op

The X-ray images above show the lumbar vertebrae of an osteoporotic patient suffering from spondylolisthesis. Given the weakness of the vertebrae, the five screws at the ends have been secured by the installation of four Jazz braids.

In partnership with the Mayo Clinic mechanical engineering laboratory, Implanet performed a similar test to the one carried out by Hamasaki's team to reproduce these results with Jazz, and demonstrated the product's advantages in conferring stability to an assembly implanted in vertebrae of only moderate mechanical quality. This work will be published in early 2015.

Moreover, a clinical study of securing screws in degenerative osteoporotic bone began a year ago. Initial results are very satisfactory and meet practitioners' expectations. The final results were published in a white paper in mid-2014.

Potential annual global market for Jazz in securing screws in degenerative assemblies with fragile, osteoporotic type bones: US$924 M

No. of surgical procedures worldwide per year	Of which accessible surgical procedures	No. of implants per surgical procedure	Potential no. of implants per year
700,000[38]	**231,000**(33%[39])	**4**	**924,000**

This potential market amounts to US$924 million for manufacturers and distributors of braided implants, based on an average sale price of US$1,000 per implant.

The Jazz implant is now registered for all degenerative indications for which screws are approved, in the United States and Europe.

[38] Source i-Data for 2010: 702,761 procedures worldwide.

[39] D. K. *Chin et* al. Osteoporos Int (2007) 18:1219–1224.

6.7.3. Replace intermediate screws with Jazz

Since the Jazz implant is, above all, an implant approved for any type of system, the Company judges that many surgeons would also like to use its products instead of intermediate screws during certain surgical procedures involving more than two levels (six screws implanted).

In this application, Jazz makes surgery easier, faster and provides a very stable system. The Company estimates that an average of two screws could be replaced in all systems including more than four screws. The Company estimates that these account for about 200,000 surgical procedures worldwide. This gives the following market potential:

Potential annual global market for Jazz as a replacement for intermediate screws in degenerative systems: US$400 million

No. of surgical procedures worldwide per year	Of which accessible surgical procedures	No. of implants per surgical procedure	Potential no. of implants per year
700,000[40]	**200,000** (29%[41])	**2**	**400,000**

This potential market amounts to US$400 million for manufacturers and distributors of braided implants, based on an average sale price of US$1,000 per implant.

The Jazz implant is now registered for all degenerative indications for which screws are approved in the United States and Europe, and surgeons may want to replace them with a Jazz braided implant.

[40] Source i-Data for 2010: 702,761 procedures worldwide.

[41] Company estimate of the number of procedures using more than four screws and including intermediate screws.

6.8. OPPORTUNITIES FOR JAZZ IN NON-FUSION APPLICATIONS: PRESERVATION OF MOBILITY

Non-fusion is a vast subject and represents a very significant market opportunity.

The idea is to treat spinal pathologies before they reach the stage of requiring fusion. Although fusion is an effective way of treating these pathologies at a certain stage, the idea of treating them earlier and preserving vertebral mobility function relative to the other vertebrae is clearly very attractive. By preventing vertebral mobility, fusion eventually leads to the degradation of other spinal segments, which are under greater stress.

Approaches to maintaining mobility have created a great deal of enthusiasm for more than ten years but have often proved disappointing (flexible rods, artificial discs, etc.). Proving the benefit of approaches intended to preserve mobility requires very long follow-up in clinical trials, which is extremely costly.

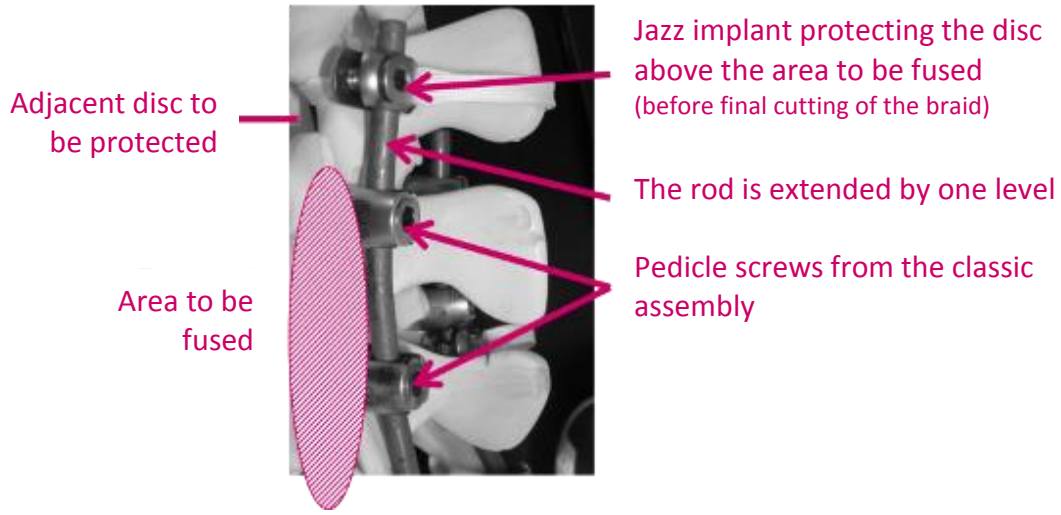
Implanet is therefore very cautious regarding the possibility and speed of development of these markets. However, since market potential is very high and its Jazz product can be used in certain applications without new technical developments, the Company expects to take up position in these applications opportunistically.

6.8.1. Protect adjacent discs by adding Jazz to the ends of the assemblies

Vertebral fusion leads to spinal rigidity in the fused levels. It has been shown that the vertebral discs above and below the assembly (called adjacent discs) are more stressed during body movements. In patients with a tendency to spinal degeneration, the adjacent discs therefore risk being damaged and in turn have to be fused during further surgery. Several products have also been developed to relieve adjacent discs, such as the DTO flexible systems developed by Zimmer. These products were not approved for the main market in the United States, but the principle of protecting adjacent discs still represents an opportunity for an appropriate technology.

Jazz is a product that is easy to use in this type of application. Indeed, by extending the two rods as far as the vertebra above the adjacent disc and inserting Jazz implants, an assembly is obtained which maintains the disc's mobility while reducing the mechanical stresses applied.

Example of a Jazz implant assembly
to protect the adjacent disc on a demonstrator



Jazz's potential in this segment is thought to be very high because, in practice, it would involve adding up to four Jazz implants for each of the 700,000 degenerative surgical procedures (two above and two below the classic assembly), i.e. a potential 1,400,000 additional implants per year.

The Jazz implant is not registered for this indication in the United States or in Europe. The Company feels that development of this application for Jazz would require large clinical trials prior to commercialization, particularly in the United States, which represents the main market. These clinical trials required in order to obtain sales authorization from the FDA in the United States would probably take several years (carried out under Investigational Device Exemption) as was the case for other "mobility preservation" products such as flexible rods or artificial discs.

6.8.2. 100% Jazz flexible assemblies to protect a weakened disc

Many companies have developed implants for preserving mobility, so-called "dynamic stabilization" systems. These implants are designed to treat a degenerative spine without fusing operated vertebrae and helping preserve a certain vertebral mobility, which is completely limited when vertebrae are fused. The indications are mainly lumbar stenoses, spinal stabilization after discectomy (treatment of the intervertebral disc following a discal hernia) and protection of moderately degenerative intervertebral discs.

There are two main product families on the market:

- inter-spinal implants which are positioned between the dorsal spines of two vertebrae, limiting vertebral movements in flexion-extension;
- implants with rigid screws and flexible rods. These implants are attached like conventional fusion assemblies with metal pedicle screws, mobility in flexion-extension between two vertebrae being limited by more or less flexible systems attached to these pedicle screws.

The Jazz system may provide a third solution based on a flexible vertebral attachment (the braid) combined with more or less rigid rods that partly limit mobility. Under these conditions, vertical movements and compression forces applied to the vertebrae are limited by the rod, whereas rotation movements remain possible through the flexibility of the linking braid. This original approach is an extension of the concept of protecting adjacent levels presented above, but extended to pure fusion assemblies.

6.9. BRAIDED IMPLANT COMPETITION

Given the limitations of screws and hooks, some companies have developed flexible braided implants. There are currently two implants competing with Jazz on the market:

The Universal Clamp (Zimmer) was the first successful flexible braided implant. It was developed by Spine Next, acquired in 2004 by Abbott Laboratories. The latter wished to penetrate the spinal surgery sector, but decided in 2008 to sell their Abbott Spine division to Zimmer.[42] The initial development manager for the Universal Clamp, Régis Le Couëdic, is now Research and Development Director at Implanet. With his R&D team, Régis Le Couëdic developed Jazz by making the improvements requested by the first users of the implant and its instruments (ease of insertion, a more effective braid blocking system), all while ensuring that Jazz did not infringe the patent portfolio held by Zimmer following acquisition of the Universal Clamp.

Since this product was taken over by Zimmer as part of the acquisition of the Abbott Spine division in 2008, the Company has found that the Universal Clamp has not been subject to increased clinical studies as should have been the case in the first years of launching a new implant technology. Furthermore, Zimmer Spine appears to have decided not to destabilize its historic leading product, the Dynesys, to the detriment of the economic expansion of the Universal Clamp.

The Ligapass (Medicrea): the recent development of this product by Medicrea confirms the potential of braided implants. Approved in the United States and in Europe, the Ligapass seems to have been under launch since the start of 2013 [43] although an initial launch seems to have taken place in 2010. The Company considers that the development of the Ligapass must have been hindered or made more complex by the combined patent portfolios of Zimmer and Implanet.

In 2014, the American company **Globus Medical** launched a braided implant called SILC, which also uses a polyester braid. It seems, however, that its designers did not find a viable and patent-free solution for blocking the braid and implant with a single tensioning instrument, as is the case on JAZZ and on Zimmer Spine's UC.

Also in 2014, **KMEDIC** released information about filing a patent application relating to braided implant solutions. However, in this case too, none of the technical solutions presented include a single tensioning instrument.

These developments reinforce the Company's strategic choices, through the importance of design activity in this segment, which provides evidence of the acceptance and preference of the surgical community for this technology in which the Research & Development team is a pioneer.

[42] http://www.mddionline.com/article/zimmer-acquires-abbott-spine

[43] Medicrea release on the "full".

6.10. COMPANY ORGANIZATION

6.10.1. An experienced management team

The Company is made up of managers who all have strong experience in the medical technology and orthopedics sector. Furthermore, the executives have all worked together in one way or another in previous companies, which gives the management team very strong cohesion.

Ludovic Lastennet – *Chief Executive Officer and Director*

Ludovic has 20 years' experience in the medical field: equipment, reconstructive orthopedics and dental implantology.

He spent five years as General Manager of the French subsidiary of the KaVo Dental company, member of the Danaher Corp group, after six years as sales manager in France/Germany/Austria/Switzerland and Eastern countries for Stryker Corporation.

He is a graduate of the Paris ISG International Business School, 1988.

Denis Saint-Denis – *Deputy General Manager and* Chief *Financial Officer*

Denis has 21 years' experience in spinal implants as Financial and Operations Director in market leader companies (Stryker, Abbott Spine).

He was one of the founders and the Chief Financial Officer & Operations Director of Spine Next.

Denis graduated with the DECF [Diplôme d'études comptables et financières (Diploma of Accounting and Financial Studies)] and DESCF [Diplôme d'études supérieures comptables et financières (Diploma of Advanced Accounting and Financial Studies)] from the University of Bordeaux, 1993.

Régis Le Couëdic – *R&D and RAQA [Regulatory Affairs and Quality Assurance] Director*

Régis has 23 years' experience in orthopedic and spinal implants in market leader companies (Zimmer, Stryker, Abbott Spine).

He was one of the founders and the R&D Director of Spine Next.

He has a degree in Mechanical Engineering from the Lille Polytech school, 1990.

Alain Meunier – *Clinical & Scientific Affairs Director*

Alain has been Scientific and Clinical Affairs Director in major companies in the sector (Zimmer Spine International, Abbott Spine International).

He has 20 years' experience as a researcher in bone biomechanics and orthopedic biomaterials at the CNRS [Centre national de la recherche scientifique (French National Scientific Research Center)].

He obtained a doctorate in Applied Mechanics from the Paris VII University, 1979.

Franck Laporte - *Operations Director*
Franck has 14 years' experience in operations management in orthopedics, including 11 years with market leader companies: Spine Next, Abbott Spine, Zimmer Spine.
He obtained a DUT [diplôme universitaire de technologie (university technology diploma)] in Logistics.

Laurent Penisson - *Sales Director*, *France*
Laurent has five years' experience in regional sales management in the medical field and 16 years' experience in the field of equipment and orthopedic implant sales (Stryker, Arthrex).

Nicolas Marin – *Marketing Product Group Manager*
Nicolas has 15 years' experience in marketing and international product development in spinal, orthopedic and arthroscopic surgery.
He was International Product Manager then Marketing Manager Europe/Middle East/Africa for seven years at Stryker.
Nicolas holds a Maîtrise (master's degree) in AES [administration économique et sociale (Economic and Social Administration)] from the University of Bordeaux IV and in Political Science from University College Dublin, as well as an MSc in International Business from MIB-MACI, Bordeaux Business School, obtained in 1997.

Stéphane Valdès – *ROW [Rest of World] Sales Director*
Stéphane has 21 years' experience in the medical device sector as manager for leading companies in the sector: Smith and Nephew, Johnson & Johnson.
He holds a Brevet de Technicien Supérieur [advanced vocational training certificate] in medical radiology.

Caroline Carpentier – *Sales Director, Europe region*
Caroline has nine years' experience in the field of medical devices as export sales manager specializing in spinal surgery.
She studied International Trade and did a master's degree in Marketing in Barcelona.

6.10.2. A first-rate operational organization

Implanet designed its operational infrastructure according to quality and excellence criteria complying with the strictest regulatory standards, positioning itself from the start to be able to serve the most competitive and demanding markets. This platform allows growth in activity to be absorbed in the medium term without significant investment.

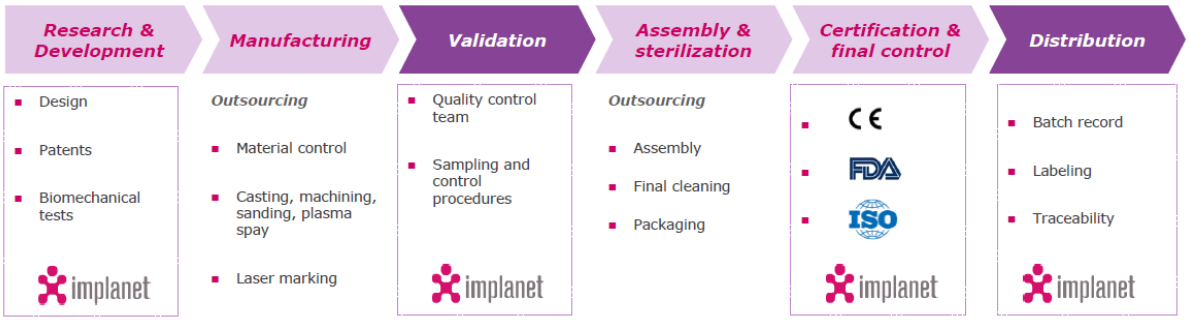
Implanet is located in Martillac, France, 20 minutes from Bordeaux and its international airport, in a Technopole housing about 50 companies in activity sectors such as biotechnology, environmental technology and wine production.

Implanet's activity is spread over two buildings:

The first is entirely dedicated, over two floors, to the research & development, marketing, quality system and regulatory affairs, sales and administrative teams.

The second groups together Implanet's industrial activities such as quality control, some production stages done in-house (ancillary cleaning and decontamination), stocks of finished products, as well as the Logistics and Supply Department.

6.10.2.1. Comprehensive production outline



This outline summarizes the main stages in the manufacturing of medical devices developed by Implanet, using the Jazz production process as an example. The Company does not carry out all these stages in-house, but is nonetheless considered the manufacturer of this implant by the regulatory authorities. With the intention of controlling the entire process, it has set up a network of specialized partners who are involved in the production line under its liability and according to its specifications and requirements.

The Company has kept certain key stages of the process in-house, in particular the quality control stages. Furthermore, the Company may decide to bring the assembly stages in-house, in order to reduce lead times and its production costs, and thus allow it greater flexibility in managing the supply chain.

This organization allows Implanet to benefit from the expertise, economies of scale and expansion capacities of its industrial partners without having to invest directly. It also allows the Company to retain greater flexibility in selecting technologies to be used in the manufacture of new products, as it is not forced to use its own plant and equipment to the detriment of innovation. Thus, the Research & Development Department can design implants and instruments with no constraints in terms of raw materials or forms, other than those imposed by the functionality of the device and the patient's wellbeing.

The range of technologies used in manufacturing the medical devices designed by Implanet is extremely broad and varied, as it encompasses heavy industry resources (foundry, forge, heat treatments), biotextile weaving, pulverization of calcium phosphate ceramics, wire or water-jet cutting and also more conventional machining facilities such as 5 or 6 axis machining centers, as well as digitally controlled lathes. Starting from this premise, the Company has chosen to prioritize its reactivity, by using resources produced externally.

Although this organization model is commonplace in the implant industry, Implanet considers that it has developed a particularly effective tool thanks to its processes and particularly the operational task automation enabled by its Beep N Track technology, for which it has a license following the sale of this activity to GHX in 2011.

6.10.2.2. "State of the art" control, measurement and washing tools

With outsourced production involving uncompromising strictness as regards supplier control, Implanet has invested in first-rate technical and human resources, enabling it to carry out all the metrology stages according to best practice and the latest applicable regulations.

The facilities combine the mechanical, traditional or digital control equipment appropriate to each implant or instrument. All Control Department activities are carried out in the framework of a quality system including well-established procedures involving routine and extremely rigorous documentary review of the production batch records (set of traceability documents for the product in question, including the identifiers for the raw materials, machines and tools used, etc.).

The recording and traceability of all these control stages, for each batch of implants, is backed up by the use of an integrated computer information system: the Implanet SMART SYSTEM traceability solution. This tool constitutes the application of the Beep N Track technology to Implanet activities.

The picture opposite shows checking of the minimum thickness of tibial inserts for the knee prosthesis using a measurement column. Given the extreme sensitivity of certain materials to variations in temperature and moisture level, this check is performed in a room with a controlled atmosphere.

Check using a three-dimensional measurement machine, the feeler head of which can be seen in the picture opposite. This machine allows the assembly dimensions in particular to be checked (here a tibial baseplate in chrome-cobalt belonging to the Madison knee prosthesis). These dimensions, specified to one hundredth of a millimeter, must be measured with extreme precision as they guarantee the lifespan of the implant after it is assembled by the surgeon.

Dimension and appearance check of the Jazz metal components. In addition, a careful inspection is performed using a binocular magnifier (magnification x20) to ensure that all features of the design have been properly machined, according to the specifications in the drawings produced by the Implanet Research & Development Department. This stage guarantees that all areas in contact with the polyester braid are free of faults that may damage it.

After the control stages, the implants are released by the Quality Department for the final production phases to be carried out: cleaning, packaging and sterilization.

Implanet also has a washer-disinfector allowing it to perform cleaning

operations on surgical instruments in-house. This equipment is used to:

- Clean all new instruments delivered by Implanet subcontractors. This stage, which has been specifically validated, makes it possible to ensure that all manufacturing residues, including residues of the cutting oil that is essential during the machining stages, have been completely removed. In this way, the instruments are ready to be sterilized by the health facility before use by the surgeon;

- Clean loaned instruments. After each surgical procedure, the instruments are cleaned and sterilized by the health facility. Nevertheless, when they are returned to Implanet, they are systematically cleaned. Each instrument is checked according to precise functional criteria so that it can be used again in the operating theatre for another surgical procedure.

6.10.2.3. A logistics tool that is fully automated and integrated into the computer information system

In order to manage its stocks of finished or semi-finished products, Implanet has 20 computerized rotary cabinets. The location of each batch of parts or each finished product is systematically listed in the Implanet production management computer system in order to ensure complete traceability.

In addition to the safety aspect, this system has been designed for excellent operational efficiency and for a ramp-up of volumes with low marginal costs.

Another example of this constant pursuit of efficiency: Implanet has an RFID (Radio Frequency Identification Device) tunnel, which allows it to confirm, from a sealed parcel, that an implant order has been properly prepared before it is sent to a healthcare center. Each individual implant package contained in the parcel includes an RFID chip which is read when the parcel passes through the tunnel. This system can thereby ensure that the shipment and the associated documentation are consistent, with reliability unequalled by a manual process. This type of check helps establish a relationship of trust between the Company and its customers, by settling, upstream, potential sources of dissatisfaction, waste of resources, medical errors and payment delays.

6.11. REGULATORY ENVIRONMENT

6.11.1. Regulatory context

As a manufacturer of medical devices, Implanet must satisfy the regulatory requirements in each country where its products are marketed.

The regulations for the "key" markets of Europe and the United States are noted below:

- In Europe, the keystone regulation is European Directive 93/42/EEC. This directive defines in particular a classification of devices based on their risk for the patient. The level of control applied by the authorities depends on this classification. Before being placed on the European market, the products must have obtained the CE marking which guarantees conformity with these regulations. Notified bodies are responsible for control of CE marking and are initially selected by the manufacturer from the various bodies appointed by the member states. Manufacturers and notified bodies are also under the control of the country's competent authority, having the power to enforce health policies and attached to the Ministry of Health.

  Since its creation in 2007, Implanet has selected the French notified body, LNE-GMED, with respect to the sale of its products in Europe. In addition, as a French manufacturer, Implanet is also under the control of the ANSM [*Agence nationale de sécurité du medicament et des produits de santé* (French National Agency for Medicines and Health Product Safety)], the competent French authority;

- In the United States, the applicable regulations to medical devices are defined by the Code of Federal Regulations, Title 21. A product classification is also applicable based on patient risk. Control of registration of products and manufacturers is exercised directly by the competent authority, in this case the Food & Drug Administration (FDA).

It should be noted that these regulations apply to manufacturers who are responsible for marketing these products. Implanet is a manufacturer in strategic product ranges such as knee prosthesis and spinal implants including Jazz. Implanet also carries out an activity as a distributor, to which these regulations do not apply, and does so for a certain number of standard products.

	Regulatory status
Spinal ranges: JAZZ, ISS and HAKA	Manufacturer
MADISON knee prosthesis	Manufacturer
Arthroscopy implant ranges	Distributor

In the "key" countries for selling medical devices, a substantial and rapid increase has been noted in regulatory requirements aiming at increasing patient safety. Taking these requirements into account is imperative, given the risks engendered and illustrated by recent scandals (Médiator, PIP, hip prosthesis with metal-on-metal bearing surfaces, etc.). During audits by the notified bodies or inspections by the competent authorities, any critical deviation from a regulatory requirement may lead to the product being immediately taken off the market, with a significant impact on the activity and the brand image, even on the sustainability of the business.

In any event, whatever the regulations raised previously, the provisions that ensure the safety of a device are structured around the following two points:

- Implementation of a relevant, appropriate and effective quality system;
- Prior registration of products based on a technical file that may include design and manufacturing data.

6.11.2. Quality system organization and control

Since its creation, Implanet has implemented a quality system covering all its activities, from the design to the distribution of its devices. This quality system applies equally to all products and is audited annually by the notified body, LNE-GMED, in order to ensure that it remains effective. For its activities, Implanet has the following certifications:

- ISO 13485 certificate: This is an essential quality system certificate for manufacturers of medical devices, making it possible to meet a certain number of requirements under the European Directive.
- ISO 9001 certificate, voluntary certification of the quality system.

In addition to these general quality system audits, the notified body also audits the CE-marking technical files for the products and the application of the quality system for each type of product.

Every three years, a complete audit of the quality system and its application to the products is conducted by the notified body. In October 2014, Implanet was successfully audited by LNE-GMED, enabling it to renew its certifications.

Since it entered the market in 2008, Implanet has been audited seven times by LNE-GMED. In 2012, as part of a regulatory compliance control of the orthopedics sector, Implanet was also inspected by the competent French authority (ANSM). These audits have always had satisfactory results, none of them having raised critical remarks that could have an impact on patient safety and/or requiring immediate regulatory action. The deviations noted have all been settled in the earliest delays with the authorities, Implanet having the intention to respond in the most satisfactory way.

Concerning the American market, the Implanet Jazz and Implanet Spine System (ISS) products were first marketed in 2013. There is no quality certification system in the United States similar to the one used in Europe. Manufacturers must, however, apply the Quality System Regulations (QSR) described in the Code of Federal Regulations, 21 CFR PART 820. Verification of prosper compliance with these provisions is assessed by the FDA, which, when it so desires, initiates an inspection of the manufacturer. The power of the FDA is particularly substantial in the United States; failure to comply with a QSR requirement is considered as fraud. The power of the FDA may go as far as immediately blocking exports of products onto American soil.

In order to market Jazz and the ISS in the United States, Implanet therefore implemented within its quality system in order to meet the specific American requirements. In February 2014, Implanet was also audited by the FDA without any remark or non-conformity being noted.

6.11.3. Product registration and control

Within the European market, Implanet markets class IIb and class III products, corresponding respectively to spinal implants such as Jazz and joint prosthesis. Class III constitutes the most critical classification; marketing these products requires prior review of the technical file by the notified body. As long as the remarks by the notified body have not been cleared, the product cannot be released for sale.

Implanet thus has strong experience in the design, production and submission of class III files, acquired as part of marketing its hip and knee prosthesis. This experience may prove useful in a context of revision of the European Directive in which spinal implants will very probably be raised to class III.

On the American market, the Jazz and ISS products are subject to the Premarket Notification 510(k) registration procedure. This procedure relies on the submission of a technical file in which it must be demonstrated that the product submitted is substantially equivalent to a product already present on the American market (Predicate device). The FDA has 90 days to review a file. However, as long as all the responses provided do not satisfy the FDA, the review period is suspended and may thus become extremely long, and even result in failure of the submission. Given the innovative character of Jazz and the presence of a single predicate *device*, obtaining the 510(k) for the Jazz product was a major challenge in a context of increased FDA requirements and, in particular, in the context of the 510(k) registration process. The fact of having defined an appropriate registration strategy for Jazz, crowned with quick registration, constitutes an important asset that can be used for extensions of this product range (new dimensions, new materials, changes in indications, for example). It should be noted that, depending on their degree of complexity, further file submissions may very well be classified as "Special 510(k) Submissions", for which the review period is reduced to 30 days (excluding questions).

Obtaining registration in the United States requires knowledge of the numerous American particularities in a complex regulatory system, and this being true of the FDA, recognized as a particularly rigorous, independent and demanding competent authority. For all its regulatory actions on American territory, Implanet relies on the expertise of a top-rank specialist firm.

When innovative class III products, with no predicate device, fall under the Premarket approval (PMA) registration procedure, the process is then significantly more complex and longer, leading to extremely substantial investments over several years.

Implanet also carries out registration of its products in a number of other countries. Thus, in addition to Europe and the United States, Jazz is registered in the following countries: Australia, South Africa, India, Iran and Turkey.

Registration procedures are also under way in other markets, such as Brazil and Russia.

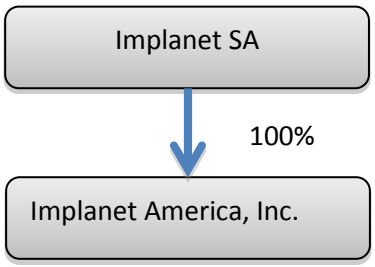
	Registered countries	Countries in the process of registration
Spinal ranges: JAZZ and traditional range	Australia, South Africa, Europe, United States, India, Iran, Turkey	Brazil, Russia
Madison knee prosthesis	Europe, India, Iran, Turkey	Brazil, Russia

It should be noted that in the United States, the 510(k) registration obtained in October 2012 only covered treatment of mature bones. The Company extended its registration to pediatric indications (non-mature bones) with a new file lodged with the FDA on July 24, 2013. The Company received approval from the FDA on September 25, 2013, even before the deadline for the FDA's response. The Jazz product is thus registered in the United States for the same indications as the other approved braided implant, as well as the standard fusion implants (screw and hook).

7. ORGANIZATIONAL CHART

7.1. LEGAL STRUCTURE

At the date of the *Document de référence* the legal structure of the Implanet Group was as follows:



7.2. GROUP COMPANIES

- **Implanet SA:** parent company of the Group, based in Martillac, France.

- **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 Denis Saint-Denis, respectively Chief Executive Officer and Deputy Chief Executive Officer of Implanet SA are, respectively, Chairman and Treasurer of Implanet America Inc. At the date of the *Document de référence*, this subsidiary had its offices in Boston.

7.3. GROUP FINANCIAL FLOWS

As part of the operational launch of Implanet America Inc., the Company arranged a **distribution agreement** setting the commercial terms and conditions under which Implanet America Inc. would distribute Implanet's products in the United States.

The Company supports all risks arising from the sale of its products in the United States and guarantees its subsidiary a fixed operating margin once the business is up and running (allowing the subsidiary to cover its fixed costs).

The margin (based on the transactional method of net margin, which estimates a fair operating margin in a competitive environment) will be maintained by adjusting the transfer prices at the end of each year.

This agreement was signed on January 2, 2014 with immediate effect. It is valid until December 31, 2016 and tacitly renewable thereafter for periods of one year.

Other agreements are being drawn up concerning:

- **Rebilling of services**: an intragroup agreement will be signed by the end of 2015 between Implanet and Implanet America, Inc.

- **Financial flows**: a cash flow agreement will be signed by the end of 2015 by Implanet and Implanet America Inc. to set the terms and conditions for cash advances made by the Company to its subsidiary.

8. PROPERTY, PLANT AND EQUIPMENT

8.1. PROPERTY AND EQUIPMENT

8.1.1. Leased property

Implanet leases an office building:

Address	Technopole Bordeaux Montesquieu, Allée François Magendie – 33650, Martillac, France
Surface area	761 sq.m. of office space plus 32 parking spaces on a 2,757 sq.m. plot.
Duration of lease	October 8, 2007 - October 8, 2016 Annual rent excl.
2014 Annual rent excl. VAT and charges	€136,058

Implanet SA leases a logistics building:

Address	Technopole Bordeaux Montesquieu, Allée François Magendie – 33650 Martillac, France
Surface area	803 sq.m. exclusive space including outbuilding on a 5,244 sq.m. plot.
Duration of lease	December 15, 2010 – December 15, 2019 Annual rent excl.
2014 Annual rent excl. VAT and charges	€126,398

The rents paid under these leases increase in accordance with the national index of construction costs published by INSEE, automatically, as of right and with no formalities required, at each anniversary of the start of the lease.

Implanet America Inc. works from an office building rented under a short-term lease:

Address	8 Faneuil Hall Market Place, 3rd Floor, Boston, Massachusetts, 02109 United States	
Surface area	Variable depending on the number of offices used	
Duration of lease	March 1, 2014 - November 30, 2014/December 1, 2014 - April 30, 2015.	
2014 Annual rent excl. VAT and charges	63,676 USD	5,7155 USD

Rent varies depending on how much floor space the Company uses.

Between 1 January 2014 and 31 May 2014, the Company also rented offices in New York at a total cost in 2014 of US$23,175.

8.1.2. Other property, plant and equipment

The main property, plant and equipment owned by the Company is described in Note 4 to the IFRS financial statements shown in Section 20.1.7 of the *Document de référence*.

8.1.3. Encumbrances on the Company's intangible fixed assets

At the date of the *Document de référence*, the Company had pledged its goodwill and intellectual property to Kreos Capital IV (UK) Ltd as collateral for a €5 million bond issued on July 19, 2013 (see Section 22.3 "Borrowings via bond issued to Kreos Capital IV (UK) LTD" in the *Document de référence*).

8.2. ENVIRONMENTAL ISSUES

The nature of the Company's activities does not pose any significant risk to the environment. See Section 4.6 "Industrial and environmental risks".

See the "Corporate social report" in Section 26.3 of this *Document de référence*.

9. REVIEW OF FINANCIAL POSITION AND RESULTS

The following information on the financial position and results of the Company and its subsidiary should be read in conjunction with the complete *Document de référence*, and in particular with the consolidated financial statements prepared in accordance with IFRS for the fiscal year ending on December 31, 2014. Readers may also consult the notes to the financial statements in Section 20.1 of 20.1*Document de référence*;

The comments on the financial statements in Chapters 9 and 10 of the *Document de référence* are made solely on the basis of the consolidated financial statements prepared in accordance with IFRS included in Section 20.1 of the *Document de référence*.

9.1. COMPANY OVERVIEW

9.1.1. Company overview

Incorporated on January 23, 2007, the Company's purpose is to design, manufacture and market all types of surgical implants and equipment.

The Company's mission is to supply benchmark-standard implants manufactured to uncompromisingly high standards of quality and meeting the most stringent clinical performance requirements, for various orthopedic surgery markets. Its organization and innovative business model succeeded in optimizing costs across the *healthcare* department.

Implanet dedicates a significant part of its resources, in both its R&D and sales and marketing activities, to the development of new markets.

A US subsidiary, Implanet America Inc., was formed in February 2013 to extend Implanet's international reach.

Since the foundation of the Company, the sources of funding are:

- capital increases;
- OSEO innovation grants and subsidies;
- COFACE market prospection insurance covering the United States geographical region;
- an ERDF grant from the Aquitaine Regional Council (France);
- the French research tax credit;
- bond issues redeemable in shares, convertible or non-convertible bond issues;
- listing on the Paris Euronext stock market;

In addition, with a view to anticipating future cash requirements, on July 9, 2014 the Company opened an equity line of credit with Kepler Cheuvreux (not used to date).

During the fiscal year under review, the Company operated in a single segment: the commercialization of orthopedic implants (spine, knee and arthroscopy).

The Company ceased marketing of "hip" products in June 2014.

9.1.2. Research and development - Subcontracting

Implanet conducts Research & Development to design innovative orthopedic implant devices.

The Company estimates that in 2014, it devoted almost €1,224 thousand to the development, promotion, quality assurance and regulatory affairs of the Jazz range. Jazz is the system for posterior fixture and reduction of spinal deformity by means of a polymer sub-laminar band and a metallic connector (see Section 6.4 of the *Document de référence* for more information).

The Company also commits substantial resources to filing international patents and patent applications to protect its intellectual property rights (see Chapter 11 of the 11*Document de référence*).

The Company develops implants and ancillary devices, which are manufactured by specialized subcontractors that are required to meet its demanding regulatory standards.

The assembly of kits and quality control at different stages of production are primarily carried out by Implanet at its Martillac facility.

Relations with critical subcontractors (involved in the manufacture of a finished product) are determined according to the following main points, in line with the Company's internal procedures:

- Selection is based on the subcontractor's experience, quality certifications, production capacities and technologies. The selection phase may include site visits, audits and the production of pilot runs or prototypes. The selection decision is approved by the R&D, Operations and Quality Department;
- An agreement is drawn up between the parties to specify the terms and conditions for supply, protection of intellectual property, responsibilities, undertakings in respect of quality assurance and traceability, payment terms, systems for updating quantities, pricing, etc.;
- Precise manufacturing specifications are drawn up for each product type. They define Implanet's exact requirements for control of the manufacturing process by the subcontractor;
- Product input inspection is carried out on all batches by Implanet's Quality Control Department before products are released on the market;
- Subcontractor audits are conducted at least every three years and the audit findings are presented in a report.

9.1.3. Main factors affecting the Company's business

Since its creation, Implanet's has aimed to develop an innovative range of orthopedic products. It has reported operating losses for the fiscal years from 2007 to 2014. Capital expenditure has been concentrated on:

- research and development for the design and registration of its product range (mainly Madison: full knee prosthesis for first-line treatment and Jazz: posterior fixture and spinal deformity reduction system);
- marketing expenses;
- the establishment of industrial, logistics and sales infrastructures; and
- the development of the Beep N Track business (disposed in December 2011).

In view of the Group's current stage of development, the main factors that could have an impact on Implanet's business, financial position, results, development and outlook are:

- commercial and marketing deployment in Europe and the United States;
- the continuation of its research & development policy;
- the need to obtain new certifications to market its products in new markets;
- securing subsidies and repayable advances;
- the existence of tax incentives, such as the research tax credit in France, for which the Company is eligible;
- the protection and maintenance of its intellectual property rights for its portfolio of patents and brands.

9.2. COMPARISON OF THE FINANCIAL STATEMENTS FOR THE LAST TWO FISCAL YEARS

9.2.1. Composition of the net operating income and net income

9.2.1.1. Revenue

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

REVENUE (Amounts in euros)	**12/31/2014**	**12/31/2013**
Spine	1,930,012	811,264
Knee + Arthroscopy	4,343,096	4,086,186
Hip	765,308	1,792,931
Total revenue	**7,038,416**	**6,690,382**

Implanet posted growth of +5% to €7,038 thousand in fiscal year 2014, compared to €6,690 thousand in 2013, impacted by the termination of the "Hip" activity (which contributed €765 thousand in 2014 compared to €1,793 thousand in 2013). After restatement for the "hip" activity, Implanet's revenue saw a solid increase of +28% over the year.

This performance in 2014 reflects the accelerated adoption by spine surgeons of the Jazz technology platform: sales multiplied by 2.4 over the year to €1,930 thousand (vs. 811 thousand in 2013). Over the year, Implanet sold 4,260 JAZZ implants, compared to 1,829 in 2013, with volume up by 133%.

The "Knee" activity confirmed its solid momentum in 2014, with growth of +6% to €4,342 thousand (compared to €4,086 thousand in 2013), demonstrating the strategic importance of the general orthopedic business and its continuing development in both French and international markets.

Revenue by geographic region for the two years presented:

REVENUE (Amounts in euros)	12/31/2014	12/31/2013
France	3,984,975	4,407,620
United States	820,880	123,450
Rest of the World	2,232,561	2,159,312
Total revenue	**7,038,416**	**6,690,382**

In France, the year's sales amounted to €3,985 thousand (57% of revenue in 2014). Export sales totaled €3,053 thousand (43% of revenue in 2014) and confirmed the increasing strength of the US subsidiary with revenue amounting to €821 thousand (12% of revenue in 2014). More than 600 surgical procedures were carried out using JAZZ implants over the year.

In total since the launch of JAZZ, 6,089 units have been sold, of which 2,843 in France, 880 in the United States and 2,366 in the rest of the world.

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.

9.2.1.2. Operating expenses by function

Cost of sales

COST OF SALES (Amounts in euros)	12/31/2014	12/31/2013
Purchases of raw materials and goods (1)	(4,844,562)	(3,103,060)
Amortization of ancillary devices	(771,925)	(1,077,185)
Reversal of provision for impairment of inventories (2)	1,516,983	
Cost of sales	**(4,099,504)**	**(4,180,245)**

(1) Including €1.5 million in costs relating to products in the "hip" range fully depreciated in 2013 and sold in 2014 for €220 thousand.
(2) Reversal of provisions for the "Hip" range of products sold in 2014

In the 2014 fiscal year, the Company divested the entire "hip" product range for €220 thousand. This amount is recognized in revenue in the income statement.

The cost of the products in the "hip" range (€1.5 million), as well as the reversal of the corresponding provision (€1.5 million), was entered under cost of sales leading to the recognition of a 100% margin on this sale during the period.

The decision to withdraw hip prostheses from the market was reflected in the financial statements to December 31, 2013 in the impairment of all products in the "hip" range (impairment of €1.5 million on the stock of goods and ancillary devices, including additional impairment of €0.8 million in 2013).

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. Close to half of its Research and Development expenses (incurred and/or capitalized) in 2014 were accounted for by Jazz (approximately €663 thousand in 2014 and €388 thousand in 2013, according to its estimates).

Research costs are charged to expenses.
During the 2014 fiscal year, the Company considered that "Jazz Crochet" and "Jazz Autostatique" fulfilled the capitalization criteria of IAS 38 and 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 euros)	**12/31/2014**	**12/31/2013**
Vehicle leases	(60,984)	(59,337)
Miscellaneous rentals	(1,850)	(3,820)
Hardware, equipment and works	(13,910)	(12,467)
Studies and research	(217,937)	(86,051)
Miscellaneous	(19,506)	(2,675)
Intermediary compensation & Fees	(16,382)	(20,465)
Intellectual property fees	(297,625)	(130,444)
Travel, assignments and entertaining	(59,212)	(44 ,630)
Duties and taxes	(5,603)	(15,282)
Payroll expenses	(774,411)	(717,950)
Depreciation and amortization of fixed assets	(10,766)	(10,233)
Share-based payments	(58,660)	(981)
Capitalization of R&D expenses	99,433	0
Amortization of capitalized R&D expenses	(100,796)	(100,796)
Research and Development costs	**(1,538,210)**	**(1,205,132)**
Research tax credit	361,350	274,846
Subsidies	**361,350**	**274,846**

Research and Development expenses essentially comprise:

- payroll expense of engineers and the R&D Director;
- materials consumed in the course of their work;
- study, test and prototype costs;
- costs related to the protection of patents and brands;
- the impact of the capitalization of R&D expenses and amortization related to capitalized expenses.

The Group also received a research tax credit for its research activities in France totaling €361 thousand in 2014 compared with €275 thousand in 2013.

Cost of Regulatory Affairs and Quality Assurance

Regulatory Affairs and Quality Assurance costs for the fiscal years presented here break down are as follows:

COST OF REGULATORY AFFAIRS AND QUALITY ASSURANCE (Amounts in euros)	**12/31/2014**	**12/31/2013**
Materials and supplies not for stock	(81,613)	(101,811)
Vehicle leases	(11,591)	(11,386)
Studies and research	(94,515)	(188,161)
Miscellaneous	(32,399)	(10,726)
Intermediary compensation & Fees	(43,594)	(138,037)
Travel, assignments and entertaining	(11,029)	(9,319)
Duties and taxes	(715)	0
Payroll expenses	(475,180)	(494,033)
Capitalization of R&D expenses	6,747	0
Amortization of capitalized R&D expenses	(63,963)	(63,963)
Depreciation and amortization of fixed assets	(12,264)	(10,948)
Share-based payments	(9,244)	(1,152)
Cost of Regulatory Affairs and Quality Assurance	**(829,361)**	**(1,029,536)**
Research tax credit	17,527	27,530
Subsidies	**17,527**	**27,530**

Regulatory affairs and quality assurance costs primarily comprise:

- payroll expenses for quality control officers (dimension inspection);
- product accreditation costs in different countries;
- quality system costs in the Company (procedures, quality audit, etc.);
- the impact of the capitalization of R&D expenses and amortization related to capitalized expenses in respect of Jazz.

Jazz accounted for almost €243 thousand of the Company's total expenditure on regulatory affairs and quality assurance in 2014 (incurred and capitalized expenses), compared with €288 thousand in 2013.

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 euros)	12/31/2014	12/31/2013
Materials and supplies not for stock	(103,479)	(54,129)
Miscellaneous rentals	589	0
Equipment and real estate leases	0	(5,058)
Vehicle leases	(40,107)	(59,829)
Finance leases	(2,889)	0
Hardware, equipment and works	(9,671)	(5,841)
Insurance premiums	(33,288)	(5,421)
Miscellaneous	(36,738)	(18,893)
Intermediary compensation & Fees	(81,234)	(41,414)
Advertising	(218,429)	(105,769)
Transport	(23,805)	(113,887)
Travel, assignments and entertaining	(356,424)	(230,650)
Duties and taxes	(605)	(3,037)
Payroll expenses	(986,024)	(930,944)
Impairment of trade receivables	(379,956)	47,322
Depreciation and amortization of fixed assets	(7,399)	(1,026)
Share-based payments	(325,666)	(2,074)
Royalties	(177,985)	(102,063)
Sales commission	(518,210)	(682,892)
Sales, Distribution and Marketing expenses	**(3,301,320)**	**(2,315,606)**
Subsidies	0	100,000
Subsidies	**0**	**100,000**

Sales and marketing expenses primarily comprise:

- payroll expenses for the sales force;
- commission paid to sales agents;
- travel costs;
- the cost of seminars, national and international conferences;
- marketing and communication expenses: advertising inserts, brochures, demonstration kits, website, etc.

Total sales and marketing expenditure for Jazz in 2014 amounted to €319 thousand, compared with €280 thousand in the previous fiscal year.

Operating costs

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

OPERATING COSTS (Amounts in euros)	**12/31/2014**	**12/31/2013**
Materials and supplies not for stock	(24,782)	(22,617)
Equipment and real estate leases	(123,009)	(129,847)
Vehicle leases	(9,941)	(15,414)
Finance leases	(22,210)	(55,998)
Hardware, equipment and works	(39,316)	(28,660)
Miscellaneous	(4,035)	(33,901)
External personnel	(7,063)	(38,630)
Intermediary compensation & Fees	10,692	(111,094)
Transport	(32,206)	(51,354)
Travel, assignments and entertaining	(11,925)	0
Payroll expenses	(521,925)	(471,048)
Depreciation and amortization of fixed assets	(138,694)	(221,769)
Inventory provision (1)	32,616	(1,220,258)
Share-based payments	(30,779)	(1,175)
Operating costs	**(921,933)**	**(2,401,765)**

(1) including €0.8 million in impairment due to the discontinuation of marketing for the hip range in 2013.

Operating costs primarily comprise:

- management of supplies, logistics and inventories;
- lease and maintenance of the logistics building;
- depreciation of dedicated assets (stackers, etc.);
- sales administration;
- inventory impairment, particularly with respect to the “hip” product range in 2013.

General and administrative expenses

General and administrative expenses for the fiscal years presented here break down are as follows:

GENERAL AND ADMINISTRATIVE EXPENSES (Amounts in euros)	12/31/2014	12/31/2013
Materials and supplies not for stock	(54,626)	(37,413)
Equipment and real estate leases	(224,265)	(196,480)
Vehicle leases	(30,167)	(17,211)
Miscellaneous rentals	(1,913)	0
Hardware, equipment and works	(180,255)	(205,158)
Insurance premiums	(226,745)	(237,446)
Miscellaneous	(5,510)	23,596
Intermediary compensation & Fees	(1,009,105)	(620,031)
Advertising	(38,754)	(1,138)
Travel, assignments and entertaining	(152,606)	(133,010)
Postal and telecommunication expenses	(74,692)	(57,105)
Banking services	(66,663)	(98,759)
Duties and taxes	(77,599)	(67,759)
Payroll expenses	(983,860)	(617,165)
Depreciation and amortization of fixed assets	(96,657)	(202,833)
Share-based payments	(127,878)	(6,212)
Allocations to provisions for liabilities and expenses	0	17,998
Attendance fees	(12,000)	0
General and administrative expenses	**(3,363,295)**	**(2,456,126)**

General and administrative expenses primarily comprise:

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

9.2.1.3. Net financial income

FINANCIAL INCOME AND EXPENSES (Amounts in euros)	12/31/2014	12/31/2013
Amortized cost of the loan	(571,500)	(374,706)
Changes in the fair value of the derivative liability	70,308	135,286
Other financial expenses	(27,677)	(114,509)
Financial income	75,579	13,352
Foreign exchange gains and (losses)	218,033	(7,015)
Total financial income and expenses	**(235,257)**	**(347,592)**

In addition to positive or negative foreign-exchange differences, the net financial income includes:

- Interest expense relating to:
  - the Kreos bond issue (amortized cost of the bond for €572 thousand in 2014 compared with €315 thousand in 2013, and changes in the fair value of the derivative liability);
  - bonds redeemable in shares (- €59 thousand in 2013);
  - the factoring contract;
  - the accretion of repayable advances;
  - assets financed through finance leases and restated in accordance with the provisions of IAS 17.
- Financial income from investments (term accounts and marketable medium-term warrants).

The Group does not have significant exposure to interest rate risk, considering that:

- cash consists solely of bank accounts;
- current and non-current financial assets include term accounts and medium-term marketable warrants;
- the Company has no variable-rate debt.

It is also important to note that the agreed overdraft of €500 thousand that bears interest at the 3-month Euribor rate + 2% ended in October 2013.

The Group's exposure to foreign exchange risk increased following the opening of a subsidiary in the United States in the first half of 2013 (February 2013). Nonetheless, in view of the current stage of development of its subsidiary Implanet America Inc., the Company has not made any provisions to hedge against fluctuations in foreign exchange rates. The Group cannot ignore the possibility that a significant increase in its activity could result in greater exposure to foreign exchange risks and it would then require a policy to hedge against these risks.

9.2.1.4. Corporate tax

The Group has not recognized any corporate tax expense.

At December 31, 2014 the Group had tax losses that can be carried forward indefinitely amounting to:

- €45,292 thousand euros 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 corporation tax rate applicable to the Company is the current rate in force in France, namely 33.33%.

- US$1,733 thousand for the US subsidiary, including
  - US$1,631 thousand constituted in 2014, expiring in 2034;
  - US$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 44%.

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.

9.2.1.5. 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) and founders' warrants (BSPCEs)) 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 (Amounts in euros)	**12/31/2014**	**12/31/2013**
Net income for the year	(6,871,586)	(6,843,456)
Weighted average number of shares in circulation	5,399,522	3,196,048
Basic earnings per share (€/share)	**(1.27)**	**(2.14)**
Diluted earnings per share (€/share)	**(1.27)**	**(2.14)**

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

- the growth of the "Orthopedic implants" business;
- the business development in the United States via the US subsidiary;
- the company's efforts to develop and launch Jazz;
- the existence of an administrative and logistics platform that does not require a short-term increase in capacity.

9.2.2. Balance sheet

9.2.2.1. Non-current assets

NON-CURRENT ASSETS (Amounts in euros)	12/31/2014	12/31/2013
Intangible fixed assets	622,212	686,335
Property plant and equipment	2,041,878	1,387,554
Other non-current financial assets	3,131,053	9,280,311
Total non-current assets	**5,795,142**	**11,354,200**

Intangible fixed assets mainly consist of the capitalization of development expenses for a net value of €507 thousand at December 31, 2014, compared with €565 thousand at December 31, 2013.

The gross amount recognized was €929 thousand at December 31, 2014, compared with €824 thousand at December 31, 2013. The development costs recognized in 2014 for of €106 thousand are linked to the "JAZZ Crochet" and "JAZZ Autostatique" projects. The amounts recognized in previous fiscal years were in relation to the "JAZZ" project.

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

Non-current financial assets comprise:

- medium-term notes remunerated with progressive variable rates of interest based on the investment term (€1.5 million with a term ending December 2017 and €1.3 million with a term ending December 2016); a pledge of €300 thousand of 2017 medium-term notes to the Banque Courtois under a lease-back agreement;
- a guarantee deposit in favor of Kreos for €191 thousand, as part of the implementation of the €5 million bond issue in 2013;
- the cash reserve related to the liquidity contract;
- sureties in respect of the commercial leases for its French and US premises.

9.2.2.2. Current assets

CURRENT ASSETS (Amounts in euros)	12/31/2014	12/31/2013
Inventories	3,096,238	4,116,925
Trade receivables and related accounts	2,062,883	2,337,119
Other receivables	1,181,030	1,149,221
Current financial assets	308,116	2,001,091
Cash and cash equivalents	2,111,188	2,965,534
Total current assets	**8,759,456**	**12,569,890**

Inventories mainly consist of the various categories of implants for arthroscopy, hips, spines and knees, 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 (€379 thousand in 2014 and €302 thousand in 2013), which have been repaid or will be repaid during the following fiscal year;
- deductible VAT and VAT credits for a total of €556 thousand at December 31, 2014 compared with €575 thousand at December 31, 2013;
- prepaid expenses relating to current expenditure and essentially representing insurance and rental expenses.

Current financial assets comprise two term deposits of medium-term bonds maturing in less than one year. At December 31, 2014, they were made up of two term deposits of €150,000 each one of which was pledged to guarantee a lease signed with HSBC bank.

Cash and cash equivalents comprise a €1 million term deposit constituted on August 1, 2013 for a period of 64 days, tacitly renewable, and bank accounts.

9.2.2.3. Shareholders' equity

SHAREHOLDERS' EQUITY (Amounts in euros)	**12/31/2014**	**12/31/2013**
Share capital	8,099,283	8,099,283
Paid-in capital	12,495,647	12,332,242
Translation reserve	(153,051)	11,374
Other comprehensive income	(29,069)	1,181
Reserves - Group share	(6,327,095)	267,843
Profit/(loss) - Group share	(6,871,586)	(6,843,456)
Shareholders' equity - Group share	**7,214,130**	**13,868,467**
Minority interests		
Total shareholders' equity	**7,214,130**	**13,868,467**

The Company’s share capital as at December, 31, 2014 was €8,099,283 divided into 5,399,522 fully subscribed and paid up shares with a nominal value of €1.50 each.

Net changes in Group shareholders' equity compared to 2013 mainly come from annual losses reflecting the Company's investments in research and development research and development for the Jazz products.

Following the capital increase with preferential subscription rights for shareholders in, the share capital now stands at €15,550,620 divided into 10,367,080 shares with a nominal value of €1.50.

9.2.2.4. Non-current liabilities

NON-CURRENT LIABILITIES (Amounts in euros)	12/31/2014	12/31/2013
Amounts due to personnel	74,629	34,802
Non-current financial liabilities	1,722,170	3,211,750
Derivatives-liabilities	8,530	78,838
Non-current liabilities	**1,805,329**	**3,325,391**

Amounts due to personnel consist of provision for retirement benefits.

Non-current financial debt includes:

- the non-current portion of the non-convertible bond issued to Kreos Capital IV (UK) LTD for €1,085 thousand at the end of 2014 (compared with €2,915 thousand at the end of 2013);
- financial debts due in > 1 year under finance leases amounting to €479 thousand at December 31, 2014 (compared with €77 thousand in 2013). This increase is mainly due to the new leaseback contract for ancillary devices which came into effect during the fiscal year;
- the non-current part of the repayable OSEO "Knee" advance amounting to €158 thousand at December 31, 2014 (compared with €220 thousand in 2013).

Since its foundation, the Company has been the beneficiary of three repayable advance programs.

The first repayable advance was granted by OSEO on January 28, 2008. This was a €650 thousand interest-free, repayable innovation loan to “develop a new service for the computerized management of implants intended for healthcare facilities (I-SMART)”. A first installment of €325 thousand was received on February 4, 2008, followed by a second €195 thousand installment on April 28, 2008 and the balance paid upon completion of the work on April 28, 2009. Following the project’s technical and commercial success, between 2011 and 2013 the Company repaid a total of €400 thousand. The final repayment was made in March 2014 in the amount of €250 thousand.

The second repayable advance was granted by OSEO on February 25, 2010. This was a €350 thousand interest-free, repayable innovation loan “to develop a three-compartment knee prosthesis for first-line treatment and the related instruments”. A first installment of €280 thousand was received on March 1, 2010, followed by the balance paid upon completion of the work on May 9, 2011.

Following the project’s technical and commercial success, quarterly repayments are being made (see Note 12.3 of the notes to the annual financial statements presented in Section of the *Document de référence*) between 2013 and 2017.

The third repayable advance was agreed with COFACE on December 28, 2009 under what is known as a “market prospection insurance policy” covering the United States region. Implanet benefits from a coverage period of four years, during which its prospecting expenditure is guaranteed within the limit of a defined budget. At the end of this phase, there begins an amortization phase of five years, during which Implanet reimburses the advance obtained on the basis of a percentage of the sales revenues earned in the regions concerned.

On February 10, 2011, Implanet received a €194,268 advance for the first fiscal year of cover of these expenses.

Following the disposal of its Beep N Track business, COFACE requested cancellation of the market prospection insurance policy and the repayment of the advances received in 2013.

Under IFRS, the fact that the repayable advance does not bear annual interest means it is treated as an interest-free loan for the Company, i.e. under conditions more favorable than market rates. The difference between the amount of the advance at historical cost and the advance discounted at market rates was considered to be a State subsidy.

9.2.2.5. Current liabilities

CURRENT LIABILITIES (Amounts in euros)	**12/31/2014**	**12/31/2013**
Current debt	2,473,224	2,703,256
Provisions	0	144,631
Trade and other accounts payable	2,297,232	3,216,886
Tax and social security liabilities	748,808	663,595
Other payables and miscellaneous debt	15,875	1,684
Current liabilities	**5,535,139**	**6,730,232**

Current financial liabilities break down as follows:

CURRENT FINANCIAL LIABILITIES (Amounts in euros)	**12/31/2014**	**12/31/2013**
Financial debts - finance leases (1)	322,604	315,757
Repayable advances	68,520	306,775
Bond issue (2)	1,931,008	1,818,539
Financial debts under the factoring contract	151,092	262,186
Current debt	**2,473,224**	**2,703,256**

(1) The debts relating to the finance leases are guaranteed by a pledge of a term deposit account for €150 thousand and a MTN for €300 thousand (see Note 23.6 of the IFRS financial statements presented in Section 20.1.7 of the *Document de référence*)

(2) The debt relating to the Kreos bond issue is guaranteed by a pledge of the Company's goodwill (see Note 23.2 of the IFRS financial statements in Section 20.1.7 of the *Document de référence*)

The decrease in debt linked to repayable advances compared to 2013 is due to the lack of any major repayment date at less than one year.

At December 31, 2013, provisions for liabilities and expenses were recognized, mainly relating to employment tribunal disputes and tax audits. Following the outcome of the disputes over the 2014 fiscal year, the provisions were reversed (see Note 14 to the IFRS financial statements in Section 20.1.7 of the *Document de référence* for further information).

9.3. ACTIVITY OF THE GROUP COMPANIES OVER THE LAST TWO FISCAL YEARS

9.3.1. Implanet SA's Earnings

(Amounts in euros)	12/31/2014	12/31/2013
Revenue	7,147,861	7,139,157
Operating net income	(5,174,365)	(6,566,248)
Net financial income	(469,168)	(357,989)
NON-RECURRING NET INCOME	(23,651)	121,049
Corporate tax	(378,877)	(302,376)
Net income/(loss)	(5,288,306)	(6,500,812)

Implanet SA's revenue increased slightly to €7,148 thousand in 2014, compared with €7,139 thousand in 2013 (+0.1%).

Net operating income improved markedly compared with 2013. It rose by 21.2% totaling a negative €5,174 thousand at December 31, 2014.

The decision to withdraw hip prostheses from the market was reflected in the 2013 financial statements in the impairment of all products in the “hip” range, resulting in a €0.8 million decrease in operating net income in 2013. In the 2014 fiscal year, the Company divested the entire “hip” product range for €220 thousand and reversed the provision on these products for a total of €1.5 million. These sales led to a 100% margin over the course of the year.

Net financial income totaled a loss of €469 thousand in 2014 compared with a €358 thousand loss in 2013. It is essentially made up of interest expense relating to the Kréos bond issue.

Non-recurring net income reported a loss of €23 thousand at 12/31/2014.

After taking into account a research tax credit of €379 thousand, the loss amounted to €5,288 thousand in 2014 compared with a 6,501 thousand loss in 2013, i.e. an improvement of €1,213 thousand.

9.3.2. Activity of the Subsidiaries

Implanet America was the group's only subsidiary at December 31, 2014, and its summary accounts are as follows:

(Amounts in euros)	12/31/2014	12/31/2013
Revenue	820,894	123,450
NET OPERATING INCOME	(1,254,111)	(248,633)
Net financial income	-	-
NON-RECURRING NET INCOME	(256)	-
Corporate tax	(534,086)	(69,148)
Net income/(loss)	(720,281)	(179,485)

Implanet America Inc. began operations at the end of the first half of 2013, which explains the strong growth in revenue between 2013 and 2014.

The net operating loss of 1,254 thousand is mainly due to:

- A gross margin restated with the sales commissions for €360 thousand;
- Structural expenses of €1,614 thousand mainly consist of:
    - payroll expenses of €528 thousand,
    - €515 thousand in fees, including €237 thousand in management fees billed by Implanet SA,
    - expenses as a result of the company's business development (advertising, project expenses) amounting to €336 thousand.

Due to a €534 thousand tax income being recognized, net loss amounted to €720 thousand.

10. NET CASH AND SHAREHOLDERS' EQUITY

See Notes 8, 10 and 12 to the IFRS annual financial statements which can be found in 20.120.1 of this *Document de référence*.

10.1. SHAREHOLDER EQUITY, CASH AND FINANCING SOURCES

As at December, 31, 2014, the Company held net cash and cash equivalents (cash and cash equivalents less bank overdrafts) of €2,111 thousand compared to €2,966 thousand as at December, 31, 2013.

10.1.1. Equity financing

The Company received a total of €64,122 thousand (before fees relating to capital increases and the subscription price of warrants (BSAs)) from the founders' contributions and capital increases carried out between 2007 and 2015, from the listing on the stock market in 2013 and the capital increase with preferential subscription rights for shareholders

The table below summarizes the largest capital increases by value to the date of this *Document de référence*:

Period	Gross amounts raised in € thousands	Transactions
2006	140	Founders' contribution
2007 - 2008	13,360	First round of financing raised €7.36 million at a subscription price of €1 per share and €6 million at €1.30 per share.
2009	7,620	Second round of financing at a subscription price of €1.13 per share.
2010	8,008	Third round of financing at a subscription price of €1.31 per share.
March-April 2011	2,823	Fourth round of financing at a subscription price of €1.31 per share.
September 2011	2,429	Fifth round of financing at a subscription price of €1.00 per share.
November 2013	(1) 4,458	Conversion of convertible bonds and redemption of bonds redeemable in shares at the occasion of the listing on the Paris Euronext stock market (484,659 new shares issued with a nominal value of €1.50).
November 2013	(2) 14,107	Listing on the Paris Euronext stock market through a capital increase.
March 2015	(3) 11,177	Capital increase with preferential subscription rights for shareholders
Total	**64,122**	

(1) Total amount corresponding to the subscription of (i) bonds redeemable in shares issued on February 1, 2013, and (ii) bonds convertible into shares issued on May 21, 2013 and July 19, 2013.

(2) The listing on the Paris Euronext stock market incurred fees of €2.4 million.

(3) The capital increase in February 2015 entailed costs of €1.3 million.

10.1.2. Repayable advances and subsidies

The Company has concluded three conditional advances since it was founded:

- two repayable innovation loans from French innovation financing agency OSEO;
- a "prospecting insurance" repayable advance from COFACE to support sales prospecting in the United States region.

Details of the repayable advance agreements are set out in Section 9.2.2.4 of the *Document de référence* and Note 12.3 to the consolidated IFRS financial statements in Section 20.1.7 of 20.1*Document de référence*.

CHANGES IN REPAYABLE ADVANCES (Amounts in euros)	Repayable advances			Total
	OSEO Knees	OSEO – Beep N Track	COFACE United States	
At December 31, 2012	**318,995**	**389,282**	**192,254**	**900,530**
(+) Subscription				0
(-) Repayment	(50,000)	(150,000)	(194,268)	(394,268)
Subsidies				0
Financial expenses	9,579	8,762	2,014	20,355
(+/-) Other movements				0
At December 31, 2013	**278,574**	**248,043**	**0**	**526,617**
(+) Subscription				0
(-) Repayment	(60,000)	(250,000)		(310,000)
Subsidies				0
Financial expenses	8,206	1,957		10,162
(+/-) Other movements				0
At December 31, 2014	**226,779**	**0**	**0**	**226,779**

10.1.3. Research tax credits

OTHER RECEIVABLES (Amounts in euros)	12/31/2014	12/31/2013
Research tax credit (1)	378,877	302,377

R&D spending in 2008, 2010 and 2011 also allowed Implanet to benefit from OSEO advances described in Section 10.1.2 of 10.1.2*Document de référence*.

The Company has received research tax credits since it was first created. The research tax credits (CIR) for 2013 were repaid the following year.

Repayment of the 2014 CIR is expected in 2015.

Note that the Company has been through a tax inspection that looked at, among other issues, the research tax credits for 2010 and 2011. This gave rise to an additional tax cost of €79,879 (including late payment interest and penalty). This amount was included in the provision of €109 thousand in respect of the tax audit, made on December 31, 2013.

10.1.4. Borrowings

10.1.4.1. Convertible bonds

On May 21 and July 19, 2013 the Company issued 2,875,001 convertible bonds (OCA) with a nominal value of €1. These convertible bonds matured and became redeemable in shares once the Company was listed on the Paris Euronext stock market.

10.1.4.2. Finance leases

Over the course of its life, the Company has arranged finance leases on software, fixtures, furnishings, equipment and tools.

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 debt".

Changes in financial debt relating to financing leases break down as follows:

CHANGES IN FINANCIAL DEBT - FINANCE LEASES (Amounts in euros)	**Financial debt - finance leases**
At December 31, 2012	**978,071**
(+) Subscription	0
(-) Repayment	(585,250)
At December 31, 2013	**392,821**
(+) Subscription	750,400
(-) Repayment	(341,756)
At December 31, 2014	**801,466**

10.1.4.3. Approved overdraft facility

As of the date of the *Document de référence*, the Company no longer has any overdraft facility.

10.1.4.4. Bonds redeemable in shares and convertible bonds issued in 2013

Prior to its listing on the Paris Euronext stock market the Company issued:

- on January 22, 2013, 1,543,936 bonds redeemable in shares (ORA) in the Company, with a nominal value of €1, to certain shareholders (founders, private investors and financial investors). These bonds redeemable in shares expired on June 30, 2014 unless the bond were redeemed or terminated early. Annual interest was a fixed 3%, capitalized until

maturity and payable in shares. The whole of this loan (principal and interest) was repaid in shares during the Company's listing on the Paris Euronext stock market.

- on May 21, 2013, 1,875,001 convertible bonds (OC) and on July 19, 2013 a further 1,000,000 convertible bonds. All these bonds were converted during the Company's listing on the Paris Euronext stock market.

10.1.4.5. Non-convertible bond issued to Kreos Capital IV (UK) LTD

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 and the pledge of the Company's goodwill in favor of KREOS.

These transactions were implemented as follows:

- the €5 million bond, by issuing 5 million non-convertible bonds with a nominal value of €1 each to Kreos was approved at the Company's Board of Directors meeting of July 19, 2013 and wholly subscribed by Kreos on July 24, 2013;

- the free issue of 65,000 share subscription warrants in the Company to Kreos was resolved by the Extraordinary General Shareholders' Meeting of July 19, 2013;

- the Company's goodwill was pledged on July 19, 2013

This contract provided for fixed monthly installments from January 1, 2014 until June 1, 2016. The bond issue bears interest at the rate of 11.5%.

On April 16, 2015, the Company and Kreos Capital IV (UK) Ltd. concluded an amendment to the *venture loan agreement* dated July 19, 2013, in which the parties decided to reschedule the above-mentioned bond issue subject to the condition precedent that the Company issues 18,473 share subscription warrants to KREOS CAPITAL IV (Expert Fund) LTD by June 30, 2015.

The main terms of the amendment are as follows:

- the term of the contract is increased from 36 to 54 months;

- the fixed monthly installment (capital and interest) is reduced from €190,735.43 to €94,160.22; and

- the annual interest rate remains at 11.5%.

(see Section 22.3.3 of the *Document de référence* for further information on the features of the bond issue following said rescheduling).

This loan has fixed monthly installments of €191 thousand between January 2014 and March 2015. Once the additional clause to the *venture loan agreement* has entered into force (with retroactive effect on April 1 2015), the monthly installments due by the Company will be €94 thousand (with the exception of the final installment which will fall due on December 1 2017 and will be for €72 thousand).

10.1.4.6. KEPLER CHEUVREUX financing line

The Company opened an optional equity financing line with Kepler Cheuvreux on July 9, 2014. Implanet has the option to ask Kepler Cheuvreux to subscribe for new shares that may be issued in tranches over the next 24 months, within the overall limit of 530,000 shares. Kepler Cheuvreux has made a firm subscription undertaking at the exclusive request of Implanet. The Company had not drawn on this financing line on the date the *Document de référence* was filed.

See Section 21.1.4 for further details on the terms and conditions and the way this instrument works.

10.1.5. Off-balance sheet commitments

10.1.5.1. Vehicle leases

The Company leased a number of vehicles on terms that qualify them as operating leases under IAS 17.

Repayments outstanding at December 31, 2014 were as follows:

	Less than one year	From 1 to 5 years	More than 5 years
Off-balance sheet commitments at 12/31/2014 (amount in euros)	88,359	32,607	0

10.1.5.2. Property leases

At December 31, 2014, future rents payable on leases of the administrative and logistics buildings at Martillac, France, and the Boston, USA, offices until the next termination period are as follows:

					Commitment until the next termination date	
Location	**Real estate leasing contracts**	**Effective start date of lease**	**Expiry date of lease**	**Leasing expenses (excl. charges) at 12/31/2014**	**Due in less than 1 year**	**From 1 to 5 years**
MARTILLAC	Administration building	8/10/2007	8/10/2016	136,058	136,104	106,615
MARTILLAC	Logistics building	12/15/2010	12/15/2019	126,398	126,396	186,785
BOSTON	Administrative offices	1/12/2014	04/30/2015	5,715	22,860	

10.2. CASH FLOWS

10.2.1. Cash flows from operating activities

Cash burn related to operating activities for the fiscal years ended December 31, 2014 and December 31, 2013 was €5,293 thousand and €5,386 thousand respectively.

10.2.2. Cash flows from investing activities

Cash flow generated from investment activities amounted to €7,487 thousand at December 31, 2014 compared with negative €10,948 thousand at December 31, 2013.

During the 2013 fiscal year, flows were essentially linked to the subscription to medium-term warrants and term deposits for an expense of €10.5 million.

Cash generated in 2014 by investing activities came mainly from a combination of the following:

- Demobilization of term deposits and marketable medium-term warrants for €7.7 million;
- Acquisition of property, plant and equipment and intangible fixed assets for a total expense of €179 thousand. Production is largely subcontracted and therefore requires no significant capex. Nevertheless, the Company invests in instruments or ancillary goods made available to health facilities for placement of implants and specific storage machines;
- Capitalization of development expenses amounting to €106 thousand.

10.2.3. Cash flows from financing activities

The Company has carried out a number of capital increases since it was founded in 2006 (see Section 10.1.1) and received advances or subsidies in 2010 and 2011 (see Section 10.1.2), taken out cash loans (see Section 10.1.4), issued bonds in 2010 and 2013 (see Section 10.1.4) and was listed on the Paris Euronext stock market in November 2013 (see Section 4.7.4)

Cash flows from financing activities are shown below:

Cash flow from financing activities (Amounts in euros)	**12/31/2014**	**12/31/2013**
Capital increase net of conversion of bonds into shares	0	14,106,668
Subscription of warrants (BSA)	10,821	4,396
Costs related to the planned listing on the stock market	(5,000)	(2,413,252)
Receipt of advances and conditional subsidies	0	100,000
Issue of Kreos bond net of costs	0	4,887,500
Repayment of the Kreos bonds	(1,860,324)	0
Deposit on the Kreos bonds	0	(190,735)
Gross financial interest paid	(440,371)	(52,018)
Issue of convertible bonds/bonds redeemable in shares	0	4,418,938
Repayment of loans and conditional advances	(310,000)	(394,268)
Repayment of finance leases	(341,756)	(585,250)
Other financing flows (factoring)	(111,094)	(28,159)
Other finance flows (change in the liquidity contract)	173,557	(400,000)
Cash flows related to financing activities	**(2,884,167)**	**19,453,819**

In 2013, cash generated mainly came from the capital increase following the listing on the stock market for €14.1 million, the KREOS bond issue for €4.7 million and the issue of bonds redeemable for shares for €4.4 million.

In 2014, cash requirements were essentially linked to the repayment maturities of the KREOS bonds for €2.3 million.

10.3. LOAN TERMS AND FINANCING STRUCTURE

Details of the Group's financing activities are given in Section 10.110.1 "Shareholder equity, cash and financing sources" of the *Document de référence*.

10.4. RESTRICTIONS ON THE USE OF SHAREHOLDERS' EQUITY

The Company is obliged to use the proceeds of the €5,000 thousand bond issued to Kreos to finance its working capital requirements. (See Section 22.3.3 of the *Document de référence* for further information on these obligations).

10.5. EXPECTED SOURCES OF FINANCING FOR FUTURE INVESTMENTS

As indicated in Section 10.1.1, the Company proceeded in March 2015 to a capital increase with maintained preferential subscription right for shareholders of €11,177 thousand, including issue premiums.

11. RESEARCH AND DEVELOPMENT, PATENTS, LICENSES AND OTHER INTELLECTUAL PROPERTY RIGHTS

11.1. 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 ISO 9001 and ISO 13485 quality standards, 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), having gone through design, prototyping, mechanical trials, anatomical studies and 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)
  Empirical Testing Corporation (United States)

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

	2013	2014
R&D costs (€ thousands)	1,205	1,480
Gross capitalized R&D costs (€ thousands)	-	106

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.

11.2. INDUSTRIAL PROPERTY

11.2.1. Protection of industrial property rights

The Company's success depends, at least in part, on its ability to protect its inventions. This means obtaining and maintaining patents in Europe and other key markets for the Company's implants (notably Jazz in the United States). Implanet therefore attaches special importance to the protection and maintenance of its intellectual property rights, particularly its portfolio of patents, one of the key elements of its commercial development strategy. It has an extremely proactive and rigorous policy of protecting its inventions through patent filings. Implanet has entrusted the management of its entire patent and brand portfolio with the firm Benech (Paris), which is supported by a strong network of correspondents abroad, including the firm Banner & Witcoff in the United States.

The Company follows an active policy of simultaneously protecting products under development and trying to protect itself against any potential entry of alternative products. This active policy of filing industrial property titles has two objectives: (i) protect its new technologies and (ii) maintain its competitive advantage vis-à-vis companies in the same sector.

Implanet usually files an initial patent application in France, followed by a PCT extension and the subsequent national and regional phases, which always include the United States and Europe. Other countries may be added on a case by case basis, such as Australia, Japan, South Korea or others that are considered relevant for the invention being patented. All patent applications are filed at a very early stage of product development to maximize protection in an extremely competitive market.

Patents are valid for 20 years from their filing date (initial date or date of international extension where required).

To date, patent applications have been filed for six inventions covering 12 distinct product families. Implanet's portfolio is thus made up of 66 patents and patent applications belonging to the Company, most of which are still pending, although some have been issued.

11.2.2. Type and extent of the Company's patents

The patents and patent applications held and exploited by Implanet are designed to cover very specifically the different aspects of the four product ranges that it has developed:

- the "Madison knee prosthesis" range;
- the "Jazz" range;
- the "Other spinal implants" range;
- and the "Arthroscopy" range.

11.2.2.1. The "Madison knee prosthesis" range

The "Madison knee prosthesis range" includes a family of implants that allow surgeons to carry out total knee arthroplasties. It includes femoral, tibial and patellar implants in cemented or cementless bearing as well as infixed or mobile bearing. Polyethylene tibial inserts allow doctors to preserve the cruciate ligaments or to apply more or less restrictive degrees of stabilization. The protected invention allows the Company to use the same insert in mobile or fixed bearing, which not only reduces the need for inventory by half, but also eliminates any possibility of error in the operating room or when selecting implants for insertion. The patent filings covering this product range are as follows:

Product range	Filing date[44]	Title	Patent holder	Extensions			
				Country	Filing No.	Publication[45]	Grant of patent[46]
MADISON knee prosthesis	03/16/2010	Knee prosthesis having a mixed meniscal plate	Implanet	France	FR 10/01056	FR 2957518	
				PCT	PCT/FR2011/000148	WO 2011/114024 A1	
				Europe	11716284.2	EP 2547291	2547291
				USA	13/583,701	US 2013006374	
				South Africa	2012/06423		2012/06423
				Australia	2011228975	AU 2011228975	
				South Korea	10(2012)(7024005)	KR20130006447	
				Japan	2012(557582)	2013(521915)	

[44] The "*filing date*" of the patent is the date when the first application was filed. Subject to their acceptance, patents are granted for 20 years from their filing date i.e. the date on which the corresponding national, European or international filing was made. Note, however, that (i) international (PCT) and/or national (Europe, United States, etc.) patent applications must be filed within 12 months of the original national filing date to benefit from this filing, and (ii) when the products have been registered (i.e. authorized for sale) and meet certain criteria that vary from country to country, the period of protection conferred by the patent can be extended by periods ranging from six months to five years.

[45] *"Publication"* refers to a patent application that has been filed and published by the competent authority, with the corresponding reference (this generally happens 18 months after the filing date). This publication prevents any subsequent filing for the same invention on the grounds of lack of novelty.

[46] *"Grant"* means that the patent has been accepted in the country concerned and that the Company can make use of it without restriction to protect an invention.

11.2.2.2. The “Jazz” range

Jazz is a spinal surgery implant. It is designed to enable the fusion of vertebrae to help the treatment of the following pathologies: scoliosis, trauma, degenerative diseases and disorders resulting from tumors. Consisting of a metal component and of a polyester braid, it allows for a single diameter of implant to be used for all anatomical configurations and all surgical strategies. Competing products may include up to 50 different types of implant.

The Company’s patent protects the implant, its method of operation and the main instrument used to insert it. Patent applications have also been filed on two potential alternatives.

The Jazz range includes seven filings in France, which have since been managed according to the procedure explained above. The first four filings resulted in four French invention patents (10/00040, 10/04786, 11/02072 and 11/03319). Patents and patent applications covering this product range are as follows:

Gamme de Produits	Date de Priorité	Titre	Détenteur	Extensions			
				Pays	N° Dépôt	Publication	Délivrance
JAZZ	06/01/2010	Dispositif de fixation vertébrale	IMPLANET	France	FR 10/00040	FR 2954905	10 00040
				PCT	PCT/FR2011/000005	WO 2011/083261 A1	
				EUROPE	11703720.0	EP 2521500	EP 2521500
				USA	13/541,271	US 20120271354	
				Afrique du Sud	2012/04047		2012/04047
				Australie	2011204541	AU 2011204541	
				Chine	201180005413.3	CN102695467A	201180005413.3
				Corée du Sud	10-2012-7017518	10-2012-0107984	
				Inde	5247/DELNP/2012		
				Japon	2012-547528		
	08/12/2010	Dispositif de mise en tension d'une bande souple	IMPLANET	France	FR 10/04786	FR 2968739	10 04786
				PCT	PCT/FR2011/000639	WO 2012/076771 A1	
				EUROPE	11807713.0		
				USA	13/906 550	US 20130261680 A1	US 8,728,083 B2
				USA	14/275,236		
	30/06/2011	Dispositif de fixation vertébrale (Implant à boucle)	IMPLANET	France	FR 11/02072	FR 2977138	11 02072
				PCT	PCT/FR2012/000259	WO 2013/001180 A1	
				EUROPE	12738485.7	EP 2725993	EP 2725993
				USA	14/128214	US 20140114356 A1	
				Afrique du Sud	2013/08615		
				Australie	2012277658		
				Chine	201280031789.6	Abandon	
				Corée du Sud	10-2013-7034261		
				Inde	10048/DELNP/2013		
				Japon	2014-517867	2014-525769	
	28/10/2011	Tendeur à lamelle	IMPLANET	France	FR 1103319	FR 2981841	
				PCT	PCT/FR2012/052454	WO 2013/06990 A1	
				EUROPE	12794370.2		
				USA	14/350387	US 20140277207 A1	
				Chine	201280053640.8		
				Corée du Sud	10-2014-7010814		
				Japon	2014-537697	2014-534857 A	
	18/10/2013	Dispositif et système de fixation vertébrale pour maintien d'une vertèbre sur une tige, Méthode de blocage d'une boucle avec un tel dispositif (JAZZ Linéaire)	IMPLANET	France	FR 13/60195		
				EUROPE	14003529.6		
				USA	14/514764		
	19/12/2013	Dispositif de fixation vertébrale à double accroche, Système et Méthode de blocage d'une boucle avec un tel dispositif (JAZZ Crochet)	IMPLANET	France	FR 13/63093		
				PCT	PCT/FR2014/053429		
	20/01/2014	Dispositif et Méthode de fixation d'une bande plate sur une partie osseuse (JAZZ Autostable)	IMPLANET	France	FR 15/50441		

11.2.2.3. The “Other spinal implants” range

The Company has also developed a range of spinal stabilization implants based on a more classic concept which uses pedicle screws and hooks. In the course of this project, the Company also invented a transverse connection device for connecting rods together to form a rigid frame.

The Company has also protected an innovative intersomatic implant that fits between two vertebrae to improve spinal stabilization and aid fusion. The shapes and tools developed make it easier to achieve anchoring than the process used by competing implants.

Patents and patent applications covering this product range are as follows:

Gamme de Produits	Date de Priorité	Titre	Détenteur	Extensions			
				Pays	N° Dépôt	Publication	Délivrance
Autres Implants du Rachis	08/04/2010	Système et dispositif de liaison transverse pour colonne vertébrale	IMPLANET	France	FR 10/01489	FR 2958532	10 01489
				PCT	PCT/FR2011/000200	WO 2011/124789 A1	
				EUROPE	11719595.8	EP 2555697	
				USA	13/639298	US 2013030468	
				Afrique du Sud	2012/07024		2012/07024
				Australie	2011236720	AU 2011236720	
				Corée du Sud	10-2012-7026102	10-2013-0041778	
				Inde	8615/DELNP/2012		
				Japon	2013-503151	2013-523300 A	
	08/02/2012	Implant intersomatique et outil pour installer un tel implant (Cage TLIF)	IMPLANET	France	FR 12/00385	2 986 416	12 00385
				PCT	PCT/FR2013/050254	WO 2013/117861 A1	
				EUROPE	13706645.2		
				USA	14/377198	US 20150012099 A1	

11.2.2.4. The “Arthroscopy” range

The two families in the table below relate to shoulder arthroscopy.

The first protects a positioning device for a stabilization anchor for the repair of rotator cuffs. The invention describes a device that protects the suture linked to the anchor during implantation.

The second family describes a “second tier” stabilization anchor that allows direct tendon suturing when being screwed in and the automatic tensioning of the sutures.

Patents and patent applications covering this product range are as follows:

Gamme de Produits	Date de Priorité	Titre	Détenteur	Extensions			
				Pays	N° Dépôt	Publication	Délivrance
Arthroscopie	21/12/2007	Dispositif ancillaire pour l'ancrage d'un tissu	IMPLANET	France	FR 07/09089	FR 2925286	709,089
	21/12/2007	Dispositif d'ancrage d'un tissu dans un os	IMPLANET	France	FR 07/09090	FR 2925287	07 09090
				PCT	PCT/FR2008/001814	WO 2009/106741 A1	
				EUROPE	08 872893.6	EP 2229107	
				USA	12/809,520	US 2010331896	
				Canada	2 710 184	CA 2710184	
				South Korea	10-2010-7016056	10-2010-7016056	

11.2.3. Patents currently being exploited

The Company directly exploits all its patents and *patent filings except the (i)* Device *for* anchoring tissue in *a bone*, (ii) Disc tensioner, and (iii) Intersomatic implant and tool for installing such an implant (see table above), which are not commercially exploited by the Company.

11.2.4. Protected territories

Since 2007, all patent applications have been initially filed in France. They are subsequently extended abroad if *necessary*, using the PCT procedure within 12 months of the filing date.

The selection of territories for national/regional phases varies depending on Implanet's strategy.

The territories covered by the patent application always include Europe and the United States. Generally, they also include Australia, Japan and South Korea and, when necessary, any other countries considered relevant to the invention being patented.

The tables in Section 11.2.2 above display the territories covered by each of the Company's patent families.

11.2.5. Litigation

To date, the Company has not been involved in any litigation for intellectual property rights either as plaintiff or defendant.

11.2.6. Licenses

Implanet has protected an industrial property portfolio to safeguard its innovations. It is the sole owner of all of its rights and no license has been granted on the Company's industrial property rights.

11.3. BRANDS, DRAWINGS AND MODELS

As part of its strategy, Implanet registers its brands, drawings and models either nationally or internationally. Brand registrations are generally granted for ten years, renewable indefinitely on payment of the corresponding fees and, in some countries, on condition that they are genuinely exploited. Registration of drawings and models is generally granted for five years, renewable five times, on payment of the corresponding fees.

There is no litigation under way relating to brands and no legal claims by the Company (against a third party filing a conflicting brand) or by a third party (challenging one of the Company's brands).

Implanet owns the following brands:

Filing date	Title	Initial filing	Classes	Certificate	Extensions
11/14/2007	Implanet PARTNERS (verbal)	France	9, 10, 42	07/3537411	Italy, Germany, Spain, United Kingdom, United States
11/14/2007	Implanet (Logo)	France	9, 10, 42	07/3537412	Italy, Germany, Spain, United Kingdom, United States
11/14/2007	Implanet (verbal)	France	9, 10, 42	07/3537413	Italy, Germany, Spain, United Kingdom, United States
11/14/2007	Implanet SMART SYSTEM	France	9, 10, 42	07/3543997	Italy, Germany, Spain, United Kingdom, United States
02/05/2009	Implanet + Logo + "Gold Standards For Everybody"	France	9, 10, 42	09/3627623	Italy, Germany, Spain, United Kingdom, United States
02/05/2009	Combination of colors: PINK 5rubine Red C) + Gray	France	10, 35, 42	09/3627625	
05/11/2009	Implanet + Logo + "Smarter Medical Device Company"	France	9, 10, 42	09/3649719	Italy, Germany, Spain, United Kingdom, United States, Japan

Implanet owns the following drawings and models:

Filing date	Title	Patent holder	Country	Filing No.	Registration date	Status
05/26/2009	Digital Assistant	Implanet	United States	D626550	02/11/2010	Granted
			United States	D626558	11/02/2010	Granted
			United States	D626551	11/02/2010	Granted

11.4. DOMAIN NAMES

Implanet owns the following domain names:

Domain names	Creation date	Expiry date	Date of last update
implanet.biz	02/20/2007	02/19/2015	11/22/2014
implanet.com	08/09/2007	04/24/2015	10/08/2014
implanet.fr	02/20/2007	02/20/2015	11/22/2007
implanet.name	02/19/2007	02/19/2015	11/21/2014
implanet.org	02/19/2007	02/19/2015	11/21/2014
implanet-institute.org	09/23/2008	09/23/2015	09/05/2014
implanet-invest.com	09/12/2013	09/12/2015	10/27/2014
implanet-spine.biz	06/12/2007	06/11/2015	08/22/2014
implanet-spine.com	06/12/2007	06/12/2015	10/08/2014
implanet-spine.info	06/12/2007	06/12/2015	08/25/2014
implanet-spine.net	06/12/2007	06/12/2015	09/09/2014
implanet-spine.org	06/12/2007	06/12/2015	09/03/2014
implanet-spine.us	06/12/2007	06/11/2015	07/21/2015

Domain names are indefinitely renewable annually or biannually.

11.5. PLEDGE OF INTELLECTUAL PROPERTY RIGHTS

To guarantee repayment of the Company's €5,000,000 bond issue subscribed by Kreos Capital IV (UK) Ltd, the Company granted the lender a pledge on its goodwill on July 19, 2013, including all present and future intellectual property rights (patents, drawings and models, domain names, brands) as described in this Chapter 11 (see Section 22.3 of the Document for the terms of said bond issue).

12. INFORMATION ON TRENDS

12.1. MAIN TRENDS SINCE THE END OF THE PREVIOUS FISCAL YEAR

12.1.1. Press release dated February 3, 2015: the Company announced that it had definitively obtained intellectual ownership of its JAZZ technology in Europe

The Company announced that it had definitively obtained intellectual ownership of its JAZZ technology in Europe until 2031 (patent number EP 2521500).

This agreement was a key part in the continuation of the Company's innovation strategy and applies to the whole JAZZ system, definitively locking in the protection of the implant's technical features.

Ludovic Lastennet, Implanet Chief Executive Officer: *"This announcement rewards the excellent preparatory work by our Research and Development teams to reinforce barriers to entry in our market, by significantly reducing the likelihood of attempts to develop competing products. We can now capitalize on this achievement to accelerate the transformation of JAZZ into a technology platform which is part of a complete range of implants to cover 100% of our market. Our very promising portfolio of innovations will enable us to respond quickly to the requirements of all spinal surgeons".*

12.1.2. Press Release Dated March 18, 2015: the Company announced the resounding success of its €11.2 million capital increase with preferential subscription rights (DPS)

The Company announced the resounding success of its capital increase with preferential subscription rights with gross income of around €11.2 million after fully exercising the extension clause.

Ludovic Lastennet, Implanet Chief Executive Officer: *"The particularly high level of demand for this capital increase bears witness to the trust of our shareholders and new investors. This excellent result puts us in a fantastic position to accelerate the marketing of our JAZZ range of implants and continue structuring our teams, particularly in the United States, by recruiting additional sales and marketing personnel. We will increase our innovation efforts to complete our ranges so that surgeons can benefit from products that best meet their needs. On behalf of the whole team, I would like to give my warmest thanks to our new shareholders, both French and international, as well as our existing shareholders who, since our listing on the stock market, have given us their unwavering support".*

At the end of the subscription period, which ended on March 6, 2015, total demand was close to €16.5 million for an initial amount of €9.7 million, i.e. an overall subscription rate of 170%:

- 4,168,612 new shares were subscribed for as of right representing 96.5% of new shares to be issued; and
- demand for excess shares related to 3,162,319 new shares.

Therefore, the Company decided to exercise the whole extension clause at 15% of the initial offer, raising the number of new shares to be issued from 4,319,616 to 4,967,558. After this clause had been exercised, gross proceeds from the transaction, including issue premiums, amounted to €11.2 million.

The Company's share capital after the capital increase was 15,550,620 euros, divided into 10,367,080 shares, each with a nominal value of €1.5 each.

Settlement-delivery and admission to trading on the Paris Euronext stock market took place on March 20, 2015. The new shares will carry dividend rights. They are immediately assimilated with existing Company shares and are traded on the same quotation line under code ISIN FR0010458729.

12.1.3. Press Release Dated March 24, 2015: the Company announced the results of a medicoeconomic cost/efficiency study on the use of JAZZ in adolescent idiopathic scoliosis (AIS) surgery

Ludovic Lastennet, Implanet Chief Executive Officer: *"The clinical results of our sublaminar JAZZ technology, which is used in hybrid assemblies in the treatment of adolescent idiopathic scoliosis (AIS), are now widely documented. This new study, the first of its kind conducted in the United States, confirms the potential of JAZZ in terms of savings on adolescent idiopathic scoliosis surgery. The spectacular economic benefits observed are a reward of our ongoing commitment to developing implants with high added clinical and technological value, which meet three specific objectives: improve patient health, boost their safety and that of the operating teams during procedures, and optimize the economic impact of such surgery on hospital budgets".*

Health Advances has analyzed the main factors of hospital cost for two types of implant assemblies used in the surgical treatment of AIS: systems based solely on pedicle screws and hybrid systems made up of pedicle screws and sublaminar bands. The following benefits have been noted for hybrid systems using JAZZ Band:

- a reduction in the number of implants for each patient;
- reduced operating time;
- decreased blood loss;
- shorter hospital stays.

This study shows that when the JAZZ technology is used by surgeons in a hybrid construction in the United States, the economic savings made by the hospital are around $11,700 per procedure.

The study also revealed a significant decrease in exposure to radiation for the patient, the surgeon and operating theater personnel.

Doria Cole, co-author of the study and responsible for its management at Health Advances, said: "*This in-depth study includes a complete review of the published literature*, but also an analysis of the retrospective data from 32 AIS cases treated using JAZZ, as well as very positive feedback from surgeons. The results are relevant in the current healthcare environment, which pursues the best possible clinical results while optimizing costs and the effectiveness of procedures* ».

The study, named "Retrospective Cost Effectiveness Analysis of Implanet Jazz Sublaminar Bands for Surgical Treatment of Adolescent Idiopathic Scoliosis", co-written by Dr. Brice Ilharreborde, PhD from the APHP - Hôpital Robert Debré in Paris, Dr. Raymund Woo from the Florida Center for Pediatric Orthopaedics and Doria Cole from Health Advances, is available from the company website www.implanet.com.

12.1.4. Press Release Dated April 20, 2015: the Company announced the final clinical results of a comparative study of its Jazz implant in idiopathic scoliosis surgery

The Company announced the publication of a new White Paper "Comparison of two polyester sublaminar bands for the treatment of thoracic adolescent idiopathic scoliosis with CoCr rods" (Comparison of two polyester sublaminar bands for the treatment of thoracic adolescent idiopathic scoliosis with CoCr rods: Jazz versus Universal Clamps), presenting the results of a comparative study of two sublaminar bands in treating idiopathic scoliosis by postero-medial translation.

This study, conducted by the Pediatric Orthopedic Surgery Department of the hôpital Robert Debré, attached to the Université Paris Diderot, was the final phase of the clinical validation of the JAZZ system and highlights both its safety in use and its effectiveness in treating idiopathic scoliosis. This study was conducted based on the 18-month monitoring of a consecutive series of 115 patients.

"*These results confirm the effectiveness of the postero-medial translation technique in combination with rigid chrome-cobalt rods, enabling a normal sagittal balance to be re-established in patients suffering from idiopathic scoliosis*", said Prof. Brice Ilharreborde, MD, Ph.D, before adding: "*The ease of use of the JAZZ implant and the major force generated by the instrument under tension make surgery easier and enable major reductions in deformities which remain stable over time. The low number of implants used to suitably treat these deformities make it possible to significantly reduce the overall cost of adolescent idiopathic scoliosis*".

Ludovic Lastennet, Implanet Chief Executive Officer, added: "*The results of this major study confirm that the JAZZ implant gives surgeons a very credible alternative to existing traditional systems thanks to excellent radiological results, a very low complication rate and a significant reduction in surgery time and pre-operative blood loss. This now-proven effectiveness of our JAZZ implant in adolescent scoliosis surgery is very encouraging and it enables us to think about addressing other clinical indications, mainly for degenerative spine conditions"*.

Although many surgeons advocate the use of systems made up entirely of screws for this type of patient, the study results show that the JAZZ system can be recommended, particularly for treatment of patients with significant hypokyphosis at the pre-operative stage.

12.1.5. Press Release Dated April 28, 2015: the Company announced its revenue for the 1st quarter of 2015

The Company announced its revenue for the first quarter of 2015.

Ludovic Lastennet, Implanet Chief Executive Officer: "*The fall in revenue this quarter is due to a slowdown in our Knees activity in a very competitive environment, as well as the impact of discontinuing our Hip activities at the end of the first half of 2014. As announced 18 months ago, our growth plan focused on strong growth for our JAZZ implant for spinal surgery; its very strong quarterly growth, particularly in our priority market, the United States, once again bears testimony to its relevance. We are continuing our efforts and are confident as to the speedy acceleration of JAZZ on all of our markets, stimulated by the excellent results of the clinical and medico-economic studies recently published, and the approvals expected for the additions to the product range in the*

coming weeks in Europe and the United States. The funds raised from our recent capital increase enable us to continue accelerating our growth policy, mainly in the United States".

in € thousands - IFRS	**Q1 2015**	Q1 2014	Change
Spine (JAZZ)	755	425	+77.6%
Knee + Arthroscopy	844	1,244	(32).2%
Hip*	-	378	-
Total revenue	**1,599**	**2,047**	**(21).9%**

* Discontinuation of the Hip activity in the 1st half of 2014

In the first quarter of 2015, Implanet had revenue of €1,599 thousand ((21).9%) with €822 thousand internationally, of which the sales proportion rose to 51% of total revenue, driven by the ramping up in the United States (12%) and the importance of JAZZ implants in the product mix.

Revenue from the Spine business (JAZZ), the company's main focus of operations and priority growth area, grew strongly to €755 thousand (+77.6%). Growth in sales of JAZZ remained consistent across all markets: France, the United States and the Rest of the World account for 34%, 26% and 40% of Spine revenue respectively.

In the first quarter alone, Implanet sold 579 JAZZ units in France, 162 in the United States and 1,070 in the rest of the world for a total of 1,811 units, representing volume growth of 69% (vs. 1,072 in Q1 2014) and the equivalent of around 43% of total JAZZ implants sold in 2014.

Revenue from the Knee activity amounted to €844 thousand (down 32.2%), due to a major slowdown in activity in January in the French market, as a result of the doctors' strike which caused severe disruptions, as well as a slowdown in certain export markets due to major purchases at the end of 2014. Discontinuation of sales in the Hip business in the first two quarters of 2014 will impact the growth of overall revenue throughout the first half of 2015, and will no longer have any impact as of Q3 2015.

Furthermore, the company has renegotiated its credit arrangements (Venture Loan) under advantageous conditions, which will enable it to reduce its cash absorption by around €100 thousand per month.

12.2. KNOWN TRENDS, UNCERTAINTY, REQUEST FOR COMMITMENT OR EVENT REASONABLY LIKELY TO IMPACT THE COMPANY'S OUTLOOK

None.

13. FORECASTS OR PROFIT ESTIMATES

The Company does not provide forecasts or profit estimates.

14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND GENERAL MANAGEMENT

14.1. EXECUTIVES AND DIRECTORS

The Company is a *société anonyme* (French public limited liability company) with a Board of Directors whose rules are defined in the Bylaws and summarized in Section 21.2.2 21.2.2 the *Document de référence*.

Ludovic Lastennet heads the Company as Chief Executive Officer, and Denis Saint-Denis is Deputy Chief Executive Officer.

Ludovic Lastennet was first appointed CEO on November 27, 2012 for an unlimited term. He is also Sales and Marketing Director and is an employee of the Company.

Denis Saint-Denis was first appointed Deputy CEO on October 15, 2014 for an unlimited term. Denis Saint-Denis also has a contract of employment as the Company's CFO.

14.1.1. Composition of the Board of Directors

At the date of the *Document de référence*, the Board of Directors is composed of the following eight members:

Name	Corporate office	Main position in the Company	Main position outside the Company	Start and end date of term of office
Jean-Gérard Galvez 5, rue Malar 75007 Paris	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 General Shareholders' Meeting of April 30, 2013 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, 2015. Appointed as Chairman of the Board of Directors on January 8, 2014 for the term of his appointment as Director.
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 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, 2015.
Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski 47, rue du Faubourg Saint Honoré 75008 Paris	Director	-	Raphaël Wisniewski is a Partner in the Life Sciences unit of Edmond de Rothschild Investment Partners	Appointed as Director at the General Shareholders' Meeting of February 5, 2007 and most recently reappointed at the Meeting of April 30, 2013 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, 2015.
COFA-Invest represented by	Director	-	Marie Hélène Plais is Chairman of COFA-	Appointed as Director at the General Shareholders' Meeting of February 5,

Name	Corporate office	Main position in the Company	Main position outside the Company	Start and end date of term of office
Marie Hélène Plais* 48, avenue du Président Wilson 75016 Paris			Invest	2007 and most recently reappointed at the Meeting of April 30, 2013 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, 2015.
Rainer Strohmenger Margaretenanger 4 A Lohhof Unterschleibheim (Germany)	Director	-	Partner at Wellington Partners	Appointed as Director at the Board of Directors' meeting of 24 May 2007 and most recently reappointed at the General Shareholders' Meeting of April 30, 2013 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, 2015.
Brian Ennis 1465 East Massey Road, Memphis, TN 38120 (USA) (replacing Luc Kerboull))	Independent Director	-	Strategy consultant	Appointed as Director by the Board of Directors on January 8, 2014 for the remaining term of his predecessor, i.e. until the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2015. Appointment ratified at the General Shareholders' Meeting of June 10, 2014.
Jan Egberts Koninginneweg 4 2243 Hb Wassenaar (Netherlands)	Independent Director	-	Chief Executive Officer of Octoplus	Appointed as Director at the General Shareholders' Meeting of March 31, 2010 and reappointed at the Meeting of April 30, 2013 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, 2015.
Paula Ness Speers 187 Grove Street, Wellesley, Massachussets 02482 (USA)	Independent Director	-	Partner of Health Advances	Appointed as Director at the General Shareholders' Meeting of June 10 2014 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 31 December 2016.

* COFA Invest resigned on April 13, 2015 from its corporate office as Company director with immediate effect.

Kreos Capital IV (UK) Limited, represented by Maurizio Petitbon, was appointed as a non-voting member for a period of three years to expire after the General Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2015.

14.1.2. Other corporate offices

Other current corporate offices

Name	Office	Company*
Jean-Gérard Galvez	Chairman of the Board of Directors Director Director Director	Fastbooking SA Echosens SA Biophytis SA Polaris SA

Name	Office	Company*
	General Manager	HM Conseils
Ludovic Lastennet	Director	Lagae SA
Denis Saint-Denis	General Manager	North Island SARL
Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski	Member of the Supervisory Board Director Director	Genticel SA Poxel SA Cellnovo Group SA
COFA-Invest represented by Marie Hélène Plais**	Director Director	Spinewave Fondation Cotrel at the Institut de France
Rainer Strohmenger	Managing Director Director Director Director Director Director	Wellington Partners Life Science Venture Capital Consulting GmbH Immatics Biotechnologies GmbH Nimbus Biotechnology GmbH Oxford Immunotec Ltd Invendo Medical GmbH
Brian Ennis	Chairman	EnniTech LLC
Jan Egberts	Chief Executive Officer Chairman of the Board of Directors Director Chairman of the Board of Directors Member of the Supervisory Board	OctoPlus Acertys EndoSense Skyline Diagnostics CHDR
Paula Ness Speers	Partner Director Director Member of the Supervisory Board	Health Advances Partners Continuing Care Friends of Korea For His Children
Kreos Capital IV (UK) Limited, represented by Maurizio Petitbon	Non-voting member	Poxel

* The companies listed are independent from one another (i.e. they do not belong to the same group of companies).
** COFA Invest resigned on April 13, 2015 from its corporate office as Company director with immediate effect.

Expired corporate offices held in the last five years:

Name	Office	Company*
Jean-Gérard Galvez	Chairman of the Supervisory Board Director	Ceprodi SA Wagram Finances
Ludovic Lastennet	None.	None.
Denis Saint-Denis	None.	None.
Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski	Director Director Director Director	Biospace Lab SA EOS Imaging SA Novagali Pharma MDx Health
COFA-Invest represented by Marie Hélène Plais**	Director Director Director Member of the Supervisory Board	Tigenix EOS Imaging Biospace LBA Innovation (formerly Vitalitec)
Rainer Strohmenger	Director Director Director	Trigen MTM Laboratories Sovicell
Brian Ennis	None.	None.
Jan Egberts	Partner/Senior consultant Industry Chief Executive Officer Director	3i NovaDel Bmeye
Paula Ness Speers	None.	None.
Kreos Capital IV (UK) Limited, represented by Maurizio Petitbon	None.	None.

* The companies listed are independent from one another (i.e. they do not belong to the same group of companies).
** COFA Invest resigned on April 13, 2015 from its corporate office as Company director with immediate effect.

Biographies of the Chairman of the Board of Directors, Chief Executive Officer and Directors:

Jean-Gérard Galvez – *Chairman of the Board of Directors*

Jean-Gérard Galvez has more than 30 years' experience managing High Tech and Life Sciences companies, with much of his career spent in the United States. After several years as an engineer at Dupont de Nemours and a dozen years in leading US IT groups (Control Data, Banctec), including stints as head of subsidiaries and International VP, Jean-Gérard joined French start-up ActivCard in 1995 as Chairman and CEO. The Company designs and sells web-based security and authentication solutions. The Company moved to Silicon Valley and was listed on the Nasdaq in 2000, raising US$300 million with a US$2 billion market capitalization.

Jean-Gérard Galvez was also a director of French start-up OKYZ, which specializes in 3D technologies. The Company was sold to Adobe in 2005.

Since returning to France in 2006, Jean-Gérard has sat on the boards of several companies and regularly advises on corporate finance and restructuring transactions.

Jean-Gérard Galvez is a chemical engineering graduate of the Institut National Polytechnique, Nancy, he holds a DEA in management (also from the INP Nancy) and he holds an MBA from the Stanford Executive Program (California).

Ludovic Lastennet – *Chief Executive Officer and Director*

Ludovic has 19 years' experience in the medical field: equipment, reconstructive orthopedics and dental implantology.

He spent five years as General Manager of the French subsidiary of the KaVo Dental company, member of the Danaher Corp group, after six years as sales manager in France/Germany/Austria/Switzerland and Eastern countries for Stryker Corporation.

He is a graduate of the Paris ISG International Business School, 1990.

Denis Saint-Denis – *Deputy Chief Executive Officer*

Denis has 20 years' experience in spinal implants as CFO and COO in market-leading companies (Stryker, Abbott Spine).

He was one of the founders and the Chief Financial Officer & Operations Director of Spine Next.

Denis graduated with the DECF [Diplôme d'études comptables et financières (Diploma of Accounting and Financial Studies)] and DESCF [Diplôme d'études supérieures comptables et financières (Diploma of Advanced Accounting and Financial Studies)] from the University of Bordeaux, 1993.

Raphaël Wisniewski – *Permanent representative of Edmond de Rothschild Investment Partners, Director*

Raphaël joined the Life Sciences team at Edmond de Rothschild Investment Partners in 2001, where he took part in some 20 investments in European or US biotech, medical technology and molecular diagnosis companies. Previously he worked in London in the Healthcare Corporate Finance department of Salomon Smith Barney

and of Goldman Sachs, as well as in the financial department of the private UK clinics belonging to the Générale de Santé Group.
Raphaël Wisniewski is a graduate of the HEC business school and holds an Economics and Finance degree from the Institut d'Etudes Politiques de Paris.
Raphaël Wisniewski sits on the boards of Implanet, Genticel, Poxel and Cellnovo.

Marie Hélène Plais – *Permanent representative of COFA-Invest, Director*[47]
Having trained as a doctor, Marie-Hélène helped develop the market-leading company Sofamor-Danek and was instrumental in its sale to Medtronic in 1999. She is a shareholder and director of several medical companies.

Rainer Strohmenger – *Director*

Rainer has made more than 20 investments in start-ups and is one of the most experienced venture capital investors in European Life Sciences. In 1997 he joined Wellington Partners, where he became a partner in December 2000. In his 15-year investment career he has contributed to some of the most notable European success stories in biotech, medical technology and diagnostic companies.
Before joining Wellington Partners, Rainer was a medical researcher in cardiovascular physiology and also worked in health economics at the Ludwig-Maximilians University in Munich.
Rainer holds a doctorate in Medicine and a Maîtrise (Master's degree) in Economics.

Brian Ennis – *Independent Director*

Brian brings to Implanet with more than 30 years of success in developing and growing medical technology companies. After 11 years at Stryker Corporation in a variety of roles as Executive and Chairman in Europe and the United States, he is currently International Chairman of Wright Medical Group, which specializes in biotechnology and orthopedic devices; Chairman at Empi, a company specializing in electrotherapeutic medical solutions; Chairman and CEO at Etex Corporation for seven years, successfully managing the transformation of this start-up specializing in the Research & Development of biomaterials into a profitable and viable high-growth company.

Jan Egberts – *Independent Director*

Jan Egberts has spent most of his career in the United States. He began at McKinsey (Mergers & Acquisitions) and then worked in Merck's marketing unit. Subsequently, he was VP Global Business Development at Johnson & Johnson Medical. He is one of the founders of US company GHX. In 2000, he oversaw the LBO of Johnson

[47] COFA Invest resigned on April 13, 2015 from its corporate office as Company director with immediate effect.

& Johnson's surgical non-wovens business and its subsequent merger with Mölnlycke Health Care. The merged business was subsequently sold to Regent Medical for US$1.25 billion. He then served as CEO of NovaDel, and returning to Europe, joined venture capital firm 3i as Partner and Senior Consultant Industry. In 2009, he became CEO of Dutch-based company OctoPlus (NYSE: OctoPlus), which was recently bought by Dr Reddy's Laboratories in a takeover bid. Dr Egberts is non-executive Chairman of Acertys (Belgium) and Skyline Diagnostics (Netherlands) as well as a non-executive Director of EndoSense (Geneva). He was also a non-executive Director of Bmeye (sold to Edwards) and a number of other US companies specializing in healthcare.

Jan Egberts holds an MBA from the Stanford Graduate School of Business. He holds an MD in Medicine from the Erasmus University, Rotterdam, and did his clinical internship at Harvard Medical School.

Paula Ness Speers – *Independent Director*

With more than 30 years' experience in the United States providing strategy development for global companies, Paula Ness Speers has a wealth of expertise in the healthcare sector. During seven years at Bain & Company, Boston, Paula worked on strategy consulting projects for some of the leading innovative technology companies in the United States. While at Bain, she set up and managed the R&D consulting division, which supports the most innovative growth companies in the healthcare sector with their marketing, operational and financial development strategies.

Drawing on her ample experience, in 1992 Paula Ness Speers co-founded Health Advances, a healthcare strategy consultancy whose nearly 100 employees are based in Boston, San Francisco, Washington and Zurich. Health Advances' clients range from heads of entrepreneurial start-ups to major listed groups. Over her 23-year career, Paula has built up a significant network of medical technology, biotech companies, and specialist investors. She has built up special expertise in the fields of orthopedics and spinal surgery with industrial companies working in the sector. She has also run many cost-optimization studies and devised many strategies for penetrating healthcare markets. Paula holds an MBA from Columbia University.

14.1.3. Declarations regarding executives and directors

To the best of the Company's knowledge, there are no family relationships between the people listed above.

To the best of the Company's knowledge, none of these people has in the last five years:

- been convicted of fraud;
- been involved as executive or director in any bankruptcy, receivership or liquidation;
- been banned from management;
- been convicted or be subject to official public sanctions handed down by statutory or by regulatory authorities.

14.2. CONFLICTS OF INTEREST IN ADMINISTRATIVE AND MANAGEMENT BODIES AND GENERAL MANAGEMENT

The Chairman of the Board of Directors, the Chief Executive Officer, the Deputy Chief Executive Officer and the Executive Directors are directly or indirectly shareholders of the Company and/or hold securities giving access to the Company's share capital. (see Section 17.2).

Related-parties transactions are described in Section 19 of the *Document de référence*.

To the best of the Group's knowledge, there is no actual or potential conflict of interest in the Group's administrative bodies and management between members' duties to the Group and their private interests and/or other duties, as set out in paragraphs 14.1above. However, Rainer Strohmenger, Company Director, is also a partner in Wellington Partners, which is a shareholder of the Company.

To the best of the Company's knowledge, there is no agreement of any kind with shareholders, customers, suppliers or other parties that has led to the appointment of any of the executives or directors.

To the best of the Company's knowledge, at the date of the *Document de référence*, there are no restrictions on the ability of the people 14.1Section 14.1 "Executives and Directors" of the *Document de référence* to sell their stake in the Company's capital.

15. COMPENSATION AND BENEFITS

15.1. COMPENSATION OF CORPORATE OFFICERS

Table 1: Summary of compensation and share subscription warrants (BSA) and founders' warrants (BSPCE) allocated to each executive corporate officer

Summary table of the compensation, options and shares granted to each executive corporate officer		
	2013 fiscal year	**2014 fiscal year**
Ludovic Lastennet – CEO(1)		
Compensation due in respect of the fiscal *year (detailed in table 2)*	€219,684	€194,104
Valuation of the multi-year variable compensation awarded during the year	€0	€0
Valuation of the options awarded during the year *(detailed in table 4)*	€0	€362,494
Valuation of the free shares granted during the year *(detailed in table 6)*	€0	€0
Total	**€219,684**	**€556,598**
Jean-Gérard Galvez – Chairman of the Board of Directors(2)		
Compensation due in respect of the fiscal year (*detailed in table 2)-(3)*	€72,000	€60,000
Valuation of the multi-year variable compensation awarded during the year	€0	€0
Valuation of the options awarded during the year *(detailed in table 4)*	€2,308	€105,330
Valuation of the free shares granted during the year *(detailed in table 6)*	€0	€0
Total	**€74,308**	**€165,330**
Denis Saint-Denis - Deputy CEO(4)		
Compensation due in respect of the fiscal year (*detailed in table 2)-(5)*	€223,800	€170,400
Valuation of the multi-year variable compensation awarded during the year	€0	€0
Valuation of the options awarded during the year *(detailed in table 4)*	€0	€70,566
Valuation of the free shares granted during the year *(detailed in table 6)*	€0	€0
Total	**€223,800**	**€240,966**

(1) Appointed as Chief Executive Officer by the Board of Directors' Meeting of November 27, 2012.
(2) Appointed as Chairman of the Board of Directors by the Board of Directors' meeting of April 6, 2011.
(3) Fees paid to HM Conseils, whose General Manager is Jean-Gérard Galvez.
(4) Appointed as Deputy Chief Executive Officer by the Board of Directors' Meeting of October 15, 2014.
(5) In 2014, Denis Saint-Denis was compensated under an employment contract binding him to the Company as CFO. He receives no compensation for his status as Deputy Chief Executive Officer.
Compensation shown for 2013 reflects the fees paid to North Island, whose General Manager is Denis Saint-Denis. The unwritten service provision agreement between this company and Implanet has been canceled.

Table 2: Compensation each paid to each executive corporate officer

The tables below show compensation owed and paid to each executive corporate officer in respect of the fiscal years ended December 31, 2013 and 2014.

Summary table of the compensation of each executive corporate officer				
	2013 fiscal year		2014 fiscal year	
	amounts owed(1)	amounts paid(2)	amounts owed(1)	amounts paid(2)
Ludovic Lastennet – CEO(3)				
Fixed compensation	€166,177	€166,177	€165,567	€165,567
Annual variable compensation	€1,319 (9)	€1,319 (9)	€22,500	€0
Multi-year variable compensation	€0	€0	€0	€0
Exceptional compensation(8)	€45,000	€2,500	€0	€45,000
Attendance fees	€0	€0	€0	€0
Benefits in kind (car)	€7,189	€7,189	€6,036	€6,036
TOTAL	**€219,684**	**€177,184**	**€194,104**	**€216,604**
Jean-Gérard Galvez – Chairman of the Board of Directors(4)				
Fixed compensation(5)	€72,000	€124,500	€60,000	€60,000
Annual variable compensation	€0	€0	€0	€0
Multi-year variable compensation	€0	€0	€0	€0
Exceptional compensation	€0	€0	€0	€0
Attendance fees	€0	€0	€0	€0
Benefits in kind (car)	€0	€0	€0	€0
TOTAL	**€72,000**	**€124,500**	**€60,000**	**€60,000**
Denis Saint-Denis - Deputy CEO(6)				
Fixed compensation(7)	€188,800	€188,800	€150,000	€150,000
Annual variable compensation	€0	€0	€15,000	€0
Multi-year variable compensation	€0	€0	€0	€0
Exceptional compensation(8)	€35,000	€0	€0	€35,000
Attendance fees	€0	€0	€0	€0
Benefits in kind (car)	€0	€0	€5,400	€5,400
TOTAL	**€223,800**	**€188,800**	**€170,400**	**€190,400**

(1) owed in respect of the fiscal year.

(2) paid in the course of the year.

(3) Appointed as Chief Executive Officer by the Board of Directors' Meeting of November 27, 2012.

(4) Appointed as Chairman of the Board of Directors by the Board of Directors' meeting of April 6, 2011.

(5) Fees paid to HM Conseils, whose General Manager is Jean-Gérard Galvez. See Section 19.2 of this Document de référence.

(6) Appointed as Deputy Chief Executive Officer by the Board of Directors' Meeting of 15 October 2014.

(7) In 2014, Denis Saint-Denis was compensated under an employment contract binding him to the Company as administrative and financial director. He receives no compensation for his status as Deputy Chief Executive Officer.

Compensation shown for 2013 reflects the fees paid to North Island, whose General Manager is Denis Saint-Denis.

(8) Exceptional compensation of €35,000 for Denis Saint-Denis and €45,000 for Ludovic Lastennet following the completion of the stock market listing in 2013.

(9) Sales commissions received by Ludovic Lastennet in respect of his role as Sales Director in 2012. Payment of these commissions was subject to the reaching of an annual revenue figure defined by the CEO according to a sales budget covering all countries under his responsibility.

Mr. Lastennet's bonus is determined at the annual review and based on a specific set of objectives (quantitative and qualitative criteria, such as cash balances, revenue, EBITDA, product approvals, etc.). These objectives are included in an additional clause to his employment contract. The size of the bonus is validated by the Compensation Committee on a proposal of the CEO.

Mr. Saint-Denis entered into an employment contract with the Company on January 2, 2014. The agreement between Implanet and North Island (of which Denis Saint-Denis is the General Manager) was terminated on the same date. As of January 2, 2014, Mr. Saint-Denis' bonus is defined at the annual review and based on a precise set of quantitative and qualitative objectives. These objectives are included in an additional clause to his employment contract. The size of the variable compensation is validated by the Compensation Committee.

Table 3: Attendance fees and other compensation paid to non-executive corporate officers

Attendance fees and other compensation paid to non-executive corporate officers			
Non-executive corporate officers		Amounts paid during the 2013 fiscal year	Amounts paid during the 2014 fiscal year
Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski	Attendance fees	€0	€0
	Other compensation	€0	€0
COFA-Invest, represented by Marie Hélène Plais (8)	Attendance fees	€0	€0
	Other compensation	€0	€0
Rainer Strohmenger	Attendance fees	€0	€0
	Other compensation	€0	€0
Luc Kerboull (1)	Attendance fees	€0	€0
	Other compensation	€0	€0
Seventure Partners, represented by Emmanuel Fiessinger (2)	Attendance fees	€0	€0
	Other compensation	€0	€0
Jan Egberts	Attendance fees	€0	€0
	Other compensation	€0	€0
Brian Ennis (3)	Attendance fees	N/A	€3,000
	Other compensation (7)	N/A	US$99,996
Paula Ness Speers (4)	Attendance fees	N/A	€0
	Other compensation	N/A	€0
Auriga Partners, represented by Philippe Peltier (non-voting member) (5)	Attendance fees	€0	€0
	Other compensation	€0	€0
Kreos Capital IV (UK) LTD, represented by Maurizio Petitbon (non-voting member) (6)	Attendance fees	€0	€0
	Other compensation	€0	€0

(1) Resignation accepted at the Board of Directors' Meeting of January 8, 2014.

(2) Resignation accepted at the Board of Directors' Meeting of October 15, 2014 (with effect from October 7, 2014).

(3) Appointed to the Board of Directors on January 8, 2014 approved at the General Shareholders' Meeting of June 10, 2014.

(4) Appointed by the General Shareholders' Meeting of June 10, 2014.

(5) Resigned on October 20, 2014.

(6) Appointed by the General Shareholders' Meeting of 19 November 2013.

(7) Other compensation paid is under the service provider agreement between the Company's subsidiary, Implanet America Inc. and the US company EnniTech LLC, of which Brian Ennis is the Chief Executive Officer.

(8) COFA-Invest resigned on April 13, 2015 from its corporate office as Company director with immediate effect.

Table 4: Share subscription warrants (BSA) or founders' warrants (BSPCE) granted to executive corporate officers by the Company or other Group companies in the fiscal years ended December 31, 2013 and 2014

Share subscription warrants (BSA) and founders' warrants (BSPCE) granted to executive corporate officers by the issuer or other Group companies						
Executive corporate officers	**No. and date of plan**	**Type of warrant (BSA or BSPCE)**	**Black & Scholes valuation of warrants (in €)**	**Number of warrants allocated***	**Exercise price****	**Exercise period**
Ludovic Lastennet – Chief Executive Officer	BCE 01/2014(1) 01/08/2014	Founders' warrant (BSPCE)	€3,288	1,258 *	€5.75	Until 01/08/2024
	BCE 01/2014(4) 01/08/2014	Founders' warrant (BSPCE)	€359,206	137,414	€5.75	Until 01/08/2024
Jean-Gérard Galvez - Chairman of the Board of Directors	BSA 01/2013 1/22/2013	Warrant (BSA)	€2,308	25,000*	€12.93	€15 Until 01/22/2023
	BCE 01/2014(4) 08/01/2014	Founders' warrant (BSPCE)	€105,330	40,294	€5.75	Until 08/01/2024
Denis Saint-Denis – Deputy Chief Executive Officer	BCE 01/2014(4) 01/08/2014	Founders' warrant (BSPCE)	€70,566	26,995	€5.75	Until 01/08/2024

** Following the reverse share split approved by the Extraordinary General Shareholders' Meeting of July 19, 2013, ten warrants entitle the holder to subscribe for one share with a nominal value of €0.15.*

*** After changing the exercise price for the BSAs and BSPCEs after the capital increase with preferential subscription rights for shareholders, in accordance with Article L.228(99) of the French Commercial Code.*

Table 5: Share subscription warrants (BSA) or founders' warrants (BSPCE) exercised by executive corporate officers in the fiscal years ended December 31, 2013 and 2014

None.

Table 6: Free shares granted to executive corporate officers in the fiscal years ended December 31, 2013 and 2014

None.

Table 7: Free shares granted to executive corporate officers that have become available in the fiscal years ended December 31, 2013 and 2014

None.

Table 8: History of previous allocations of share subscription warrants (BSA) or founders' warrants (BSPCE) to executive corporate officers

See tables in Sections 21.1.4.1 and 21.1.4.2 of the *Document de référence*.

Table 9: Share subscription warrants (BSA) or founders' warrants (BSPCE) granted to or exercised by the top ten employees who are not corporate officers, and warrants exercised by them

SHARE SUBSCRIPTION OPTIONS OR FOUNDERS' WARRANTS (BSPCE) GRANTED TO OR EXERCISED BY THE TOP TEN EMPLOYEES WHO ARE NOT CORPORATE OFFICERS WHO ARE NOT DIRECTORS	Total number of options allocated/ shares subscribed or purchased	Weighted average subscription price per share	2014		2013	
	Founders' warrant (BSPCE)	Founders' warrant (BSPCE)	Warrant (BSA)	Founders' warrant (BSPCE)	Warrant (BSA)	Founders' warrant (BSPCE)
Options granted during the year by the issuer and all companies included within the scope of award of options to the ten employees of the issuer or any company included in this perimeter, for whom the number of options thereby granted is the highest (overall information)	39,827	€5.75	-	39,827	-	-
Options held in the issuer and the companies referred to previously, exercised during the fiscal year by the ten employees of the issuer and of these companies, for whom the number of options thereby purchased or subscribed is the highest (overall information)	-	-	-	-	-	-

Table 10: Past free share allocations

None.

Table 11:

The table below shows details of the terms and conditions of compensation and other benefits received by executive corporate officers:

Dirigeants mandataires sociaux	Contrat de travail		Régime de retraite supplémentaire		Indemnités ou avantages dus ou susceptibles d'être dus à raison de la cessation ou du changement de fonction		Indemnités relatives à une clause de non-concurrence	
	Oui	Non	Oui	Non	Oui	Non	Oui	Non
Ludovic Lastennet – directeur général	X			X	X (1)		X (2)	
Date début mandat :	Première nomination : 27 novembre 2012							
Date fin mandat :	Non fixée							
Jean-Gérard Galvez – président du conseil d'administration		X		X		X		X
Date début mandat :	Première nomination : 6 avril 2011							
Date fin mandat :	A l'issue de l'assemblée générale appelant à statuer sur les comptes de l'exercice clos le 31 décembre 2015							
Denis Saint-Denis - directeur général délégué	X			X		X	X (3)	
Date début mandat :	Première nomination : 15 octobre 2014 avec effet rétroactif au 1e octobre 2014							
Date fin mandat :	Non fixée							

(1) The Company took out a GSC unemployment insurance policy for the Company's senior members beginning on October 1, 2014.

(2) Non-compete compensation is 60% of total compensation earned in the 12 months preceding departure. The Company's commitments were assessed at December 31, 2014 at €128,972.

(3) Non-compete compensation is 75% of the basic monthly salary (calculated on the basis of the most recent three months of activity) for 12 months. The Company's commitments were assessed on December 31, 2014 at €112,500.

Ludovic Lastennet entered into an employment contract with the Company on April 2, 2007. He was appointed Chief Executive Officer during the Board meeting of November 27, 2012. The Board of Directors decided to retain him in his position as salaried sales director, as his employment contract relates to technical functions that are distinct from the functions exercised under his corporate office.

Mr. Saint-Denis entered into an employment contract with the Company on January 2, 2014. He was appointed Deputy Chief Executive Officer at the Board meeting of October 15, 2014. He was appointed as Deputy Chief Executive Officer during the Board of Directors' meeting of October 15, 2014, and the Board of Directors decided to retain him in his position as salaried CFO in as much as his employment contract relates to technical functions that are distinct from the functions exercised under his corporate office.

15.2. SUMS SET ASIDE OR RECORDED BY THE COMPANY OR ITS SUBSIDIARIES FOR PAYMENT OF PENSIONS OR OTHER BENEFITS TO EXECUTIVES AND DIRECTORS

Except for the mandatory legal retirement obligations set out in Note 13 to the IFRS financial statements on December 31, 2014 in Section 20.1 of the *Document de référence*, the Company has made no provision for pensions, retirement benefits or other benefits payable to its Directors.

The Company paid no arrival or departure bonuses to any of its corporate officers

15.3. WARRANTS AND FOUNDERS' WARRANTS

The table below shows a summary of all unlapsed securities or rights giving access to the Company's share capital at the date of the *Document de référence*, of whatever type, issued by the Company to its corporate officers.

	$BSA_{09/11}$*	$BSA_{05/12}$*	BSA09/12*	BSA_{2012}*	$BSA_{01/13}$*	$BSA_{01/2014}$	$BSPCE_{01/2014(1)}$	$BSPCE_{01/2014(2)}$	$BSPCE_{01/2014(3)}$	$BSPCE_{01/2014(4)}$	Number of potential shares issuable as a result of these rights**
Jean-Gérard Galvez	-	-	50,000	-	25,000	-	-	-	-	40,294	55,541
Ludovic Lastennet	-	-	-	-	-	-	1,258	-	-	137,414	160,859
Denis Saint-Denis	60,000	3,785	-	-	-	-	-	-	-	26,995	38,713
Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski	-	-	-	-	-	-	-	-	-	-	0
COFA-Invest represented by Marie Hélène Plais* **	-	-	-	-	-	-	-	-	-	-	0
Rainer Strohmenger	-	-	-	-	-	-	-	-	-	-	0
Brian Ennis	-	-	-	-	-	16,199	-	-	-	-	18,790
Jan Egberts	-	-	50,000	-	-	11,199	-	-	-	-	18,790
Paula Ness Speers	-	-	-	-	-	-	-	-	-	-	-

(1) Details of the terms and conditions of the plans shown above can be found in Section 21.1.4 "Convertible or exchangeable securities or securities with warrants" of the Document de référence.

** Following the reverse share split approved by the Extraordinary General Shareholders' Meeting of July 19, 2013, ten warrants entitle the holder to subscribe for one share with a nominal value of €1,50.*
*** Taking into account the reverse share split and after adjusting the number of shares that may be subscribed upon exercise of share subscription warrants (BSA) and founders' warrants (BSPCE) following the capital increase while maintaining the shareholders' preferential subscription right, in accordance with Article L.228(99) of the French Commercial Code.*
**** COFA Invest resigned on April 13, 2015 from its corporate office as Company director with immediate effect.*

15.4. 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.

16. OPERATION OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

16.1. COMPANY MANAGEMENT

The Company is a *société anonyme* (French public limited liability company) with a Board of Directors.

By a decision dated April 6, 2011, the Board of Directors decided to separate the offices of Chairman of the Board of Directors and Chief Executive Officer. As a result, the Board of Directors is chaired by Jean-Gérard Galvez, Chairman of the Board of Directors, and Ludovic Lastennet, Chief Executive Officer, is responsible for the Company's general management. Ludovic Lastennet is assisted by Denis Saint-Denis, who was appointed Deputy Chief Executive Officer on October 15, 2014. The Chief Executive Officer and the Deputy Chief Executive Officer represent the Company in its dealings with third parties.

16.2. CONTRACTS BETWEEN THE COMPANY AND ITS EXECUTIVES

With the exception of the employment contracts and service provider contracts listed in this Section, there are no other contracts in force between the Group and a corporate officer of the Company.

16.2.1. Employment contracts entered into between executives and the Company

Ludovic Lastennet entered into a permanent employment contract with the Company on April 2, 2007.

Denis Saint-Denis entered into a permanent employment contract with the Company as its Chief Financial Officer on January 2, 2014.

16.2.2. Services agreements entered into between executives and the Company

16.2.2.1. Service provider agreement between Implanet America Inc. and EnniTech LLC

Implanet America Inc., a fully-owned subsidiary of your Company, entered into a service agreement with the US company EnniTech LLC, whose Chief Executive Officer is Brian Ennis. As the services provided constitute regulated agreements, they will be ratified by the annual General Shareholders' Meeting called to approve the accounts for the fiscal year ended December 31, 2014 and will be the subject of a special report by the Company's Statutory auditors.

Under this agreement, EnniTech LLC will provide the Company with support and consultancy services including, for example, the drafting of a two-year strategic plan aimed at developing the Company's sales in the American market, identifying business partners in the United States, identifying opinion leaders who could sit on the Company's scientific board, helping with the selection of reference centers in order to offer them surgeon training programs.

EnniTech provides these services for a fixed monthly fee of US$12,000 excl. VAT. On the date of the *Document de référence*, Implanet SA had paid EnniTech LLC for services rendered under this agreement:

- US$99,995.93 excl. VAT in fees for the period February 1, 2014 to December 31, 2014 (including reimbursement of costs incurred by EnniTech LLC in relation to the services mentioned above),

- US$27,113.37 excl. VAT in fees for the period January 1, 2015 to March 31, 2015.

The corresponding amounts were subsequently reimbursed by Implanet America Inc. to Implanet SA.

16.2.2.2. Services agreement entered into between the Company and HM Conseils

The Company has also entered into an unwritten 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' Meeting on July 19, 2013 and was subject to a special report by the Company's statutory auditors (see Section 19.3 of 19.3 *Document de référence*).

Under this agreement, HM Conseils provides the Company with support and consulting services including, for instance, 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 the preparation of documentation for the anticipated stock market listing.

HM Conseils provides these services for a flat rate per day of €1,500 excl. tax. From July 2013, the services provided by HM Conseils have been based on a fixed monthly fee of €5,000 excl. tax in accordance with the decisions of the Compensation Committee between July 2013 and January 2014.

As of the date of the *Document de référence*, the Company paid HM Conseils under this contract:

- €13,500 excl. tax in fees for the period March 31, 2010 to September 30, 2010;
- €22,500 excl. tax in fees for the period October 1, 2010 to May 2, 2011;
- €18,000 excl. tax in fees for the period May 3, 2011 to December 31, 2011;
- €82,500 excl. tax in fees for the year 2012;
- €72,000 excl. tax in fees for the year 2013;
- €60,000 excl. VAT in fees for the year 2014;
- €15,000 excl. VAT in fees for the period January 1, 2015 to March 31, 2015.

16.2.2.3. Service provider agreement entered into between the Company and Health-Advances LLC

The Company has entered into an unwritten services agreement with Health-Advances LLC, a US company of which Paula Ness Speers is a partner. This agreement underwent the procedure for controlling regulated agreements and was approved by the Board of Directors meeting on April 8, 2015, prior to its conclusion.

Under this agreement, Health-Advances LLC will provide the Company with support and consultancy services including, for instance, the study of the economic model to be used by the Company and its subsidiary Implanet America with respect to the sale of the Company's products in the United States.

The services are provided by Health-Advances LLC on the basis of estimates previously accepted by the Company, it being specified that each estimate must correspond to a specific and one-time mission.

As of the date of the *Document de référence*, the Company has not paid any fees to Health-Advances for services rendered under this agreement.

16.3. BOARD OF DIRECTORS AND SPECIAL COMMITTEES – CORPORATE GOVERNANCE

16.3.1. Board of Directors

For the fiscal year ended December 31, 2013, the Company's Board of Directors met 14 times with an average attendance rate of 80.4%. For the fiscal year ended December 31, 2014, the Company's Board of Directors met 8 times with an average attendance rate of 90.8%.

The composition of the Board of Directors and the information about its Members can be found in the developments described 14in Chapters 14 "Administrative, Management, Supervisory and Executive Bodies" and 21.2 "Act of 21.2 and Bylaws" of the *Document de référence*.

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 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, Brian Ennis and Jan Egberts meet the criteria for independent Directors as defined by the MiddleNext Corporate Governance Code for Small and Medium Capitalization as published in December 2009 and approved as code of practice by the AMF, in as much as Paula Ness Speers, Brian Ennis and Jan Egberts:

- are not, and over the last three years have not been, employees or executive Directors of the Company or of a Group company;
- are not important clients, suppliers, or bankers of the Company or clients, suppliers, or bankers for whom the Company or its Group represents a significant share of its business;
- are not reference shareholders of the Company;
- do not have any close family relationship with a corporate officer or reference shareholder; and

- have not been Company auditors in the course of the previous three years.

16.3.2. Special Committees

16.3.2.1. Audit Committee

16.3.2.1.1. 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 *Document de référence*, the members of the Audit Committee are:

- Jean-Gérard Galvez, Chairman of the Board of Directors;
- Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski, Member of the Board of Directors; and
- Jan Egberts, Director.

16.3.2.1.2. Roles and 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 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;
- monitoring the independence of the Statutory auditors;
- checking the progress of any major disputes on a regular basis; and
- in general, offering any relevant advice and recommendations on the points listed above.

16.3.2.1.3. Operating procedures

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.

16.3.2.1.4. Reports

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.

The annual report will include a summary on the Committee's work over the year.

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.

16.3.2.2. Compensation Committee

16.3.2.2.1. 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 *Document de référence*, the members of the Compensation Committee are:

- Jean-Gérard Galvez, Chairman of the Board of Directors;
- Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski, Member of the Board of Directors; and
- Brian Ennis, Member of the Board of Directors.

16.3.2.2.2. Roles and 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, the Compensation Committee provides advice and makes appropriate recommendations in any of the above areas.

16.3.2.2.3. Operations of the Committee

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 2013 and once during fiscal year 2014.

16.3.2.2.4. Reports

The Chairman of the Compensation Committee ensures that its operating reports provide the Board of Directors with complete information to facilitate its deliberations.

The annual report will include a summary on the Committee's work over the year.

One of the duties of the Compensation Committee is to examine the Company's draft report on directors' compensation.

16.4. CORPORATE GOVERNANCE DECLARATION

In the interests of transparency and public information and in order to comply with the requirements of Article L.225(37) of the French Commercial Code, the Company has adopted the MiddleNext Corporate Governance Code for Small and Midcapitalizations companies, published in December 2009 as its reference for governance guidelines.

The table below lists the different recommendations of the Corporate Government Code for Small and Midcapitalizations companies and indicates whether or not the Company complies with them as of the date of the *Document de référence*:

MiddleNext Code recommendations	Compliant	Non-compliant
I. Executive Power		
R 1: Combination of an employment contract with a Director position	X(1)	
R 2: Definition and transparency of the compensation of executive corporate officers	X	
R 3: Golden handshakes	X	
R 4: Supplementary retirement schemes	X	
R 5: Stock options and free shares		X(2)
II. Supervisory Power		
R 6: Introduction of Board Rules of Procedure	X	
R 7: Director ethics	X	
R 8: Composition of the Board – Independent Directors	X	
R 9: Choice of directors	X	
R 10: Term of office of Board members	X	
R 11: Board member information	X	
R 12: Creation of committees	X	
R 13: Board and committee meetings	X	
R 14: Directors' compensation	X	
R 15: Introduction of Board evaluation		X(3)

(1) The Board of Directors has authorized the Chief Executive Officer and the Deputy Chief Executive Officer to hold both an employment contract and a Director position, in view of the size of the Company and the distinct technical functions exercised by these individuals in accordance with their respective employment contracts.

(2) To date, the Company has not attached any performance conditions to the exercise of the Founders' warrants (BSPCE) granted to some of its executives since its stock market listing. The Company does, however, intend to adhere to this recommendation for any profit-sharing instruments that may be granted to executives in the future.

(3) At this point, the Company did not comply with this MiddleNext Code recommendation during fiscal year 2014. Such an evaluation has not been deemed necessary to date as the Company's Board of Directors' meetings have always run smoothly. Likewise, no complaints about the preparation and organization of the work of the Board of Directors were recorded during fiscal year 2014 or for any of the previous fiscal years. The Company is, however, currently studying the implementation of a formalized method of evaluating the operations of the Board of Directors and this is expected to be put in place shortly.

16.5. REPORT ON INTERNAL CONTROL

In accordance with Article 222(9) of the General Regulation of the French Financial Markets Authority (AMF) and pursuant to Article L.225(37) of the French Commercial Code (see Section 26.1 of this *Document de référence*), the Chairman of the Board of Directors delivered a report on the composition of the Board, including application of the principle of balanced representation of men and women on the Board, the preparation and organization of the Board of Directors' work and the Company's internal control and risk management procedures.

The Company has internal control procedures in place as of the date of the *Document de référence*.

Organization of the Finance and Accounting Department

The Finance and Accounting Department is made up of four people, including the Chief Financial Officer.

This team is responsible for all accounting, fiscal and corporate matters (production and filing of the various declarations). The payroll is subcontracted to an external service provider.

The Company maintains internal separation between the preparation and oversight of the financial statements and calls on independent experts to evaluate complex accounting entries or which involve subjective hypotheses.

The accounts are produced internally and then submitted to the Company's Statutory auditors for review.

The accounting operations of the subsidiary Implanet America Inc. are entrusted to a firm of chartered accountants.

The Finance Division reports direct to the Chairman of the Board of Directors (see the organizational chart in Section 17.1.1 17.1.1the *Document de référence*).

The budget and "monthly reporting" procedure

The Company draws up an annual budget, which is reviewed quarterly in the form of projections, based on actual figures and any adjustments required for revenue and expenditure still to be incurred. These figures are sent to each revenue or cost center manager.

The Company's accounting system is based on French accounting standards, with sales broken down by product line and costs broken down by center and type, which allows it to monitor the budget very closely.

The Company draws up "monthly reports" including an operating account, a balance sheet and cash forecasts. These reports are submitted to the Management Committee comprising Ludovic Lastennet (Chief Executive Officer), Denis Saint-Denis (Deputy Chief Executive Officer and Chief Financial Officer), Régis Le Couedic (Research and Development Director), Alain Meunier (Clinical & Scientific Affairs Director) and Franck Laporte (Operations Director).

Delegation of powers

Each cost center manager has a capped expenditure authorization, which must be approved by the Company's general management as soon as the threshold is reached. These purchase requests are then checked off against the invoices and delivery notes for the goods before payment is approved.

16.6. INFORMATION REQUIRED BY ARTICLE L.225(100)(3) OF THE FRENCH COMMERCIAL CODE

16.6.1. Structure of the Company's share capital

Refer to Chapter 18 of this *Document de référence*.

16.6.2. Legal Restrictions on the exercise of voting rights and share transfers or clauses of which the Company is aware pursuant to Article L.233(11) of the French Commercial Code

None.

16.6.3. Direct or indirect shareholdings in the Company's capital of which it is aware by virtue of Articles L.233(7) and L.233(12) of the French Commercial Code

Refer to Chapter 18 of this *Document de référence*.

16.6.4. List of holders of all securities bearing special control rights and description

The Company is not aware of any special control rights.

16.6.5. Control mechanisms planned in potential personnel shareholding arrangements, when the control rights are not exercised by the latter

The Company has not implemented any personnel shareholding arrangements likely to contain control mechanisms when control rights are not exercised by the personnel.

16.6.6. Agreements between shareholders of which the Company is aware and which may lead to restrictions on share transfers and the exercise of voting rights

The Company is not aware of any such agreements.

16.6.7. Rules on the appointment and replacement of members of the Board of Directors and modification of the Bylaws

See Section 21.2. "Articles of incorporation and Bylaws" of this *Document de référence*.

16.6.8. Powers of the Board of Directors, Particularly the Issuing or Purchase of Shares

Powers granted by the Company's General Shareholders' Meeting to the Board of Directors in these areas are shown in Sections 21.1.3 "Number, book Value and nominal value of shares held by the

Company or on its behalf" and 21.1.5 "Acquisition rights and/or obligations connected to share capital issued but unpaid, and commitment to capital increase".

16.6.9. Agreements signed by the Company which change or end in the event of a change in Control of the Company

The Company may have to enter into agreements containing clauses which, under certain conditions, could lead to their being terminated early or changing in the event of a change in the Company's control.
Refer to the description of the contract in Section 22.3 of this *Document de référence*.

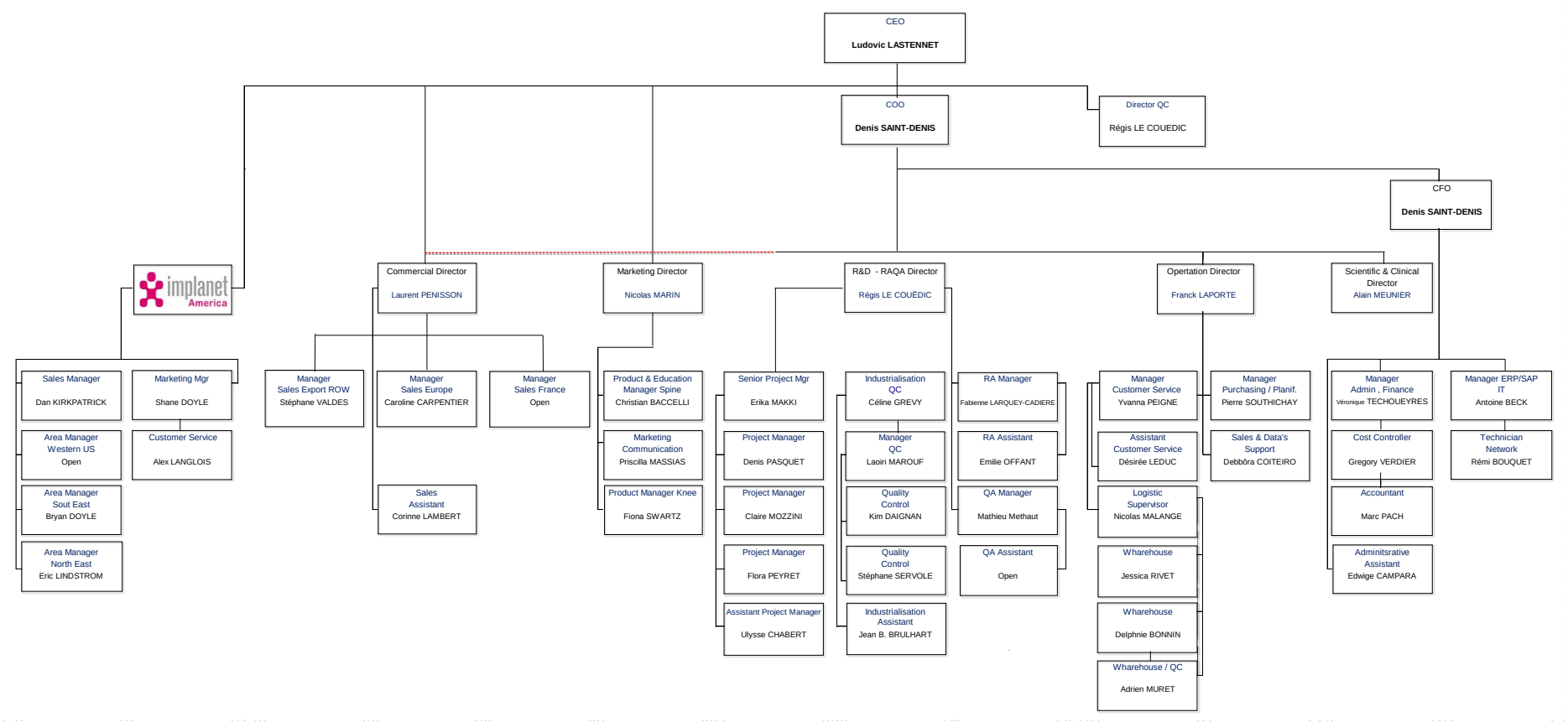
16.6.10. Agreements providing for indemnities for members of the Board of Directors or employees, if they resign or are unfairly dismissed, or if their employment ends due to a takeover bid

Please refer to Section 15.1, table 11 of this *Document de référence*.

17. EMPLOYEES

17.1. NUMBER OF EMPLOYEES BY FUNCTION

17.1.1. Organizational chart



The Group's principal managers all have long experience in their fields (see Section 6.10.1 of the *Document de référence*).

17.1.2. Number and breakdown of employees

As at the end of the periods shown, the Group's employees by category were as follows:

Breakdown of headcount	Year	
	2013	2014
Administrative	7	8
Sales & Marketing "General orthopedics"	4	5
Sales & Marketing "Jazz"	2	8
Operational	8	10
Regulatory & Quality	9	8
Research & Development	5	6
Total	**35**	**45**

As at December 31, 2014, Implanet had 39 employees in France and 6 in the United States.

17.2. MANAGEMENT SHAREHOLDINGS AND STOCK OPTIONS

See Chapter 14 – Administrative, 14management and supervisory bodies and general management of the *Document de référence*.

17.3. EMPLOYEE SHAREHOLDINGS

On the date of the *Document de référence*, no employee shareholding agreement was in place. However, the Company carried out several warrant (BSA) and founders' warrant (BSPCE) allocations, from which some Group employees benefited (see Section 21.1.4 of the *Document de référence*).
At December 31, 2014, 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).

17.4. PERSONNEL SHAREHOLDING ARRANGEMENTS

None.

18. MAIN SHAREHOLDERS

18.1. DISTRIBUTION OF THE SHARE CAPITAL AND THE 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 *Document de référence*.

	Position on the date of the Document de référence on a non-diluted basis		Position on the date of the Document de référence on a fully diluted basis			
	Number of shares	% of the share capital and voting rights*	number of shares likely to result from exercise of BSA** (1)	number of shares likely to result from exercise of BSPCE (1)	number of shares likely to result from exercise of BSA and BSPCE (1)	% of the share capital and voting rights after exercise of BSA and BSPCE*
Founders and historical investors	**472,726**	**4.56%**	**749**		**473,475**	**4.35%**
Seventure Partners	391,013	3.77%			391,013	3.59%
Cofa-Invest	106,888	1.03%			106,888	0.98%
Auriga Partners	419,370	4.05%			419,370	3.85%
EDRIP (Rothschild)	644,004	6.21%			644,004	5.92%
Kreos Capital IV (Expert Fund) Limited			75,400		75,400	0.69%
Champeil Asset Management	3,634	0.04%			3,634	0.03%
Financial investors	**1,564,909**	**15.09%**	**75,400**		**1,640,309**	**15.08%**
Corporate Officers, Employees and consultants	**90,135**	**0.87%**	**72,819**	**364,734**	**527,688**	**4.85%**
Other shareholders	**354**	**0.00%**			**354**	**0.00%**
Free Float	**8,238,956**	**79.47%**			**8,238,956**	**75.72%**
Total	**10,367,080**	**100%**	**148,968**	**364,734**	**10,880,782**	**100%**

** The percentage of voting rights is equal to the percentage of share capital held.*
*** Excluding any shares created by exercise of the warrants issued under the equity credit line with Kepler Cheuvreux.*
(1) After adjusting the number of shares that may be subscribed upon exercise of share subscription warrants (BSA) and founders' warrants (BSPCE) following the increase in capital while maintaining the shareholders' preferential subscription right, in accordance with Article L. 228(99) of the French Commercial Code.

In a letter received on January 27, 2015, the company Auriga Partners, acting on behalf of the Auriga Ventures III venture capital mutual fund under its management, declared that on January 22, 2015 its shareholding dropped below the thresholds of 10% of the Company's share capital and voting rights, and that it held, on account of said mutual fund, 535,057 Implanet shares representing as many voting rights, or 9.91% of the share capital and voting rights in the Company. The crossing of these thresholds followed the disposal of Implanet shares on the market.

In a letter received on February 13, 2015, the public limited company CM-CIC Capital Privé, acting on behalf of funds under its management, declared that on February 11, 2015 its shareholding dropped below the thresholds of 5% of the Company's share capital and voting rights, and that it held, on account of said mutual funds, 257,845 Implanet shares representing as many voting rights, or 4.78% of the Company's share capital and voting rights. The crossing of these thresholds followed the disposal of Implanet shares on the market.

In a letter received on March 20, 2015, the company Auriga Partners, acting on behalf of the Auriga Ventures III innovation mutual fund under its management, declared that on March 20, 2015 its shareholding dropped below the thresholds of 5% of the Company's share capital and voting rights, and that it held, on account of said mutual fund, 419,370 Implanet shares representing as many voting rights, or 4.05% of the share capital and voting rights in the Company. The crossing of these thresholds followed an increase in Implanet's share capital.

In a letter received on March 23, 2015, the Dutch private limited liability company Nyenburgh Holding B.V. declared that on March 20, 2015 its shareholding crossed above the thresholds of 5% of the Company's share capital and voting rights, and that it held 893,632 Implanet shares representing as many voting rights, or 8.62% of the share capital and voting rights in the Company. The crossing of these thresholds followed the subscription to an increase in Implanet's share capital.

18.2. MAIN SHAREHOLDERS NOT REPRESENTED ON THE BOARD OF DIRECTORS

None.

18.3. VOTING RIGHTS OF THE MAIN SHAREHOLDERS

As of the date of the *Document de référence*, the voting rights of each shareholder were equal to the number of shares held by each of them. No double voting rights have been instituted.

18.4. CONTROL OF THE COMPANY

As of the date of the *Document de référence*, there was no controlling shareholder as defined by Article L. 233(3) of the French Commercial Code.

The Company has not implemented any measures to ensure that any controlling party cannot abuse its power.

To the best of the Company’s knowledge, no shareholders are acting in concert.

18.5. AGREEMENTS THAT MAY LEAD TO A CHANGE IN CONTROL

To the best of the Company's knowledge, there are no agreements whose implementation could lead to a change in the control of the Company.

18.6. STATUS OF COMPANY SHARES PLEDGED AS COLLATERAL

None.

19. RELATED-PARTY TRANSACTIONS

19.1. INTRA-GROUP TRANSACTIONS

Implanet America Inc., the Company's only subsidiary, was incorporated in New York State in February 2013. It began operations at the end of the first half of 2013.

See 7.37.3 "Group financial flows" of the *Document de référence* for details of the agreements currently in force between the Company and its US subsidiary Implanet America Inc.

19.2. SIGNIFICANT AGREEMENTS WITH RELATED PARTIES

19.2.1. Services agreement between Implanet America Inc. and EnniTech LLC

Implanet America Inc., a fully-owned subsidiary of your Company, entered into a service agreement with the US company EnniTech LLC, whose Chief Executive Officer is Brian Ennis. As the services provided constitute regulated agreements, they will be ratified by the annual General Shareholders' Meeting called to approve the accounts for the fiscal year ended December 31, 2014 and will be the subject of a special report by the Company's Statutory auditors.

Under this agreement, EnniTech LLC will provide the Company with support and consultancy services including, for example, the drafting of a two-year strategic plan aimed at developing the Company's sales in the American market, identifying business partners in the United States, identifying opinion leaders who could sit on the Company's scientific board, helping with the selection of reference centers in order to offer them surgeon training programs.

EnniTech provides these services for a fixed monthly fee of US$12,000 excl. VAT. As of the date of the *Document de référence*, the Company had paid EnniTech LLC for services rendered under this agreement:

- US$99,995.93 excl. VAT for fees for the period February 1, 2014 to December 31, 2014 (including reimbursement of costs incurred by EnniTech LLC within the framework of the services mentioned above);
- US$27,113.37 excl. VAT for fees for the period January 1, 2015 to March 31, 2015.

The corresponding amounts were subsequently reimbursed by Implanet America Inc. to Implanet SA.

19.2.2. Service provider agreement between the Company and HM Conseils

The Company has also entered into an unwritten 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' Meeting on July 19, 2013 and was the subject of a special report by the Company's Statutory auditors' (see Section 2.3 of the *Document de référence*) prepared for this purpose.

Under this agreement, HM Conseils will provide the Company with support and consultancy services including, for instance, the preparation and definition of the Company's various budgets, definition

of the Company's strategy in relation to the rollout of its operations in the United States, identifying and selecting investment banks, as well as preparation of documentation for the Company's stock market listing.

HM Conseils provides these services for a fixed monthly fee of €5,000 excl. VAT which was set by the Compensation Committee in July 2013 and confirmed by the same Committee in January 2014. Until July 2013, compensation was based on a daily rate of €1,500 excluding VAT.

As of the date of the *Document de référence*, the Company had incurred the following payments to HM Conseils under this agreement:

- €82,500 excl. VAT in fees for the year 2012;
- €72,000 excl. VAT in fees for the year 2013;
- €60,000 excl. VAT in fees for the year 2014;
- €60,000 excl. VAT in fees for the year 2014.
- €15,000 excl. VAT for fees for the period January 1, 2015 to March 31, 2015.

19.2.3. Services agreement entered into between the Company and Health-Advances LLC

The Company has entered into an unwritten services agreement with Health-Advances LLC, a US company of which Paula Ness Speers is a partner. This agreement underwent the procedure for controlling regulated agreements and was approved by the Board of Directors meeting on April 8, 2015, prior to its conclusion.

Under this agreement, Health-Advances LLC will provide the Company with support and consultancy services including, for instance, the study of the economic model to be used by the Company and its subsidiary Implanet America with respect to the sale of the Company's products in the United States.

The services are provided by Health-Advances LLC on the basis of estimates previously accepted by the Company, it being specified that each estimate must correspond to a specific and one-time mission.

As of the date of the *Document de référence*, the Company has not paid any fees to Health-Advances for services rendered under this agreement.

19.3. STATUTORY AUDITORS' SPECIAL REPORTS ON REGULATED AGREEMENTS

19.3.1. Statutory auditors' special report on regulated agreements for the fiscal year ended December 31, 2014

"To the shareholders,

In our capacity as Statutory auditors of your Company, we hereby report on the regulated agreements and commitments with related parties.

We are required to inform you, on the basis of the information provided to us, of the key terms and conditions of those agreements and commitments 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 and commitments exist. It is your responsibility under Article R. 225(31) of the French Commercial Code, to assess the benefits resulting from these agreements and commitments 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 and commitments 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 AND COMMITMENTS SUBMITTED FOR APPROVAL AT THE GENERAL SHAREHOLDERS' MEETING

Agreements and commitments authorized during the past fiscal year

No new agreements or commitments were reported to us as having been authorized during the past fiscal year and requiring approval at the General Shareholders' Meeting under Article L. 225(38) of the French Commercial Code.

Agreements and commitments not previously authorized

In accordance with Articles L. 225(42) and L. 823(12) of the French Commercial Code, we inform you that the following agreements and commitments were not previously authorized by your Board of Directors.

We are required to inform you why the authorization process was not followed.

Person concerned: Mr. Brian Ennis, Director of Implanet and Chief Executive Officer of EnniTech LLC.

Nature and purpose: Implanet America Inc., a fully-owned subsidiary of your Company, entered into a service agreement with the US company EnniTech LLC.

Terms and conditions: For support and consulting services rendered under this agreement, your Company has paid to EnniTech LLC fees of US$€99,995.93 excl. VAT for the fiscal year ended December 31, 2014.

The authorization procedure for this agreement was not followed by your Board of Directors by omission.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED AT THE GENERAL SHAREHOLDERS' MEETING

Agreements and commitments approved during previous fiscal years and in effect during the past fiscal year

In accordance with Article R. 225(30) of the French Commercial Code, we were informed that the following agreements and commitments, 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: A consultancy agreement made on March 31, 2010 between Implanet and HM Conseils.

Terms and conditions: For consulting and coaching services provided to your Company's management during the fiscal year ended December 31, 2014, Implanet incurred fees of €60,000 excl. VAT.

Lyon and Paris-La Défense, April 2, 2015

The Statutory auditors

INKIPIO AUDIT	**ERNST & YOUNG Audit**
Clément Albrieux	Franck Sebag"

19.3.2. Statutory auditors' special report on regulated agreements for the fiscal year ended December 31, 2013

"To the shareholders,

In our capacity as Statutory auditors of your Company, we hereby report on the regulated agreements and commitments with related parties.

We are required to inform you, on the basis of the information provided to us, of the key terms and conditions of those agreements and commitments 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 and commitments exist. It is your responsibility under Article R. 225(31) of the French Commercial Code, to assess the benefits resulting from these agreements and commitments 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 and commitments 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 AND COMMITMENTS SUBMITTED FOR APPROVAL AT THE GENERAL SHAREHOLDERS' MEETING

Agreements and commitments authorized during the past fiscal year.

No new agreements or commitments were reported to us as having been authorized during the past year and requiring approval at the General Shareholders' Meeting under Article L. 225(38) of the French Commercial Code.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED AT THE GENERAL SHAREHOLDERS' MEETING

Agreements and commitments approved during the past fiscal year

We were informed of the implementation during the past fiscal year of the following agreement, which was approved at the General Shareholders' Meeting of July 19, 2013, on the basis of the Statutory auditors' special report issued on July 4, 2013.

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: A consultancy agreement made on March 31, 2010 between Implanet and HM Conseils.

Terms and conditions: For consulting and coaching services provided to the Company's management during the fiscal year ended December 31, 2013, HM Conseils was paid fees of €72,000 excl. VAT.

Lyon and Paris-La Défense, March 19, 2014

The Statutory auditors

INKIPIO AUDIT	**ERNST & YOUNG Audit**
Clément Albrieux	Franck Sebag"

20. FINANCIAL INFORMATION ON THE ASSETS, FINANCIAL POSITION AND RESULTS OF THE COMPANY

20.1. CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS FOR THE FISCAL YEAR ENDING ON DECEMBER 31, 2014

20.1.1. Statement of financial position

Implanet Balance sheet	Notes	12/31/2014 €	12/31/2013 €
ASSETS			
Intangible fixed assets	3	622,212	686,335
Property plant and equipment	4	2,041,878	1,387,554
Other non-current financial assets	5	3,131,053	9,280,311
Total non-current assets		5,795,142	11,354,200
Inventories	6	3,096,238	4,116,925
Trade receivables and related accounts	7.1	2,062,883	2,337,119
Other receivables	7.2	1,181,030	1,149,221
Current financial assets	5	308,116	2,001,091
Cash and cash equivalents	8	2,111,188	2,965,534
Total current assets		8,759,456	12,569,890
Total Assets		**14,554,598**	**23,924,090**
LIABILITIES			
Shareholders' equity			
Share capital	10	8,099,283	8,099,283
Paid-in capital	10	12,495,647	12,332,242
Translation reserve	10	(153,051)	11,374
Other comprehensive income	10	(29,069)	1,181
Reserves - Group share	10	(6,327,095)	267,843
Profit/(loss) - Group share	10	(6,871,586)	(6,843,456)
Shareholders' equity - Group share		**7,214,130**	**13,868,467**
Minority interests		-	-
Total shareholders' equity		**7,214,130**	**13,868,467**
Non-current liabilities			
Amounts due to personnel	13	74,629	34,802
Non-current debts	12	1,722,170	3,211,750
Derivative instrument liability	12	8,530	78,838
Non-current liabilities		**1,805,329**	**3,325,391**
Current liabilities			
Current financial liabilities	12	2,473,224	2,703,256
Provisions	14	-	144,631
Trade and other accounts payable	15.1	2,297,232	3,216,886
Tax and social security liabilities	15.2	748,808	663,595
Other payables and miscellaneous debt	15.3	15,875	1,864
Current liabilities		**5,535,139**	**6,730,232**
Total Liabilities		**14,554,598**	**23,924,090**

20.1.2. Income statement

Implanet Income Statement	Notes	12/31/2014 12 months €	12/31/2013 12 months €
Revenue	16	7,038,416	6,690,382
Cost of sales	17.1	(4,099,504)	(4,180,245)
Gross margin		**2,938,912**	**2,510,137**
Research and Development expenses			
Research and Development expenses	17.3	(1,479,549)	(1,204,151)
Share-based payments	17.3	(58,660)	(981)
Subsidy	17.3	361,350	274,846
Cost of regulatory affairs and quality assurance			
Cost of regulatory affairs and quality assurance	17.4	(820,116)	(1,028,384)
Share-based payments	17.4	(9,244)	(1,152)
Subsidy	17.4	17,527	27,530
Sales and marketing expenses			
Sales and marketing expenses	17.2	(2,975,653)	(2,313,532)
Share-based payments	17.2	(325,666)	(2,074)
Subsidy	17.2	-	100,000
Operating costs			
Operating costs	17.5	(891,153)	(2,400,590)
Share-based payments	17.5	(30,779)	(1,175)
General and administrative expenses			
General and administrative expenses	17.6	(3,235,417)	(2,449,914)
Share-based payments	17.6	(127,878)	(6,212)
Other income		-	1,434
Other expenses		-	(1,646)
Net operating income		**(6,636,329)**	**(6,495,864)**
Financial expenses	19	(599,177)	(489,215)
Financial income	19	75,579	13,352
Change in the fair value of the derivative	19	70,308	135,286
Foreign exchange gains and losses	19	218,033	(7,015)
Net income before taxes		**(6,871,586)**	**(6,843,456)**
Tax expense		-	-
Total net income/(loss) for the period from continuing operations		**(6,871,586)**	**(6,843,456)**
Income from discontinued operations		-	-
Total net income/(loss)		**(6,871,586)**	**(6,843,456)**
Group share		*(6,871,586)*	*(6,843,456)*
Minority interests		-	-
Weighted average number of shares in circulation		5,399,522	3,196,648
Basic earnings per share (€/share)	22	**(1.27)**	**(2.14)**
Diluted earnings per share (€/share)	22	**(1.27)**	**(2.14)**

20.1.3. Statement of comprehensive income

IMPLANET - IFRS Statement comprehensive income	12/31/2014 12 months €	12/31/2013 12 months €
Net income/(loss) for the year	(6,871,586)	(6,843,456)
Actuarial differences	(30,250)	11,421
Items non-recyclable in profit or loss	**(30,250)**	**11,421**
Consolidation translation differences	(164,424)	11,374
Items recyclable in profit or loss	**(164,424)**	**11,374**
Other comprehensive income (net of taxes)	(194,674)	22,794
Total comprehensive income	**(7,066,260)**	**(6,820,662)**
Group share	*(7,066,260)*	*(6,820,662)*
Minority interests	-	-

20.1.4. Changes in shareholders' equity

Implanet Changes in shareholders' consolidated equity	Share capital *Number of shares*	Share capital	Additional paid-in capital	Reserves and net income	Translation differences	Actuarial differences	Shareholders' equity - Group share	Minority interests	Shareholders' equity
		€	€	€	€	€	€	€	€
At December 31, 2012	*29,556,037*	**29,556,037**	**4,738,744**	**(29,605,130)**	**-**	**(10,239)**	**4,679,412**	**-**	**4,679,412**
2013 net income/(loss)				(6,843,456)			(6,843,456)		(6,843,456)
Other comprehensive income					11,374	11,421	22,794		22,794
Comprehensive Income		-	-	(6,843,456)	11,374	11,421	(6,820,662)	-	(6,820,662)
Dividends							-		-
Effect of the reverse share split	*(26,600,436)*								
Issue of shares	*1,959,262*	2,938,892	11,167,776				14,106,668		14,106,668
Conversion of bonds	*484,659*	726,989	3,730,905				4,457,894		4,457,894
Deduction of the negative retained earnings from the share capital		(25,122,634)	(4,738,744)	29,861,379			0		0
Share subscription warrants (BSA)			4,396				4,396		4,396
Change in treasury shares				(157,583)			(157,583)		(157,583)
Share-based payments				11,595			11,595		11,595
Costs related to the planned listing on the stock market			(2,413,252)				(2,413,252)		(2,413,252)
At December 31, 2013	*5,399,522*	**8,099,283**	**12,489,826**	**(6,733,196)**	**11,374**	**1,181**	**13,868,468**	**-**	**13,868,468**
2014 net income/(loss)				(6,871,586)			(6,871,586)		(6,871,586)
Other comprehensive income					(164,424)	(30,250)	(194,674)		(194,674)
Comprehensive Income		-	-	(6,871,586)	(164,424)	(30,250)	(7,066,260)	-	(7,066,260)
Dividends							-		-
Issue of shares							-		-
Share subscription warrants (BSA)			10,821				10,821		10,821
Change in treasury shares				(146,127)			(146,127)		(146,127)
Share-based payments				552,228			552,228		552,228
Costs of the fund raising project			(5,000)				(5,000)		(5,000)
At December 31, 2014	*5,399,522*	**8,099,283**	**12,495,647**	**(13,198,681)**	**(153,051)**	**(29,069)**	**7,214,130**	**-**	**7,214,130**

20.1.5. Cash flow statement

IMPLANET - IFRS Consolidated cash flow statement	Notes	12/31/2014 €	12/31/2013 €
Cash flow generated from operations			
Net income/(loss) from continuing operations		(6,871,586)	(6,843,456)
Net income/(loss) from discontinued operations		-	-
Total net income/(loss)		(6,871,586)	(6,843,456)
(-) Elimination of depreciation and amortization intangible fixed assets	3	(230,743)	(296,729)
(-) Elimination of depreciation and amortization on property, plant and equipment	4	(916,490)	(1,427,852)
(-) Allocations to provisions	13	(9,576)	(153,377)
(-) Reversals of provisions	14	144,631	376,800
(-) Expense related to share-based payments	11	(552,228)	(11,595)
(-) Gross financial interest paid		(440,371)	(52,018)
(-) Financial interests (2)		74,440	5,861
(-) Capitalized financial interest			(38,958)
(-) Change in the fair value of the derivative		70,308	135,286
(-) Capital gains or losses on disposals of fixed assets		(3,391)	(68,083)
(-) Subsidy transferred to net income		-	100,000
Other		(153,161)	(83,475)
Free cash flow before cost of net financial indebtedness and taxes		(4,855,005)	(5,329,317)
(-) Change in the working capital requirement (net of impairment of trade receivables and inventories)		438,114	56,671
Cash flow generated from operations		(5,293,119)	(5,385,988)
Cash flow generated from capital investment			
Acquisition of intangible fixed assets	3	(60,439)	(59,558)
Capitalization of development expenses	3	(106,179)	-
Acquisition of property, plant and equipment	4	(869,719)	(394,109)
Demobilization of term accounts classed as other current and non-current financial assets		7,698,861	
Subscription of term accounts classed as other non-current financial assets		-	(8,500,000)
Subscription of term accounts classed as other current financial assets		-	(2,000,000)
Disposals of fixed assets		750,400	-
Financial interests (2)		74,440	5,861
Cash flows from investing activities		6,597,767	(10,947,806)
Cash flows related to financing activities			
Capital increase net of conversion of bonds into shares	10	-	14,106,668
Share subscription warrants (BSA)	10	10,821	4,396
Costs related to the planned listing on the stock market		(5,000)	(2,413,252)
Receipt of advances and conditional subsidies	12	-	100,000
Issue of Kreos bonds net of costs	12	-	4,887,500
Repayment of the Kreos bonds	12	(1,860,324)	
Deposit on Kreos bonds		-	(190,735)
Gross financial interest paid		(440,371)	(52,018)
Issue of convertible bonds/bonds redeemable in shares	12	-	4,418,938
Repayment of loans and conditional advances	12	(310,000)	(394,268)
Repayment of finance leases	12	(341,756)	(585,250)
Other financing flows (factoring)	12	(111,094)	(28,159)
Other financing flows (change in the liquidity contract)		173,557	(400,000)
Cash flows related to financing activities		(2,884,167)	19,453,819
Impact of variations in exchange rates		(164,424)	-
Increase (reduction) in cash		(854,346)	3,120,026
Cash and cash equivalents at the start of the year (including overdraft facilities)		2,965,534	(154,492)
Cash and cash equivalents at the year end (including overdraft facilities)		2,111,188	2,965,534
Increase (reduction) in cash		(854,346)	3,120,026

20.1.6. Detailed analysis of the changes in the working capital requirement (WCR)

Details of the change in the working capital requirement	12/31/2014	12/31/2013
Other non-current assets	(8,632)	5,004
Inventories (net of inventory impairment)	(131,090)	(997,433)
Trade receivables and related accounts (net of impairment of trade receivables)	(274,235)	322,063
Other receivables	31,809	341,181
Trade and other accounts payable	919,655	462,830
Tax and social security liabilities	(85,214)	(75,110)
Other payables and miscellaneous debt	(14,179)	(1,864)
Total variations	438,114	56,671

20.1.7. NOTES TO THE IFRS FINANCIAL STATEMENTS

(Unless indicated otherwise, the amounts shown in these notes are in euros.)

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, 2014.

The consolidated financial statements of IMPLANET were approved by the Board of Directors on March 18, 2015 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 ("Gold Standard") implants and surgical instruments by introducing innovative technological solutions.

IMPLANET's range covers arthroscopy, knee and spinal 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.

IMPLANET has been listed on the regulated Euronext market in Paris since November 25, 2013.

Address of the registered office:
Technopole Bordeaux Montesquieu, Allée François Magendie – 33650 Martillac, France

Trade and Company Registry number: RCS 493 845 341 – Bordeaux, France

The IMPLANET company and its subsidiary are hereafter referred to as the "Company" or the "Group".

1.2 Significant events

Fiscal year ended December 31, 2014

July 2014:
Opening of an optional equity line of credit with Kepler Cheuvreux on July 9, 2014. Implanet has the option to ask Kepler Cheuvreux to subscribe for new shares that may be issued in tranches during the next 24 months, within the overall limit of 530,000 shares. Kepler Cheuvreux has made a firm subscription undertaking at the exclusive request of Implanet.

1st half of 2014:
Implanet has continued the process of withdrawal from the hip prostheses market by completing the disposal of all the products in the "hips" range for an amount of €220 thousand. The products sold had been fully depreciated at December 31, 2013. The sale thereby completed did not generate any cost over the period due to the reversal of the €1.5 million provision recognized previously for these products.

January 2014:
The Board of Directors' Meeting on January 8, 2014 awarded:

- 60,622 founders' warrants (BSPCE) to replace 330,935 existing BSPCEs;
- 247,364 founders' warrants (BSPCEs);
- 27,398 share subscription warrants.

Following the implementation of this plan, the expense recognized in 2014 in respect of share-based payments in accordance with IFRS 2 amounted to €552 thousand.
On December 31, 2013, the Company recognized an expense of €12 thousand under IFRS 2.

Fiscal year ended December 31, 2013

November 2013:

- In order to be able to finance (1) its various research and development projects, (2) the acceleration of commercial development for its Jazz implant range, and (3) the Company's working capital requirement as well as the payment of its loan installments and, more generally, its financial commitments, the Company was floated on the regulated NYSE Euronext market in Paris, Compartment C, on November 25, 2013. The total gross proceeds of the issue amounted to approximately €14 million. 1,959,259 new shares were issued as part of the offer.

July 2013:

- 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, the issue of 65,000 Company warrants in favor of Kreos and the pledge of the Company's goodwill in favor of Kreos.

- Issue of Bonds Convertible into Shares (OCA) for an amount of €1,875 thousand in May 2013 and €1,000 thousand in July 2013. These convertible bonds were automatically converted into shares (principal) at the time of the stock market introduction.

- Reduction of capital and reverse share split. At the time of the General Shareholders' Meeting of July 19, 2013, Implanet carried out a share capital reduction by absorption of prior losses and a reverse share split. See Note 10. Following these transactions, the share capital is fixed at €4,433,406 and divided into 2,955,604 shares, each with a nominal value of €1.50.

1st half of 2013

- The first surgical spinal operations in the United States utilizing JAZZ (System for posterior fixture and reduction of spinal deformity by means of a polymer sub-laminar band and a metallic connector) were carried out at the end of June 2013.

- At the end of February 2013, the Company created a distribution subsidiary in the United States, in New York State. The corporate name of this entity is IMPLANET AMERICA, INC. and it is included in the consolidated financial statements at December 31, 2013.

Issue of bonds redeemable in shares (ORA) for an amount of €1,544 thousand in January 2013. These bonds were automatically reimbursed in shares (principal and interest) at the time of the stock market float.

1.3 Subsequent events

March 2015:

The Company carried out a secondary fund-raising while maintaining the preferential subscription right for an amount of €11,177 thousand, issue premium included. 4,967,558 new shares were issued as part of the offer.

February 2015:

The Company announced that it had definitively obtained intellectual ownership of its JAZZ technology in Europe until 2031 (patent number EP 2521500).

Note 2: Accounting principles, rules and methods

The financial statements are presented in euros unless indicated otherwise.

2.1 Principle for preparation of the financial statements

Declaration of compliance

Implanet 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 referential, available on the website of the European Commission (http://ec.europa.eu/internal_market/accounting/ias_fr.htm), incorporates the international accounting standards (IAS and IFRS), and the interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Interpretations Committee (IFRIC).

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 following notes.

Going concern principle

The **going concern principle** was used by the Board of Directors in view of the following factors enabling the Company to cover its future cash requirements:

- the Company's available cash (€2.1 million);
- its cash balances (other non-current financial assets for €0.3 million and other current financial assets for €2.8 million);
- and the capital increase (issue premium included) of €11.2 million completed in March 2015.

The loss-making situation of the Company 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, etc.).

Accounting methods

The accounting principles used are identical to those used for the preparation of the annual IFRS financial statements for the fiscal year ended December 31, 2013, 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, 2014:

Standards, amendments to standards and interpretations applicable with effect from the fiscal year commencing on January 1, 2014

The Company has applied the following new standards, amendments to standards and interpretations with effect from the start of the 2014 fiscal year:

- IFRS 10 – Consolidated financial statements
- IFRS 11 – Joint Agreements

- IFRS 12 – Disclosure of interests in other entities
- IAS 27 Revised – Separate financial statements
- IAS 28 Revised (2011) – Investments in associates and joint ventures
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – transition arrangements
- Amendments to IFRS 10, IFRS 12 and IFRS 27 – Investment entities
- Amendments to IAS 32 – Financial instruments: Presentation – offsetting financial assets and financial liabilities
- Amendments to IAS 36 - Impairment of assets: recoverable amount disclosures for non-financial assets
- Amendments to IAS 39 – Financial instruments: recognition and measurement - novation of derivatives and continuation of hedge accounting

These new texts published by the IASB have not had any significant impact on the Company's financial statements.

Standards and interpretations adopted by the European Union but not yet mandatory

- Amendment to IAS 19 – Employee contributions
- Improvements to IFRS (2010(2012) Cycle and 2011(2013) Cycle)
- IFRIC 21 – Levies

The Group is currently in the process of assessing the impacts resulting from the first application of these new texts. It does not anticipate any significant impact on its financial statements.

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, 2014.

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 or founders' warrants 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 11.

- 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 IAS 39.
    - The valuation assumptions used are presented in Note 12.

- 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 Notes 2.7 and 3.

- 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 Notes 2.12 and 6 respectively.

- Impairment of trade receivables:
    - The Company makes an analysis of its trade receivables in order to establish on a case-by-case basis the level of provision for impairment, based on the risk of non-recovery. 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 Notes 2.16 and 7.1 respectively.

- Recognition of revenue:

- The Company recognizes income when the amount can be estimated reliably, when it is probable that the future economic benefits will accrue to the Company and when the specific criteria are fulfilled for the Company's business. The Company must make use of its judgment and its interpretation in order to determine that the criteria for the recognition of income, defined by IAS 18, are fulfilled,
- The accounting principles applied by the Company in terms of recognition of income are specified in Note 2.24.

- 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 14.

2.4 Consolidation scope and methods

Subsidiaries

The subsidiaries are all the entities for which the Company has the power to direct the financial and operating policies, a power generally accompanied by the holding of more than one half of the voting rights. 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.

On the date of publication of the annual consolidated financial statements, the Company only has one wholly-owned subsidiary, Implanet America Inc., which it created at the end of February 2013.

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.

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 reserves".

The following exchange rates were used during the 2014 and 2013 fiscal years:

USD - US dollar	12/31/2014	12/31/2013
Closing rate	1.2141	1.3758
Average rate	1.3049	1.3000

2.7 Distinction between current and non-current

The Company applies a balance sheet presentation that distinguishes between the current and non-current parts of the assets and liabilities.
The distinction between current and non-current items was carried out on the basis of the following rules:

- the assets and liabilities constituting the working capital requirement falling within the normal business cycle are classified as "current";
- assets and liabilities outside the normal cycle of operations are presented as "current", on the one hand or as "non-current" on the other hand, depending on whether their due date is in more or less than one year or in accordance with the application of the specific cases referred to in IAS 1.

2.8 Intangible fixed assets

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 development costs included in assets are depreciated on a straight-line basis over their useful life of five years.
The depreciation charge for capitalized development expenses is presented under the "Cost of regulatory affairs and quality assurance" and "Research and Development expenses" categories, depending on the origin of the capitalized expense.

Software programs

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.

Depreciation term and expense

Where they 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	Depreciation terms
Development expenses	5 years
Software licenses and development	1 to 3 years
Management and accounting software packages (SAP)	3 to 5 years

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

- administrative expenses for software and accounting software packages;

- Research and Development expenses for the depreciation of capitalized development expenditure.

2.9 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 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

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 stocks and are considered to be available for sale.

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

- 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).

2.10 Leasing contracts

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

Leasing contracts, for which essentially all the risks and benefits are retained by the lessor, are classified as operating leases. Payments made for these operating leases, net of any incentives, are recognized under expenses in the income statement on a straight-line basis over the term of the contract.

2.11 Recoverable value of the non-current assets

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.

At December 31, 2014, no non-current asset shows any internal or external indication of loss of value.

2.12 Financial assets

The Company's financial assets are classified into categories based on their type and the reason for their holding:

- financial assets at fair value in the income statement;
- loans and receivables.

All financial assets are initially recognized at cost, which corresponds to the fair value of the price paid, plus any acquisition costs.
All regular way purchases and sales of financial assets are recognized on the date of settlement.

Financial assets at fair value through the income statement

This category includes marketable securities and medium-term notes (BMTN).

They represent assets held for trading purposes, i.e. assets acquired by the business with the intention of disposing of them in the short term. 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.

Loans and receivables

This category includes other loans and receivables and trade receivables.
Non-current financial assets include advances and guarantee deposits given to third parties, as well as term deposits which are not deemed to be cash equivalents. Advances and guarantee deposits are non-derivative financial assets with determined or determinable payments, which are not listed on an active market.
Such assets are recognized at amortized cost, using the effective interest rate method. Gains and losses are recognized in profit or loss when the loans and receivables are written off or impaired.

2.13 Liquidity contract

Following its listing on the NYSE Euronext Paris stock market, the Company signed a liquidity contract on November 20, 2013 with Banque Oddo et Cie in order to limit the intra-day volatility of Implanet shares.

For this purpose, the Company entrusted €400,000 to this institution in order that the latter can take long or short positions in the Company's shares. The part of the contract that is invested in the Company's treasury shares by this service provider is recognized as a deduction from the Company's consolidated shareholders' equity at December 31, 2014, 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".

2.14 Inventories

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.

A provision for the impairment of inventories is determined based on the probable net realizable value of its inventories, which is calculated based on historical and forecast data: average consumption period for products in inventories and its potential impact on the term remaining until the expiry date of said products.

2.15 Cash, cash equivalents and financial instruments

The cash and short-term deposits 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 investments with a maturity date of more than three months (term deposits and medium-term notes) are presented in other current or non-current financial assets depending on their maturity dates.

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 net financial income.

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

2.16 Fair value of financial instruments

The marketable securities qualified as cash equivalents at the end of the fiscal year as well as the cash investments presented under other financial assets (term deposits and medium-term notes) are recognized at fair value in profit or loss, their fair value being based on their market value.

Loans and financial debts (excluding derivative liabilities) are recognized at amortized cost, calculated using the effective interest rate (EIR).

Derivative liabilities are recognized at fair value in the income statement, the fair value being determined using the Black & Scholes valuation model.

The fair value of trade receivables and trade payables is deemed to be their balance sheet value, in view of the very short payment maturities of these outstandings. The same is true for other receivables and other current liabilities.

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 for which valuation uses valuation techniques based on observable parameters;
- level 3 category: financial instruments for which valuation uses valuation techniques based in full or in part on non-observable parameters; a non-observable parameter is defined as a parameter from 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.

Instruments recognized at fair value in profit or loss held by the Company are:

- cash equivalents, term deposits and MTN falling into the level 1 category;
- derivative liabilities, falling into the level 3 category.

2.17 Government subsidies receivable

Conditional advances

The Company benefits from a certain amount of government aid, in the form of subsidies or conditional advances. The detail of this aid is supplied in Note 12.3.

It is recognized in accordance with IAS 20. Since it consists of financial advances granted at interest rates lower than those of the market, these advances 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 interest-free repayable advances are granted is considered to be a subsidy recognized in income in the statement of comprehensive income;
- the financial cost of the repayable advances calculated at market rates is subsequently recognized in financial expenses.

The subsidies are presented at the level of the category:

- "Research and Development" for those relating to innovation aid and the financing of research activities;
- "Sales, distribution and marketing" for those relating to prospecting in new geographical regions.

These advances are recognized in "Non-current debt" and "Current debt" depending on their maturities. 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. Operating subsidies are presented in the income statement according to the nature of the subsidized expenses.

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.

The research tax credit is presented in the statement of comprehensive income 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.
The part of the research tax credit relating to capitalized R&D expenses is recognized as a deduction from assets.

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

The Company received reimbursement of the research tax credit for 2013 during the year following the closure of the fiscal year concerned.

Business competitiveness tax credit

The business competitiveness tax credit (CICE) is a French tax scheme. The income is recorded as a deduction of payroll expenses. The CICE represents 4% of the remuneration paid for 2013 and 6% of the remuneration paid over the following years.

2.18 Receivables

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.
Trade receivables are partially the subject of transfers under the terms of a factoring contract. In accordance with the provisions of IAS 39, this transfer does not give rise to derecognition since Implanet 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.

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.

2.19 Capital

Classification under shareholders' equity depends on the specific analysis of the characteristics of each instrument issued. Ordinary shares and preference shares can therefore be classified as equity instruments.

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

2.20 Share-based payments

Since its creation, the Company has put in place several equity-settled remuneration plans in the form of share subscription warrants (BSA) or founders' warrants (BSPCE) awarded to employees, executives, consultants and members of the Board of Directors.

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.

The Company has applied IFRS 2 to all equity instruments granted, since the creation of the Company, to employees, to 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.

The full assumptions used for the evaluation of the plans are described in Note 11.

2.21 Provisions

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.

2.22 Employment-related commitments

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.

2.23 Loans

Financial liabilities are classified in two categories:

- financial liabilities recognized at amortized cost;
- financial liabilities recognized at fair value in the income statement.

Financial liabilities recognized at amortized cost

Non-convertible bonds and other financial liabilities, such as conditional advances, are recognized at amortized cost calculated using the effective interest rate. The fraction of financial debts due in less than one year is presented in "Current debts".

In accordance with the provisions set out in IAS 32, bonds redeemable in shares (ORA) and bonds convertible into shares (OCA_{2013}) issued by the Company are subject to specific analysis.
On the date of issue of ORA and OCA_{2013}, since the instruments may be unwound other than by the exchange of a fixed number of treasury shares for a fixed amount of cash, the instrument has been classified under debts and is recognized in accordance with the amortized cost method.

Financial liabilities are recognized at fair value in the income statement.

The Company issued 65,000 share subscription warrants (BSA) in favor of KREOS on July 19, 2013 (see Note 12.4).
The analysis carried out on the KREOS warrants with regard to IAS 32 has led to the conclusion that it is impossible to qualify these warrants as equity instruments, given the variability of the exercise price and therefore the amount of cash to be remitted in exchange. Since the variable is financial, this is a derivative liability falling within the scope of IAS 39.
These share subscription warrants (BSA) are recognized as derivative liabilities at their fair value on the date of issue.

Subsequently, they are valued at fair value, with changes in this fair value recognized in net financial income.
See Note 12.4 for the financial impact.

2.24 Receivables and liabilities denominated in foreign currencies

The liabilities and receivables denominated in foreign currencies are recognized using the exchange rate at the time of the initial transaction. At the year-end, the corresponding assets and liabilities are valued at the year-end exchange rate.

2.25 Corporation tax

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.

2.26 Revenues

The Company's income results from the sale of orthopedic implants.

Income from ordinary activities corresponds to the fair value of the consideration received or to be received in respect of the goods sold during the ordinary course of the Company's business. The income from ordinary activities is shown net of value added tax, product returns, rebates and discounts.

The Company recognizes income when the amount can be estimated reliably, when it is probable that the future economic benefits will accrue to the Company and when the specific criteria are fulfilled for the Company's business.

The recognition of income depends on the nature of the sales made by the Company:

- **Export sales (outside the U.S.) to distributors:** the transfer of title and the recognition of income occur at the time of collection of the merchandise from IMPLANET (Incoterms: EX-WORKS). Contracts do not include specific clauses for returns.

- **Sales in France to hospitals and clinics:** the invoicing and recognition of income take place at the time of the effective fitting of the implant in a patient, based on information provided by the healthcare facilities.

- **Sales in France and the U.S. 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 Exports via sales agents:**
    - invoicing of healthcare facilities and the recognition of income are carried out directly by IMPLANET on receipt of the information related to the fitting of implants;
    - agents' commission is recognized under "Sales, distribution and marketing expenses", at the same time as in the income statement.

2.27 Segment information

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

The assets and the operating loss presented are located in France.

The Research and Development expenses, and the majority of administrative and marketing 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.

2.28 Other comprehensive income

The items of income and expenditure for the period recognized directly in shareholders' equity are presented, where applicable, under "Other comprehensive income".

2.29 Presentation of the income statement

The Company presents its income statement by intended use.
The intended use of the expenses is given in Note 17.

Impairment of trade receivables and inventories

Impairment of trade receivables is presented under expenses relating to the "Sales, distribution and marketing" category.

Impairment of inventories is recognized under the "Operating" expenses category.

Net financial income

Net financial income includes all:

- expenses related to the financing of the Company: interest paid, changes in the fair value of derivatives and accretion of repayable advances and financial liabilities (refer to Note 12);
- income related to interest received on financial investments (term deposits and MTN).

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

2.30 Net earnings per share

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 (BSA, BSPCE, etc.) within the calculation of diluted earnings per share generates an anti-dilutive effect, these instruments are not taken into account.

Note 3: Intangible fixed assets

GROSS VALUE OF INTANGIBLE FIXED ASSETS (Amounts in euros)	Software (lease-financing)	Software	Development expenses	In progress	Total
Statement of financial position at December 31, 2012	**49,643**	**217,458**	**823,797**	**0**	**1,090,898**
Capitalization of development expenses	0	0	0	0	0
Acquisition	0	53,308	0	6,250	59,558
Disposal	0	0	0	0	0
Transfer	0	0	0	0	0
Statement of financial position at December 31, 2013	**49,643**	**270,766**	**823,797**	**6,250**	**1,150,456**
Capitalization of development expenses	0	0	106,179	0	106,179
Acquisition	0	22,030	0	44,659	66,689
Disposal	(24,120)	0	0	0	(24,120)
Transfer	0	0	0	(6,250)	(6,250)
Statement of financial position at December 31, 2014	**25,523**	**292,796**	**929,976**	**44,659**	**1,292,954**

DEPRECIATION AND AMORTIZATION					
Statement of financial position at December 31, 2012	**30,086**	**43,754**	**93,551**	**0**	**167,391**
Increase	18,212	113,758	164,760	0	296,729
Decrease	0	0	0	0	0
Statement of financial position at December 31, 2013	**48,297**	**157,512**	**258,311**	**0**	**464,120**
Increase	1,346	64,638	164,759	0	230,743
Decrease	(24,120)	0	0	0	(24,120)
Statement of financial position at December 31, 2014	**25,523**	**222,150**	**423,070**	**0**	**670,743**

NET CARRYING AMOUNT					
At December 31, 2012	**19,557**	**173,704**	**730,246**	**0**	**923,507**
At December 31, 2013	**1,346**	**113,254**	**565,486**	**6,250**	**686,336**
At December 31, 2014	**0**	**70,645**	**506,906**	**44,659**	**622,212**

The project for which the development costs were capitalized during previous fiscal years is the “JAZZ” project. In 2014, the capitalized development costs concerned the "JAZZ CROCHET" and "JAZZ AUTOSTATIQUE" projects. There has not been any indication of loss of value in application of IAS 36.

Note 4: Property, plant and equipment

The technical installations, equipment and tooling principally comprise ancillary devices commissioned when they are delivered to healthcare facilities.

GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT (Amounts in euros)	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)	In progress	Total
Statement of financial position at December 31, 2012	**3,999,776**	**1,264,611**	**82,537**	**278,182**	**205,318**	**569,130**	**7,794**	**0**	**6,407,349**
Acquisition	389,104	0	0	0	5,005	0	0	0	394,109
Disposal	(301,994)	0	0	0	0	0	0	0	(301,994)
Transfer	0	0	0	0	0	0	0	0	0
Statement of financial position at December 31, 2013	**4,086,886**	**1,264,611**	**82,537**	**278,182**	**210,323**	**569,130**	**7,794**	**0**	**6,499,464**
Acquisition	1,445,356	750,400	6,566	0	30,029	0	0	92,253	2,324,605
Disposal	(1,843,580)	0	0	0	0	(432,544)	0	0	(2,276,124)
Transfer	0	0	0	0	0	0	0	0	0
Statement of financial position at December 31, 2014	**3,688,661**	**2,015,012**	**89,103**	**278,182**	**240,352**	**136,586**	**7,794**	**92,253**	**6,547,944**

DEPRECIATION AND AMORTIZATION									
Statement of financial position at December 31, 2012	**2,552,158**	**452,033**	**53,288**	**211,988**	**162,081**	**485,977**	**444**	**0**	**3,917,969**
Increase	974,198	282,299	11,690	55,727	19,226	83,153	1,558	0	1,427,852
Decrease	(233,911)	0	0	0	0	0	0	0	(233,911)
Statement of financial position at December 31, 2013	**3,292,445**	**734,332**	**64,978**	**267,716**	**181,307**	**569,130**	**2,002**	**0**	**5,111,909**
Increase	632,515	249,941	10,385	0	22,091	0	1,558	0	916,490
Decrease	(1,082,965)	0	0	(6,825)	0	(432,544)	0	0	(1,522,334)
Statement of financial position at December 31, 2014	**2,841,995**	**984,273**	**75,363**	**260,891**	**203,398**	**136,586**	**3,560**	**0**	**4,506,065**

NET CARRYING AMOUNT									
At December 31, 2012	**1,447,618**	**812,578**	**29,249**	**66,194**	**43,237**	**83,153**	**7,350**	**0**	**2,489,380**
At December 31, 2013	**794,441**	**530,279**	**17,559**	**10,466**	**29,016**	**0**	**5,792**	**0**	**1,387,554**
At December 31, 2014	**846,666**	**1,030,739**	**13,741**	**17,291**	**36,954**	**0**	**4,234**	**92,253**	**2,041,878**

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

Note 5: Other financial assets

OTHER FINANCIAL ASSETS (Amounts in euros)	12/31/2014	12/31/2013
Term accounts	0	301,316
Medium-term notes (MTN)	2,801,281	8,505,851
Deposit - Kreos loan	190,735	190,735
Liquidity contract	91,598	237,725
Guarantees	47,439	44,684
Total other non-current financial assets	**3,131,053**	**9,280,311**
Term accounts	308,116	0
Medium-term notes (MTN)	0	2,001,091
Total other current financial assets	**308,116**	**2,001,091**

Non-current financial assets comprise:

- medium-term notes remunerated with progressive variable rates of interest based on the investment term (€1.5 million with a term ending December 2017 and €1.3 million with a term ending December 2016); a pledge of €300 thousand of 2017 medium-term notes to the Banque Courtois under a lease-back agreement;
- a guarantee deposit in favor of Kreos for €191 thousand, as part of the implementation of the €5 million bond issue in 2013; See Note 12.4;
- the cash reserve related to the liquidity contract;
- sureties in respect of the commercial leases for its French and US premises.

The current financial assets comprise two term deposits subscribed in 2012, each with a value of €150,000. These two term deposits are for a 36-month period and they mature in July and December 2015. The term deposit maturing in July 2015 is pledged under a lease financing agreement with the bank HSBC.

Note 6: Inventories

INVENTORIES (Amounts in euros)	12/31/2014	12/31/2013
Inventories of raw materials	116,314	207,335
Inventories of goods for resale	2,895,512	5,008,440
Inventories of semi-finished products	15,372	0
Inventories of ancillary devices and instruments	829,096	1,210,827
Gross total inventories	**3,856,294**	**6,426,602**
Impairment of inventories of raw materials	0	0
Impairment of inventories of goods for resale	(720,642)	(2,057,579)
Impairment of stocks of ancillary devices and instruments	(39,414)	(252,098)
Total impairment of inventories	**(760,056)**	**(2,309,677)**
Net total inventories	**3,096,238**	**4,116,925**

Composition of the inventories

This inventory of raw materials essentially comprises polymer components, reels of wire (manufacture of the JAZZ braid), product manuals, RFID chips (radio-frequency identification) 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.

Provision for impairment of inventories

During the 2013 fiscal year, the Company decided to proceed with the progressive withdrawal from the less profitable activities. This decision resulted in an additional impairment charge on inventories at December 31, 2013, particularly relating to the products in the "hips" range. During the first half of 2014, the latter were the subject of divestment, leading to a €1.5 million reversal of the impairment charge on inventories of goods and ancillary devices.

Note 7: Receivables

7.1 Trade receivables

TRADE RECEIVABLES AND RELATED ACCOUNTS (Amounts in euros)	12/31/2014	12/31/2013
Trade receivables and related accounts	2,643,707	2,537,988
Impairment of trade receivables and related accounts	580,824	200,869
Net total of trade receivables and related accounts	**2,062,883**	**2,337,119**

The Company's products are sold to public and private hospitals and to distributors. The risk of default has been assessed as low.
The provision for impairment of customer receivables has been established on a case-by-case basis based on the estimated risk of non-recovery.

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

TRADE RECEIVABLES AND RELATED ACCOUNTS (Amounts in euros)	12/31/2014	12/31/2013
Not yet due	1,451,395	1,399,359
Due for less than 90 days	279,852	533,249
Due for between 90 days and 6 months	34,654	230,181
Due for between 6 and 12 months	249,267	118,765
Due for more than 12 months	628,540	256,434
Gross total trade receivables and related accounts	**2,643,707**	**2,537,988**

7.2 Other receivables

OTHER RECEIVABLES (Amounts in euros)	12/31/2014	12/31/2013
Research tax credit (1)	378,877	302,377
Value added tax (2)	555,518	575,240
Employees and related accounts	16,300	9,175
Trade payable debit balances	53,021	64,480
Business competitiveness tax credit (4)	34,954	19,906
Prepaid expenses (3)	142,359	172,043
Miscellaneous	0	6,000
Total other receivables	**1,181,029**	**1,149,221**

(1) Research tax credit (CIR)

The Company benefits from the provisions of Articles 244 quarter B and 49 *septies* F of the French General Tax Code relating to research tax credits. In accordance with the principles described in Note 2.15, the research tax credit is recognized as a deduction from the research expenses during the year to which the eligible research expenses are related or as a deduction from the fixed assets where capitalized development costs are concerned.
It is presented as a subsidy at the level of the "Research and Development expenses" category and the "Cost of regulatory affairs and quality assurance" category.

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:

- CIR 2014: €378,877, reimbursement expected in 2015
- CIR 2013: €302 377, amount reimbursed in 2014

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

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

PREPAID EXPENSES (Amounts in euros)	12/31/2014	12/31/2013
Leases	39,715	52,189
Insurance policies	28,361	99,655
IT Maintenance	31,925	2,492
Fees	0	8,573
Conferences	18,944	0
Miscellaneous	23,415	9,134
Total prepaid expenses	**142,359**	**172,043**

(4) The competitiveness and employment tax credit (CICE) may be reimbursed in the year following that of its recognition considering the Company's European Union SME status:

- CICE 2014: €34,957, reimbursement request made in 2015
- CICE 2013: €19,906, amount reimbursed in 2014

Note 8: Marketable securities and cash

The cash and cash equivalents item is broken down as follows:

CASH AND CASH EQUIVALENTS (Amounts in euros)	12/31/2014	12/31/2013
Bank accounts	1,111,120	1,964,742
Term accounts	1,000,069	1,000,792
Total cash and cash equivalents	**2,111,188**	**2,965,534**

The term account of €1 million was subscribed on August 1, 2013 for a term of 64 days, subject to tacit renewal.

Note 9: Financial assets and liabilities and effects on net income

The Company's assets and liabilities are valued as follows at December 31, 2013 and December 31, 2014:

(Amounts in euros)	12/31/2014		Value - statement of financial position in accordance with IAS 39			Non-financial instruments
Balance sheet headings	Value Statement of financial position	Fair Value	Fair value through the income statement	Loans and receivables	Liabilities at amortized cost	
Non-current financial assets	3,131,053	3,131,053	2,801,281	329,772		
Trade receivables and related accounts	2,062,883	2,062,883		2,062,883		
Other receivables	1,181,030	1,181,030		1,181,030		
Current financial assets	308,116	308,116	308,116			
Cash and cash equivalents	2,111,188	2,111,188	1,000,069	1,111,120		
Total assets	**8,794,270**	**8,794,270**	**4,109,466**	**4,684,805**	**0**	**0**
Current financial liabilities	2,473,224	2,473,224			2,473,224	
Non-current financial debts	1,722,170	1,722,170			1,722,170	
Trade and other accounts payable	2,297,232	2,297,232			2,297,232	
Derivatives-liabilities	8,530	8,530	8,530			
Other creditors and miscellaneous liabilities	15,875	15,875			15,875	
Total liabilities	**6,517,031**	**6,517,031**	**8,530**	**0**	**6,508,501**	**0**

(Amounts in euros)	12/31/2013		Value - statement of financial position in accordance with IAS 39			Non-financial instruments
Balance sheet headings	Value Statement of financial position	Fair Value	Fair value through the income statement	Loans and receivables	Liabilities at amortized cost	
Non-current financial assets	9,280,311	9,280,311	8,807,167	473,144		
Trade receivables and related accounts	2,337,119	2,337,119		2,337,119		
Other receivables	1,149,221	1,149,221		1,149,221		
Current financial assets	2,001,091	2,001,091	2,001,091			
Cash and cash equivalents	2,965,534	2,965,534	1,000,792	1,964,742		
Total assets	**17,733,276**	**17,733,276**	**11,809,050**	**5,924,226**	**0**	**0**
Current financial liabilities	2,703,256	2,703,256			2,703,256	
Non-current financial debts	3,211,750	3,211,750			3,211,750	
Trade and other accounts payable	3,216,886	3,216,886			3,216,886	
Derivatives-liabilities	78,838	78,838	78,838			
Other creditors and miscellaneous liabilities	1,864	1,864			1,864	
Total liabilities	**9,212,595**	**9,212,595**	**78,838**	**0**	**9,133,757**	**0**

(Amounts in euros)	Impacts on the income statement at December 31, 2014		Impacts on the income statement at December 31, 2013	
	Interest	Changes in fair value	Interest	Changes in fair value
Assets				
Assets at fair value through the income statement		8,343		6,481
Loans and receivables	74,440		5,861	
Cash and cash equivalents		69		792
Liabilities				
Derivatives-liabilities		(70,308)		(135,286)
Liabilities valued at amortized cost: bond issues	571,500		374,706	
Liabilities valued at amortized cost: advances	10,162		20,355	

Note 10: Capital

Issued capital

COMPOSITION OF THE SHARE CAPITAL	12/31/2014	12/31/2013
Capital (in euros)	8,099,283	8,099,283
Number of shares	5,399,522	5,399,522
of which, Ordinary shares	5,399,522	5,399,522
Nominal value (in euros)	€ 1.50	€ 1.50

The share capital is fixed at the sum of €8,099,283. It is divided into 5,399,522 ordinary shares which are fully subscribed and paid up with a nominal value of €1.50.

This number is stated exclusive of share subscription warrants (BSA) and founders' warrants (BSPCE) granted to certain investors and individuals, whether employees or not of the Company, and which have not yet been exercised.

No change was made to the share capital in the 2014 fiscal year.

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. At December 31, 2014, 49,100 treasury shares were recognized as a deduction from shareholders' equity. The income from the disposal of these treasury shares is also recognized directly in shareholders' equity.

Equity line of credit with Kepler Cheuvreux

The Company opened an optional equity line of credit with Kepler Cheuvreux on July 9, 2014. Implanet has the option to ask Kepler Cheuvreux to subscribe for new shares that may be issued in tranches during the next 24 months, within the overall limit of 530,000 shares. Kepler Cheuvreux has made a firm subscription undertaking at the exclusive request of IMPLANET. The Company did not use this line of credit during the 2014 fiscal year.

Distribution of dividends

The Company did not distribute any dividends during the fiscal years ended December 31, 2014 and December 31, 2013.

Note 11: Share subscription warrants and founders' warrants

Share subscription warrants (BSA)

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

						Assumptions used - calculation of the fair value in accordance with IFRS 2				
Date	Type	Number of warrants issued	Number of lapsed options	Number of options in circulation	Maximum number of shares to be issued - (1)	Subscription price per share - in €	Exercise period	Volatility	Risk-free rate	Total valuation initial IFRS2 (Black&Scholes)
At December 31, 2010		**0**	**0**	**0**	**0**					
General Shareholders' Meeting of September 26, 2011	BSA $_{09/11}$	60,000	0	60,000	6,000	10.00 €	10 years	37.90%	1.69%	17,413 €
At December 31, 2011		**60,000**	**0**	**60,000**	**6,000**					
General Shareholders' Meeting of June 29, 2012	BSA $_{05/12}$	10,245	0	10,245	1,025	10.00 €	10 years	37.17%	1.46%	2,867 €
General Shareholders' Meeting of June 29, 2012	BSA $_{2012}$	165,000	0	165,000	16,500	15.00 €	10 years	37.17%	1.46%	16,984 €
General Shareholders' Meeting of October 11, 2012	BSA $_{09/2012}$	100,000	0	100,000	10,000	15.00 €	10 years	37.17%	1.04%	9,564 €
At December 31, 2012		**335,245**	**0**	**335,245**	**33,525**					
General Shareholders' Meeting of January 22, 2013	BSA $_{01/2013}$	25,000	0	25,000	2,500	15.00 €	10 years	37.49%	1.08%	2,486 €
At December 31, 2013		**360,245**	**0**	**360,245**	**36,025**					
Board meeting of January 8, 2014	BSA $_{01/2014}$	27,398	0	27,398	27,398	6.68 €	10 years	34.05%	1.30%	53,318 €
At December 31, 2014		**387,643**	**0**	**387,643**	**63,423**					

(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.

The rights to exercise the share subscription warrants (BSAs) issued between 2010 and 2013 are acquired immediately on the date of award by the General Shareholders' Meeting or the Board of Directors.
The right to exercise the warrants issued on January 8, 2014 are acquired by third parties:

- 1/3 on January 8, 2015;
- 1/3 on July 8, 2015;
- 1/3 on January 8, 2016.

Founders' warrants (BSPCE)

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

						Assumptions used - calculation of the fair value in accordance with IFRS 2				
Award date	Type	Number of warrants issued	Number of lapsed options	Number of options in circulation	Maximum number of shares to be issued - (1)	Exercise price in €	Exercise period	Volatility	Risk-free rate	Total valuation initial IFRS2 (Black&Scholes)
Board meeting of December 29, 2007	BSPCE $_{s/12/2007}$	100,000	80,000	20,000	2,000	15.00 €	10 years	43.02%	4.17%	34,387 €
Board meeting of February 5, 2009	BSPCE $_{s/02/2009}$	106,500	93,500	13,000	1,300	15.00 €	10 years	38.11%	3.20%	37,389 €
At December 31, 2009		**206,500**	**173,500**	**33,000**	**3,300**					
Board meeting of April 22, 2010	BSPCE $_{s/03/2010}$	167,500	137,500	30,000	3,000	15.00 €	10 years	34.57%	2.54%	63,891 €
At December 31, 2010		**374,000**	**311,000**	**63,000**	**6,300**					
Board meeting of April 6, 2011	BSPCE $_{s/06/2011}$	272,000	204,000	68,000	6,800	15.00 €	10 years	37.90%	3.12%	117,310 €
Board meeting of November 18, 2011	BSPCE $_{s/09/2011}$	103,500	54,500	49,000	4,900	15.00 €	10 years	37.90%	2.24%	45,462 €
At December 31, 2011		**746,500**	**566,500**	**180,000**	**18,000**					
General Shareholders' Meeting of June 29, 2012	BSPCE$_{05/2012}$	21,793	21,793	0	0	15.00 €	10 years	37.17%	1.46%	8,277 €
At December 31, 2012		**768,293**	**588,293**	**180,000**	**18,000**					
At December 31, 2013		**768,293**	**588,293**	**180,000**	**18,000**					
Board meeting of January 8, 2014	BSPCE$_{01/2014-1}$	39,706	10,916	28,790	28,790	6.68 €	10 years	34.05%	1.30%	83,864 €
Board meeting of January 8, 2014	BSPCE$_{01/2014-2}$	20,138	0	20,138	20,138	6.68 €	10 years	34.05%	1.30%	42,534 €
Board meeting of January 8, 2014	BSPCE$_{01/2014-3}$	1,278	639	639	639	6.68 €	10 years	34.05%	1.30%	2,699 €
Board meeting of January 8, 2014	BSPCE$_{01/2014-4}$	246,864	0	246,864	246,864	6.68 €	10 years	34.05%	1.30%	645,313 €
At December 31, 2014		**1,076,279**	**599,848**	**476,431**	**314,431**					

(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.

The BSPCE may be exercised by their holders with effect from the date of award by the Board of Directors, for up to 1/3 of the warrants awarded, per holder and per calendar year, except for the option plans dated January 8, 2014. For the latter, the BSPCE may be exercised by the holder in accordance with the following:

- for the entirety of the options attributed to the holder for the BSPCE $_{01/2014(1)}$ option plan, there is a holding period of 12 months following the date of award by the Board of Directors;
- up to 1/2 of the options awarded to the holder at the end of the 12th and 18th months following the date of award by the Board of Directors may be exercised for the BSPCE$_{01/2014(2)}$ option plan;
- up to 1/3 of the options awarded to the holder at the end of the 12th, 18th and 24th months following the date of award by the Board of Directors may be exercised for the BSPCE$_{01/2014(3)}$ and BSPCE$_{01/2014(4)}$ option plans.

Details of the expense recognized in accordance with IFRS 2 at December 31, 2013 and December 31, 2014

		2013 fiscal year					2014 fiscal year				
Type	**Grant date**	**Number of options in circulation**	**Probable cost of the plan to date**	**Cumulative expense at the start of the year**	**2013 expense**	**Cumulative expense at 12/31/2013**	**Number of options in circulation**	**Probable cost of the plan to date**	**Cumulative expense at the start of the year**	**2014 expense**	**Cumulative expense at 12/31/2014**
BSA 09/11	General Shareholders' Meeting of September 26, 2011	60,000	17,413 €	17,413 €	0 €	17,413 €	60,000	17,413 €	17,413 €	0 €	17,413 €
BSA05/12	General Shareholders' Meeting of June 29, 2012	10,245	2,867 €	2,867 €	0 €	2,867 €	10,245	2,867 €	2,867 €	0 €	2,867 €
BSA 2012	General Shareholders' Meeting of June 29, 2012	165,000	16,984 €	16,984 €	0 €	16,984 €	165,000	16,984 €	16,984 €	0 €	16,984 €
BSA 09/2012	General Shareholders' Meeting of October 11, 2012	100,000	9,564 €	9,564 €	0 €	9,564 €	100,000	9,564 €	9,564 €	0 €	9,564 €
BSA01/2013	General Shareholders' Meeting of January 22, 2013	25,000	2,486 €	0 €	2,486 €	2,486 €	25,000	2,486 €	2,486 €	0 €	2,486 €
BSA01/2014	Board meeting of January 8, 2014						27,398	53,318 €	0 €	37,690 €	37,690 €
Total - BSA		**360,245**	**49,313 €**	**46,827 €**	**2,486 €**	**49,313 €**	**387,643**	**102,631 €**	**49,313 €**	**37,690 €**	**87,003 €**

		2013 fiscal year					2014 fiscal year				
Type	**Grant date**	**Number of options in circulation**	**Probable cost of the plan to date**	**Cumulative expense at the start of the year**	**2013 expense**	**Cumulative expense at 12/31/2013**	**Number of options in circulation**	**Probable cost of the plan to date**	**Cumulative expense at the start of the year**	**2014 expense**	**Cumulative expense at 12/31/2014**
BSPCE s/12/2007	Board meeting of December 29, 2007	60,000	34,387 €	34,387 €	0 €	34,387 €	20,000	34,387 €	34,387 €	0 €	34,387 €
BSPCE s/02/2009	Board meeting of February 5, 2009	49,500	37,389 €	37,389 €	0 €	37,389 €	13,000	37,389 €	37,389 €	0 €	37,389 €
BSPCE s/03/2010	Board meeting of April 22, 2010	100,000	63,891 €	63,891 €	0 €	63,891 €	30,000	63,891 €	63,891 €	0 €	63,891 €
BSPCE s/06/2011	Board meeting of April 6, 2011	196,500	117,933 €	112,311 €	4,999 €	117,310 €	68,000	117,310 €	117,310 €	0 €	117,310 €
BSPCE s/09/2011	Board meeting of November 18, 2011	98,500	45,462 €	43,195 €	2,267 €	45,461 €	49,000	45,462 €	45,462 €	0 €	45,462 €
BSPCE05/2012	General Shareholders' Meeting of June 29, 2012	21,793	8,277 €	6,016 €	1,843 €	7,859 €	0	8,277 €	7,859 €	418 €	8,277 €
BSPCE01/2014-1	Board meeting of January 8, 2014						28,790	60,808 €	0 €	56,502 €	56,502 €
BSPCE01/2014-2	Board meeting of January 8, 2014						19,638	42,534 €	0 €	32,578 €	32,578 €
BSPCE01/2014-3	Board meeting of January 8, 2014						639	1,350 €	0 €	887 €	887 €
BSPCE01/2014-4	Board meeting of January 8, 2014						246,864	645,313 €	0 €	424,154 €	424,154 €
Total - BCE		**526,293**	**307,338 €**	**297,188 €**	**9,108 €**	**306,296 €**	**475,931**	**1,056,720 €**	**306,297 €**	**514,539 €**	**820,836 €**

Note 12: Loans and financial debts

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (Amounts in euros)	12/31/2014	12/31/2013
Financial debts - finance leases (1)	478,862	77,065
Repayable advances	158,259	219,842
Derivatives-liabilities	8,530	78,838
Bond issue (2)	1,085,050	2,914,843
Non-current financial debts	**1,730,701**	**3,290,588**
Financial debts - finance leases (1)	322,604	315,757
Repayable advances	68,520	306,775
Bond issue (2)	1,931,008	1,818,539
Debt under the factoring contract	151,092	262,186
Current financial liabilities	**2,473,224**	**2,703,256**
Total financial liabilities	**4,203,925**	**5,993,845**

(3) The debts relating to the finance leases are guaranteed by a pledge of a term deposit account for €150 thousand and a MTN for €300 thousand (see Note 23.6)
(4) The debt relating to the Kreos bond issue is guaranteed by a pledge of the Company's goodwill (see Note 23.2)

Breakdown of financial debts by maturity

The maturity of financial debts is broken down as follows for the fiscal years presented:

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (Amounts in euros)	12/31/2014			
	Gross amount	Part due in less than 1 year	From 1 to 5 years	More than 5 years
Commercial paper	0			
Financial debt - finance leases	801,466	322,604	478,862	
Repayable advances	226,779	68,520	158,259	
Current bank borrowings	0			
Bond	3,016,058	1,931,008	1,085,050	
Derivatives-liabilities	8,530		8,530	
Debt under the factoring contract	151,092	151,092		
Total financial liabilities	**4,203,925**	**2,473,224**	**1,730,701**	**0**
Current financial liabilities	*2,473,224*			
Non-current financial debts	*1,730,701*			

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (Amounts in euros)	12/31/2013			
	Gross amount	Part due in less than 1 year	From 1 to 5 years	More than 5 years
Commercial paper	0			
Financial debt - finance leases	392,821	315,757	77,065	
Repayable advances	526,617	306,775	219,842	
Current bank borrowings	0			
Bond	4,733,383	1,818,539	2,914,843	
Derivatives-liabilities	78,838		78,838	
Debt under the factoring contract	262,186	262,186		
Total financial liabilities	**5,993,845**	**2,703,256**	**3,290,588**	**0**
Current financial liabilities	*2,703,256*			
Non-current financial debts	*3,290,588*			

12.1 Financial debts – lease-financing

CHANGES IN FINANCIAL LIABILITIES - LEASE-FINANCING (Amount in euros)	Financial liabilities - lease-financing contracts	Current part	Non-current part	
			from 1 to 5 years	more than 5 years
At December 31, 2012	**978,071**	585,250	392,821	0
(+) Subscription	0			
(-) Redemption	(585,250)			
At December 31, 2013	**392,821**	315,757	77,065	0
(+) Subscription	750,400			
(-) Redemption	(341,756)			
At December 31, 2014	**801,466**	322,604	478,862	0

12.2 Repayable advances and subsidies

The table below sets out the changes in repayable advances in subsidies:

CHANGES IN REPAYABLE ADVANCES (Amount in euros)	Repayable advances			Total
	OSEO Knees	OSEO – Beep N Track	COFACE United States	
At December 31, 2012	**318,995**	**389,282**	**192,254**	**900,530**
(+) Subscription				0
(-) Redemption	(50,000)	(150,000)	(194,268)	(394,268)
Subsidies				0
Financial expenses	9,579	8,762	2,014	20,355
(+/-) Other movements				0
At December 31, 2013	**278,574**	**248,043**	**0**	**526,617**
(+) Subscription				0
(-) Redemption	(60,000)	(250,000)		(310,000)
Subsidies				0
Financial expenses	8,206	1,957		10,162
(+/-) Other movements				0
At December 31, 2014	**226,779**	**0**	**0**	**226,779**

Breakdown of repayable advances and subsidies by maturity

	Repayable advances			Total
	OSEO Knees	OSEO – Beep N Track	COFACE United States	
At December 31, 2014	**226,779**	**0**	**0**	**226,779**
Part due in less than 1 year	68,520			68,520
Part due between 1 and 5 years	158,259			158,259
Part due in more than 5 years				

	Repayable advances			Total
	OSEO Knees	OSEO – Beep N Track	COFACE United States	
At December 31, 2013	**278,574**	**248,043**	**0**	**526,617**
Part due in less than 1 year	58,731	248,043		306,775
Part due between 1 and 5 years	219,842			219,842
Part due in more than 5 years				

In 2014, the Company did not obtain any new reimbursable advance, or receive any additional payments in respect of existing advances.

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, the principal stages being:

- first payment of €280,000 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:

- €12,500 per quarter in 2013 on the last day of the quarter;
- €15,000 per quarter in 2014 on the last day of the quarter;
- €17,500 per quarter in 2015 on the last day of the quarter;
- €20,000 per quarter in 2016 on the last day of the quarter;
- €22,500 per quarter in 2017 on the last day of the quarter,

The share of the advances received which are 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 debts".

Under IFRS, the fact that the reimbursable advance does not bear annual interest means it is treated as an interest-free loan for the Company, i.e. under conditions more favorable than market rates. 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 = 3.16%) is considered to be a subsidy received from the Government.

Reimbursable OSEO Innovation advance – Beep N Track

On January 28, 2008, Implanet obtained from OSEO a €650 thousand interest-free, repayable innovation loan to "develop a new service for the computerized management of implants intended for healthcare facilities (I-SMART)".

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 €325 thousand following the signature of the contract (received on February 4, 2008);
- second payment of €195,000 thousand following the call for funds (received on April 28, 2009);
- the balance on completion of the work on April 28, 2009.

Following the technical and commercial success of the project, the reimbursement of this innovation subsidy began in accordance with the following schedule:

- no later than March 31, 2011: €100,000
- no later than March 31, 2012: €150 000
- no later than March 31, 2013: €150,000
- no later than March 31, 2014: €250,000

The fair value of this advance has been determined on the basis of an estimated interest rate of 6.87% per year.

This reimbursable advance was repaid in full at December 31, 2014.

COFACE advances

On December 28, 2009, Implanet obtained a reimbursable advance from COFACE under what is known as a "market prospecting insurance policy" covering the United States region for the Beep N Track business. IMPLANET benefits from a coverage period of four years, during which its prospecting expenditure is guaranteed within the limit of a defined budget. At the end of this phase, there begins an amortization phase of five years, during which Implanet reimburses the advance obtained on the basis of a percentage of the sales revenues earned in the regions concerned.

The terms of the contract are as follows:

- the amount of prospecting expenditure covered by the contract for the entire guarantee period (November 1, 2009 to October 31, 2013) is €1,500 thousand before application of a guarantee coefficient of 80%;
- the Company pays premiums that represent 2% of the budget covered;
- the amortization period runs from November 1, 2013 to October 31, 2018.

On February 10, 2011, Implanet received an advance of €194,268 in respect of the first year of coverage of the expenses.

Following the disposal of its Beep N Track business, COFACE requested cancellation of the market prospecting insurance policy and the repayment of the advances received, in accordance with the following schedule:

- on January 31, 2013: €64,756
- on April 30, 2013: €64,756
- on July 31, 2013: €64,756

The fair value of this advance has been determined on the basis of an estimated interest rate of 3.58% per year. The reimbursable advance from COFACE was repaid in full at December 31, 2013.

12.3 Convertible bond issues

CHANGES IN BOND ISSUES (Amount in euros)	Non-convertible KREOS bond issue	Bonds redeemable in shares ORA 2013	Convertible bonds OCA 2013	Total
At December 31, 2012	**0**	**0**	**0**	**0**
(+) Subscription	4,887,500	1,543,937	2,875,001	9,306,438
(-) Derivative liability	(214,124)			(214,124)
(-) Repayment	0	0	0	0
(+) Capitalized interest/accretion		43,526	34,521	78,047
(+/-) Impact of amortized cost	60,007	(10,105)	(8,561)	41,340
(+/-) Translation	0	(1,577,358)	(2,900,960)	(4,478,318)
At December 31, 2013	**4,733,383**	**0**	**0**	**4,733,383**
(+) Subscription				0
(-) Derivative liability				0
(-) Repayment	(1,860,324)			(1,860,324)
(+) Capitalized interest/accretion				0
(+/-) Impact of amortized cost	142,999			142,999
(+/-) Conversion				0
At December 31, 2014	**3,016,058**	**0**	**0**	**3,016,058**

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 and the pledge of the Company's goodwill in favor of KREOS.

These various transactions were completed as follows:

- the €5,000,000 bond, by issuing 5,000,000 non-convertible bonds with a nominal value of €1 each to Kreos was approved at the Company's Board of Directors' Meeting of July 19, 2013 and wholly subscribed by Kreos on July 24, 2013;
- the free issue of 65,000 share subscription warrants (BSAs) for shares in the Company to KREOS was resolved by the Extraordinary General Shareholders' Meeting of July 19, 2013. These share subscription warrants (BSA) have the following characteristics:
    - number of shares to be issued: 65,000
    - subscription price: €7.20
    - terms and conditions of exercise: the share subscription warrants (BSA) will be exercisable (and shall expire concomitantly) until the earlier of the following two events occurring:
        - the exercise of one or more transfers of Company 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 end of a period of five (5) years from the date of initial listing of all or part of the Company's shares on a regulated market or a French or foreign stock exchange.
- the Company's goodwill was pledged on July 19, 2013.

The bond is repayable in fixed monthly installments between January 1, 2014 and June 1, 2016. The bond issue bears interest at the rate of 11.5%.

At the time the bond contract was arranged, the Company incurred €112,500 in lawyers' and consultants' fees and €72,500 on the maturity date of the issue. These fees were taken into account in determining the amortization of the loan, in accordance with the amortized cost method. After taking into account the issue costs and the discount related to the share subscription warrants (BSA), the effective rate of interest of the bond amounts to 17.82%.

The share subscription warrants (BSA) are recognized in derivative liabilities and are valued at fair value, with variations in this fair value recognized in profit or loss.
The fair value was determined using the Black & Scholes valuation model.

The main assumptions used at December 31, 2014, are as follows:

- Anticipated term: 3 years
- Volatility: 29.63%
- Risk-free rate: (0).11%

The derivative liability at December 31, 2014 amounts to €8.5 thousand. The change in fair value over the period is -€70 thousand.

Note 13: Commitments to employees

Commitments to employees comprise the provision for retirement benefits, valued on the basis of the provisions set out in the applicable collective agreement, namely the collective agreement for the metallurgy industry.

This commitment only concerns employees covered by French law. The main actuarial assumptions used for evaluation of the retirement benefits are the following:

ACTUARIAL ASSUMPTIONS	12/31/2014		12/31/2013	
	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)	1.49%		3.00%	
Mortality table	INSEE 2012		INSEE 2012	
Rate of revaluation of salaries	2%		2%	
Rate of turnover	Average (AG2R table)		Average (AG2R table)	
Rate of Social Security charges	51%	47%	48%	43%

The provision for retirement commitments has changed as follows:

AMOUNTS DUE TO PERSONNEL (Amounts in euros)	Retirement benefits
At December 31, 2012	**37,477**
Past service costs	7,738
Financial costs	1,008
Actuarial differences	(11,421)
At December 31, 2013	**34,802**
Past service costs	8,532
Financial costs	1,044
Actuarial differences	30,250
At December 31, 2014	**74,628**

Note 14: Provisions

PROVISIONS (Amounts in euros)	12/31/2014				
	Amount at start of year	Allocations	Reversals	Release of surplus provisions	Amount at year end
Provisions for legal disputes	109,131		109,131		0
Provisions for employment tribunal disputes	35,500		35,500		0
Total provisions for liabilities and expenses	**144,631**	**0**	**144,631**	**0**	**0**

PROVISIONS (Amounts in euros)	12/31/2013				
	Amount at start of year	Allocations	Reversals	Release of surplus provisions	Amount at year end
Provisions for legal disputes	350,000	109,131	165,200	184,800	109,131
Provisions for employment tribunal disputes	26,800	35,500	26,800		35,500
Total provisions for liabilities and expenses	**376,800**	**144,631**	**192,000**	**184,800**	**144,631**

Disputes and liabilities

The Company may become involved in legal, administrative or regulatory procedures in the normal course of its activity. The Company recognizes a provision when it is probable that such proceedings will result in charges 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.
Following the settlement in 2014, an exceptional expense of €38 thousand was recognized resulting in a reversal of provisions in the same amount.

Tax audit

The Company was the subject of a tax audit covering fiscal years 2009, 2010 and 2011.

The Company received reassessment notifications in December 2012 (in respect of the 2009 fiscal year) and in January 2013 (in respect of the 2010 and 2011 fiscal years) amounting to charges and interest of €109 thousand, reduction of tax losses carried forward of €234 thousand, of which the Company disputed certain grounds put forward.
Following the receipt of the conclusions from the tax authority on May 27, 2013, the Company decided to recognize a provision for the amount of the reassessment notifications, namely €109 thousand at December 31, 2013.
Following the settlement in 2014 (payment of the tax adjustment), a tax expense of €109 thousand was recognized resulting in a reversal of provisions in the same amount at December 31, 2014.

Note 15: Trade payables and other current liabilities

15.1 Trade payables and related accounts

No discounting has been applied to the trade and related accounts payable, given that the amounts did not include any aging of more than one year at the end of each fiscal year in question.

TRADE PAYABLES AND RELATED ACCOUNTS (Amounts in euros)	12/31/2014	12/31/2013
Trade payables	1,276,014	2,358,298
Invoices not yet received	1,021,218	858,588
Total trade payables and related accounts	**2,297,232**	**3,216,886**

15.2 Tax and social security liabilities

Tax and social security liabilities are broken down as follows:

TAX AND SOCIAL SECURITY LIABILITIES (Amounts in euros)	12/31/2014	12/31/2013
Employees and related accounts	251,069	254,419
Social Security and other social bodies	367,686	371,099
Other taxes, duties and similar payments	130,053	38,076
Total tax and social security liabilities	**748,808**	**663,594**

15.3 Other current liabilities

Other current liabilities are broken down as follows:

OTHER CURRENT LIABILITIES (Amounts in euros)	12/31/2014	12/31/2013
Directors' fees due to members of the Board of Directors	7,500	0
Miscellaneous	8,375	1,864
Total other current liabilities	**15,875**	**1,864**

Note 16: Revenues

The Company's revenues essentially comprise the sale of orthopedic implants.

Revenue by geographic region for the last two fiscal years ended December 31, 2014 and 2013 are as follows:

REVENUES BY REGION (Amounts in euros)	12/31/2014	12/31/2013
France	3,984,975	4,407,620
United States	820,880	123,450
Rest of the World (1)	2,232,561	2,159,312
Total revenue	**7,038,416**	**6,690,382**

(1) Brazil represents 12% of consolidated revenue at December 31, 2014.

REVENUES BY TYPE OF PRODUCTS (Amounts in thousands of euros)	12/31/2014	12/31/2013
Jazz	1,774	592
Other spinal	156	219
Spinal	1,930	811
Knee + Arthroscopy	4,343	4,086
Hip	765	1,793
Total revenue	**7,038**	**6,690**

Concerning concentration of the credit risk:

- two French distributors accounted for 10% of consolidated revenue and 30% of sales at December 31, 2014;
- one export distributor accounted for 10% of consolidated revenue.

Note 17: Details of expenses and income by function

17.1 Cost of sales

COST OF SALES (Amounts in euros)	12/31/2014	12/31/2013
Purchases of raw materials and goods	(4,844,562)	(3,103,060)
Depreciation and amortization of ancillary devices	(771,925)	(1,077,185)
Reversal of inventory provision	1,516,983	0
Cost of sales	**(4,099,504)**	**(4,180,245)**

The Company decided to gradually withdraw from sectors considered to be non-strategic and with low profitability profiles. Consequently, the Company decided to effect a gradual withdrawal from the hip prosthesis market during 2014. In the financial statements as at December 31, 2013, this decision is reflected in the impairment of all products in the "hip" range (impairment of €1.5 million on the stock of goods and ancillary devices, including additional impairment of €0.8 million in 2013).
In the 2014 fiscal year, the Company divested the entire "hip" product range for €220 thousand. This amount is recognized in revenue in the income statement.
The cost of the products in the "hip" range, as well as the reversal of the corresponding provision, was entered under cost of sales leading to the recognition of a margin of 100% on this sale during the period.

17.2 Sales, distribution & marketing

SALES, DISTRIBUTION AND MARKETING (Amounts in euros)	12/31/2014	12/31/2013
Materials and supplies not for stock	(103,479)	(54,129)
Vehicle leases	(40,107)	(59,829)
Miscellaneous rentals	(2,889)	(5,058)
Hardware, equipment and works	(9,671)	(5,841)
Insurance premiums	(33,288)	(5,421)
Miscellaneous	(36,149)	(18,893)
Intermediary compensation Fees	(81,234)	(41,414)
Advertising	(218,429)	(105,769)
Transport	(23,805)	(113,887)
Travel, assignments and entertaining	(356,424)	(230,650)
Duties and taxes	(605)	(3,037)
Payroll expenses	(986,024)	(930,944)
Depreciation and amortization of fixed assets	(7,399)	(1,026)
Share-based payments	(325,666)	(2,074)
Royalties	(177,985)	(102,063)
Sales commission	(518,210)	(682,892)
Impairment of trade receivables	(379,956)	47,322
Sales, Distribution and Marketing expenses	**(3,301,320)**	**(2,315,606)**
Subsidies	0	100,000
Subsidies	**0**	**100,000**

17.3 Research and development

RESEARCH AND DEVELOPMENT (Amounts in euros)	12/31/2014	12/31/2013
Vehicle leases	(60,984)	(59,337)
Miscellaneous rentals	(1,850)	(3,820)
Hardware, equipment and works	(13,910)	(12,467)
Studies and research	(217,937)	(86,051)
Miscellaneous	(19,506)	(2,675)
Intermediary compensation Fees	(16,382)	(20,465)
Intellectual property fees	(297,625)	(130,444)
Travel, assignments and entertaining	(59,212)	(44,630)
Duties and taxes	(5,603)	(15,282)
Payroll expenses	(774,411)	(717,950)
Depreciation and amortization of fixed assets	(10,766)	(10,233)
Share-based payments	(58,660)	(981)
Capitalization of R&D expenses	99,433	0
Depreciation and amortization of capitalized R&D expenses	(100,796)	(100,796)
Research and Development costs	**(1,538,210)**	**(1,205,132)**
Research tax credit	361,350	274,846
Subsidies	**361,350**	**274,846**

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

17.4 Regulatory affairs and quality assurance

COST OF REGULATORY AFFAIRS AND QUALITY ASSURANCE (Amounts in euros)	12/31/2014	12/31/2013
Materials and supplies not for stock	(81,613)	(101,811)
Vehicle leases	(11,591)	(11,386)
Studies and research	(94,515)	(188,161)
Miscellaneous	(33,114)	(10,726)
Intermediary compensation Fees	(43,594)	(138,037)
Travel, assignments and entertaining	(11,029)	(9,319)
Payroll expenses	(475,180)	(494,033)
Capitalization of R&D costs	6,747	0
Depreciation and amortization of capitalized R&D expenses	(63,963)	(63,963)
Depreciation and amortization of fixed assets	(12,264)	(10,948)
Share-based payments	(9,244)	(1,152)
Cost of regulatory affairs and quality assurance	**(829,361)**	**(1,029,536)**
Research tax credit	17,527	27,530
Subsidies	**17,527**	**27,530**

17.5 Operations

OPERATING COSTS (Amounts in euros)	12/31/2014	12/31/2013
Materials and supplies not for stock	(24,782)	(22,617)
Equipment and real estate leases	(123,009)	(129,847)
Vehicle leases	(9,941)	(15,414)
Miscellaneous rentals	(22,210)	(55,998)
Hardware, equipment and works	(39,316)	(28,660)
Miscellaneous	(4,035)	(33,901)
Intermediary compensation Fees	10,692	(111,094)
Transport	(32,206)	(51,354)
Travel, assignments and entertaining	(11,925)	0
Payroll expenses	(528,343)	(509,678)
Depreciation and amortization of fixed assets	(138,694)	(221,769)
Inventory Provisions	32,616	(1,220,258)
Share-based payments	(30,779)	(1,175)
Operating costs	**(921,933)**	**(2,401,765)**

The cost of "operations" includes:

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

17.6 General and administrative expenses

GENERAL AND ADMINISTRATIVE EXPENSES (Amounts in euros)	12/31/2014	12/31/2013
Materials and supplies not for stock	(54,626)	(37,413)
Equipment and real estate leases	(224,265)	(196,480)
Vehicle leases	(30,167)	(17,211)
Miscellaneous rentals	(1,913)	0
Hardware, equipment and works	(180,255)	(205,158)
Insurance premiums	(226,745)	(237,446)
Miscellaneous	(5,510)	23,596
Intermediary compensation Fees	(1,009,105)	(620,031)
Advertising	(38,754)	(1,138)
Travel, assignments and entertaining	(152,606)	(133,010)
Postal and telecommunication expenses	(74,692)	(57,105)
Banking services	(66,663)	(98,759)
Duties and taxes	(77,599)	(67,759)
Payroll expenses	(983,860)	(617,165)
Depreciation and amortization of fixed assets	(96,657)	(202,833)
Share-based payments	(127,878)	(6,212)
Allocations to provisions for liabilities and expenses	0	17,998
Attendance fees	(12,000)	0
General and administrative expenses	**(3,363,295)**	**(2,456,126)**

Note 18: Headcount

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

AVERAGE HEADCOUNT	12/31/2014	12/31/2013
Managers	25.4	20.3
Employees	16.6	12.8
Total average headcount	**42.0**	**33.1**

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

AVERAGE HEADCOUNT BY GEOGRAPHIC REGION	12/31/2014	12/31/2013
France	38.5	33.1
United States	3.5	0.0
Total average headcount	**42.0**	**33.1**

Note 19: Financial income and expenses, net

FINANCIAL INCOME AND EXPENSES (Amounts in euros)	12/31/2014	12/31/2013
Amortized cost of the loan	(571,500)	(374,706)
Changes in the fair value of the derivative lial	70,308	135,286
Other financial expenses	(27,677)	(114,509)
Financial income	75,579	13,352
Foreign exchange gains and (losses)	218,033	(7,015)
Total financial income and expenses	**(235,257)**	**(347,592)**

The financial income essentially comprises the interest arising on the term deposit accounts and on the medium-term notes.

The other financial expenses essentially comprise the interest on the finance leases.

Note 20: Corporate income tax

The total amount of the tax losses at December 31, 2014 is estimated at €46,461,996, comprising:

- French tax losses which can be carried forward indefinitely, for €45,291,564;
- tax losses of the US subsidiary for US$1,732,638, of which:
    - US$1,630,660 constituted in 2014, with expiry in 2034,
    - US$101,978 constituted in 2013, with expiry in 2033.

The tax rate applicable to:

- Implanet SA is the current rate in force in France, namely 33.33%,
- Implanet America Inc. is the current rate in force in the United States, namely 44%.

In accordance with the principles set out in Note 2.24, no deferred tax assets have been recognized in the Company's financial statements apart from deferred tax credits.

Reconciliation between the theoretical and effective tax charges

Tax proof	12/31/2014	12/31/2013
Total net income/(loss)	(6,871,586)	(6,843,456)
Consolidated tax expense	0	0
Net income before taxes	**(6,871,586)**	**(6,843,456)**
Current tax rate in France	33.33%	33.33%
Theoretical tax expense at the current rate in France	**(2,290,300)**	**(2,280,924)**
Permanent differences	(104,360)	(865,904)
Share-based payments	184,058	3,864
Non-activated tax loss adjusted for deferred taxation	2,343,939	3,150,873
Differences due to tax rates	(133,337)	(7,909)
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 euros)	12/31/2014	12/31/2013
Timing differences	187,861	121,803
Losses carried forward	15,723,601	13,396,575
Total of the items treated as deferred tax assets	**15,911,462**	**13,518,378**
Timing differences	296,035	255,722
Total of the items treated as deferred tax liabilities	**296,035**	**255,722**
Net total of the items treated as deferred taxes	**15,615,426**	**13,262,657**
Unrecognized deferred taxes	(15,615,426)	(13,262,657)
Net total of deferred taxes	**0**	**0**

Note 21: Net earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the Company's shareholders by the weighted average number of ordinary shares in circulation during the fiscal year. Instruments giving deferred access to capital (warrants (BSAs), founders' warrants (BSPCEs) and convertible bonds) 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 (Amounts in euros)	12/31/2014	12/31/2013
Net income for the year	(6,871,586)	(6,843,456)
circulation	5,399,522	3,196,648
Basic earnings per share (€/share)	**(1.27)**	**(2.14)**
Diluted earnings per share (€/share)	**(1.27)**	**(2.14)**

Note 22: Related parties

22.1 Transactions with related parties

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

IMPLANET Institute

IMPLANET Institute, a non-profit association sponsored by IMPLANET, has the role of assisting young surgeons in all areas of their practice (program to prepare surgeons for setting up a practice, training in surgical techniques, etc.).

IMPLANET Institute is an independent association whose actions are decided by its Scientific Committee. The members of the association include certain shareholders and employees of the Company.

The contributions of IMPLANET to the IMPLANET Institute during the last two fiscal years were:

- €0 in 2014;
- €5 thousand in 2013.

22.2 Executives' compensation (excluding awards of capital instruments)

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

The compensation of the executive officers is broken down as follows (in euros):

Compensation of corporate officers	12/31/2014	12/31/2013
Fixed compensation due	315,567	166,177
Variable compensation due	37,500	1,319
Exceptional compensation	0	45,000
Benefits in kind	11,436	7,189
Share-based payments	354,183	3,234
Advisers' fees	170,353	72,000
Attendance fees	12,000	0
TOTAL	**901,040**	**294,919**

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

Note 23: Off-balance sheet commitments

23.1 Individual training rights (ITR)

French legislation provides for 20 hours of individual training per year under the terms of the Individual Training Right (ITR) for people who have signed an employment contract with IMPLANET. This individual training right may be accumulated over a period of six years (limit of 120 hours) and the costs are recognized as expenses when they are incurred.

At the end of each fiscal year, the rights accumulated but not consumed are approximately:

- 2,638 hours at December 31, 2014;
- 2,317 hours at December 31, 2013.

23.2 Obligation under the terms of the KREOS contract

Within the framework of the KREOS bond contract signed on July 19, 2013 (see Note 12.4), the Company granted to KREOS the following sureties and commitments:

- pledge of the business goodwill in favor of KREOS;
- commitment by the Company not to contract, without prior authorization from KREOS, debt of more than €2,500,000 other than (a) the KREOS bond, (b) borrowings to cover the working capital requirement, (c) advances from OSEO (or any other support or advance from public bodies), (d) the issue of convertible bonds or bonds redeemable in shares, or (e) current account advances from shareholders;
- commitment by the Company not to proceed with any pledge or transfer of any assets, except in the normal course of its business.

23.3 Commercial leases

Property leases

As part of its activities, the Company has concluded property leasing contracts:

Implanet SA has concluded two commercial leases:

- for its administrative building, effective on October 8, 2007;
- for its logistics building, effective on December 15, 2010.

These buildings are located at the registered office of the Company in the Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France.

Implanet America Inc. works from an office building, rented under a short-term lease effective on December 1, 2014, located at Faneuil Hall Market Place, 3rd Floor, Boston, Massachusetts, 02109, United States.

Terms and early departure compensation payments – French property leases

The property leases granted in France have a term of nine full and consecutive years with the option for the Company to give notice on the leases only every three years.
In the event of early departure from the logistics building, the lessor may demand a compensation payment in respect of the internal improvements which were installed and financed by it. These improvements give rise to the payment of lease rental surcharges of €1,833 per month for a period of 84 months. The amount of the compensation payment would be equal to the amount of the remaining lease rental surcharges, namely €65,988 at December 31, 2014.

Charges and commitments

The amount of the rental payments recognized at the end of 2014 and the commitments up until the next three-year period are broken down as follows:

					Commitment until the next termination date	
Location	**Real estate leasing contracts**	**Effective start date of lease**	**Expiry date of lease**	**Leasing expenses (excl. charges) at 12/31/2014**	**Due in less than 1 year**	**From 1 to 5 years**
MARTILLAC	Administration building	8/10/2007	8/10/2016	136,058	136,104	106,615
MARTILLAC	Logistics building	12/15/2010	12/15/2019	126,398	126,396	186,785
BOSTON	Administrative offices	1/12/2014	04/30/2015	5,715	22,860	

23.4 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:

	Less than one year	**From 1 to 5 years**	**More than 5 years**
Off-balance sheet commitments at 12/31/2014 (amount in euros)	88,359	32,607	0

23.5 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.

23.6 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 three fiscal years presented.

Pledge of term accounts and medium-term notes

- Pledge of a €150 thousand term deposit account maturing in July 2015 under a lease financing agreement with the bank HSBC.
- Pledge of a €300 thousand medium-term note maturing in October 2017 under a lease-back agreement with Banque Courtois.

Earn-out clause – divestiture of Beep N Track to GHX

The contract for the divestiture of the Beep N Track business to GHX includes an earn-out clause on the basis of an agreement for the sharing of revenues exceeding the current business plan of GHX for the 2013(2015) fiscal years. Under the terms of this clause, the Company could receive a maximum earn-out of US$4 million.
No accrued income was recognized at December 31, 2014, given the uncertainty concerning the receipt and assessment of this earn-out.

Bank sureties

- Bank surety of €28,630 from the Banque Courtois on behalf of IMPLANET in favor of the lessor of its administrative building;
- Bank surety of €10,000 from the Banque Courtois on behalf of IMPLANET in favor of TOTAL.

Note 24: Management and measurement of financial risks

Implanet may find itself exposed to various types of financial risk: 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.

Interest rate risk

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

- the cash balances include term accounts;
- 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).

Concerning concentration of the credit risk:

- two distributors in France make up over 10% of consolidated revenue and 30% of sales at December 31, 2014;
- one export distributor accounted for 10% of consolidated revenue.

Foreign exchange risks

The chief risks related to the foreign exchange impact on purchases and sales in foreign currencies are considered non-material.
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 participating investments or investment securities that are traded on a regulated market.

Note 25: Fees of the Statutory auditors

FEES PAID TO STATUTORY AUDITORS	2014 fiscal year				2013 fiscal year			
	Ernst & Young		INKIPIO AUDIT		Ernst & Young		INKIPIO AUDIT	
(Amounts in euros)	Amount excl. taxes	%	Amount excl. taxes	%	Amount excl. taxes	%	Amount excl. taxes	%
Statutory audits	54,500	62%	36,000	67%	40,000	18%	28,000	100%
Due diligence	19,000	21%	3,000	6%	2,392	0		
Other due diligence as part of the listing on the stock market					185,565	81%		
2013 *Document de référence*	15,000	17%	15,000	28%				
Total fees	88,500	100%	54,000	100%	227,957	100%	28,000	100%

20.2. REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2014

“To the shareholders,

In compliance with the assignment entrusted to us by your General Shareholders’ Meetings, we hereby present to you our report relating to the fiscal year ended December 31, 2014, on:

- the audit of the consolidated financial statements of the Company Implanet, as attached to this report;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We carried out our audit in accordance with the professional standards applicable in France; these standards require the completion of audit work which gives reasonable assurance that the consolidated financial statements do not include any significant anomalies. An audit consists of verifying, by sampling or by other selection methods, the elements supporting the amounts and information appearing in the consolidated financial statements. It also consists of assessing the accounting methods used, the significant estimates made and the presentation of the financial statements as a whole. We believe that the information which we collected is sufficient and appropriate on which to base our opinion.

We certify that the consolidated financial statements for the fiscal year present, in accordance with the IFRS guidelines as adopted by the European Union, a true and fair view of the assets, financial position and results of the Group constituted by the persons and entities included in the consolidation.

Without questioning the opinion above, we would draw your attention to Note 2.1 “Accounting principles” in the notes to the financial statements, which describes the information underlying the going concern assumption.

II. Justification of our assessments

In accordance with the requirements of Article L. 823(9) of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matter:

Your Group recognizes impairment charges for inventories in accordance with the methods described in Note 2.14 "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.

The assessments thereby made form part of our audit approach for the consolidated financial statements, taken as a whole, and have therefore contributed to the formation of our opinion as expressed in the first part of this report.

III. Specific verification

In accordance with the professional standards applicable in France, we also carried out the specific verification provided for by law of the information relating to the Group, included in the management report.

We do not have any observations to make concerning their accuracy and their consistency with the consolidated financial statements.

Lyon et Paris-La Défense April 2, 2015

The Statutory auditors

INKIPIO AUDIT	ERNST & YOUNG Audit
Clément Albrieux	Franck Sebag

20.3. SEPARATE FINANCIAL STATEMENTS OF IMPLANET SA FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

20.3.1. Balance sheet - assets

Implanet Balance sheet assets in euros	Notes	12/31/2014 Amount	Amort. Prov.	Net carrying amount	Net carrying amount
Capital subscribed but not called					
INTANGIBLE FIXED ASSETS					
Incorporation expenses					
Development expenses					
Concessions, patents and similar rights	3	292,796.00	222,150.00	70,646.00	113,253.40
Other intangible fixed assets	3	44,659.00		44,659.00	6,250.00
PROPERTY, PLANT AND EQUIPMENT					
Land					
Buildings					
Technical installations, equipment & tooling	3	3,688,661.00	2,830,487.00	858,174.00	794,139.40
Other property, plant and equipment	3	313,689.00	285,910.00	27,780.00	43,587.00
Fixed assets in progress	3	92,253.00		92,253.00	
Advances and payments on account					
LONG-TERM FINANCIAL ASSETS					
Other investments	3	246,793.00		246,793.00	7.40
Other long-term financial assets	3	598,829.00	84,452.00	514,377.00	621,645.40
TOTAL FIXED ASSETS		**5,277,680.00**	**3,422,999.00**	**1,854,682.00**	**1,578,882.60**
INVENTORIES AND WORK IN PROGRESS					
Raw materials & supplies	4	116,314.00		116,314.00	207,335.00
Intermediate and finished products	4	15,372.00		15,372.00	
Goods for resale	4	3,555,594.00	760,056.00	2,795,538.00	3,783,477.40
Advances & down-payments paid on orders		53,022.00		53,022.00	64,480.40
RECEIVABLES					
Trade receivables & related accounts	5	2,890,120.00	580,824.00	2,309,295.00	2,252,948.40
Other receivables	5	2,408,399.00		2,408,399.00	1,375,532.40
Capital subscribed and called but not paid					
MISCELLANEOUS					
Marketable securities	6	2,800,050.00		2,800,050.00	10,500,049.40
Cash and cash equivalents	6	2,357,455.00		2,357,455.00	3,205,061.40
PREPAYMENTS AND ACCRUALS					
Prepaid expenses	7	97,379.00		97,379.00	172,043.40
TOTAL CURRENT ASSETS		**14,293,705.00**	**1,340,880.00**	**12,952,824.00**	**21,560,927.80**
Translation differences - assets		976.00		976.00	16,385.00
TOTAL ASSETS		**19,572,361.00**	**4,763,879.00**	**14,808,482.00**	**23,156,195.40**

20.3.2. Balance sheet - liabilities

Implanet Balance sheet liabilities in euros	Notes	12/31/2014	12/31/2013
SHAREHOLDERS' EQUITY			
Share or individual capital	8	8,099,283	8,099,283
Issue, merger & contribution premiums	8	12,500,647	12,489,825
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	(7,005,705)	(504,893)
NET INCOME FOR THE YEAR (profit or loss)	8	(5,288,306)	(6,500,812)
Investment subsidies			
Regulated provisions			
TOTAL SHAREHOLDERS' EQUITY		**8,305,919**	**13,583,403**
OTHER SHAREHOLDERS' EQUITY			
Income from issues of investment securities			
Conditional advances			
TOTAL OTHER SHAREHOLDERS' EQUITY			
PROVISIONS FOR LIABILITIES AND EXPENSES			
Provisions for liabilities	10	976	161,016
Provisions for expenses			
TOTAL PROVISIONS		**976**	**161,016**
LIABILITIES			
Convertible bond issues			
Other bond issues	11	3,175,926	5,000,000
Loans and debts due to financial institutions	12		
Loans and financial debt Miscellaneous (1)	13	240,000	550,000
Advances and down-payments received on orders in progress			
Trade and other accounts payable	14	2,119,853	3,196,462
Tax and social security liabilities	14	741,351	661,464
Liabilities on fixed assets and related accounts			
Other liabilities	14	13,431	
PREPAYMENTS AND ACCRUALS			
Deferred income			
TOTAL DEBT		**6,290,561**	**9,407,926**
Translation differences - liabilities		211,026	3,850
TOTAL LIABILITIES AND EQUITY		**14,808,482**	**23,156,195**

(1) The “Loans and miscellaneous financial debts” comprise repayable advances.

20.3.3. Income statement

Implanet Income statement in euros	Notes	12/31/2014 12 months	12/31/2013 12 months
OPERATING INCOME			
Sales of merchandise	16	6,764,822	7,018,430
Production sold	16	383,039	120,726
NET REVENUE		**7,147,861**	**7,139,157**
Stored production		17,678	
Operating subsidies			100,000
Reversals of depreciation, amortization and provisions, transfer of expenses		3,140,065	548,468
Other income		452	(1,646)
TOTAL OPERATING INCOME		**10,306,056**	**7,785,979**
OPERATING EXPENSES			
Purchases of goods for resale		3,738,357	3,720,153
Change in inventories of goods for resale		2,548,462	(17,275)
Purchases of raw materials and other supplies		108,324	134,125
Change in inventories of raw materials and supplies		81,445	(31,998)
Other purchases and external expenses		4,283,443	4,744,325
Taxes, duties and similar payments		117,011	124,414
Salaries and benefits		2,210,587	2,197,670
Social Security charges		1,059,050	984,260
OPERATING ALLOCATIONS			
Allocations to depreciation and amortization on fixed assets		716,551	1,031,317
Allocations to provisions on current assets		439,117	1,314,615
Allocations to provisions for liabilities and expenses			35,500
Other expenses		178,074	115,120
TOTAL OPERATING EXPENSES		**15,480,421**	**14,352,228**
NET OPERATING INCOME		**(5,174,365)**	**(6,566,248)**
Financial income	18	90,770	8,769
Financial expenses	18	559,938	366,758
NET FINANCIAL INCOME		**(469,168)**	**(357,989)**
RECURRING NET INCOME BEFORE TAXES		**(5,643,533)**	**(6,924,237)**
Non-recurring income	19	941,033	478,755
Non-recurring expenses	19	964,684	357,706
NON-RECURRING NET INCOME		**(23,651)**	**121,049**
Employees' investment in the Company's results			
Corporation Tax	20	(378,877)	(302,376)
PROFIT OR LOSS FOR THE YEAR		**(5,288,306)**	**(6,500,812)**

(Unless indicated otherwise, the amounts shown in these notes are in euros.)

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, 2014.

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

The financial statements at December 31, 2014 were approved on March 18, 2015.

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 ("Gold Standard") implants and surgical instruments by introducing innovative technological solutions.

IMPLANET's range covers arthroscopy, knee, hip and spinal products.

The IMPLANET company is hereafter referred to as the "Company".

1.2 Significant events

Fiscal year ended December 31, 2014

December 2014:

The Company decided, by way of a deed dated December 31, 2014, to increase the share capital of its subsidiary IMPLANET AMERICA INC. by US$ 300,000 by offsetting receivables.

July 2014:

The Company opened an optional equity line of credit with Kepler Cheuvreux on July 9, 2014. Implanet has the option to ask Kepler Cheuvreux to subscribe for new shares that may be issued in tranches during the next 24 months, within the overall limit of 530,000 shares. Kepler Cheuvreux has made a firm subscription undertaking at the exclusive request of IMPLANET.

1st half of 2014:

The Company has continued the process of withdrawal from the hip prostheses market by completing the disposal of all the products in the "hips" range for an amount of €220 thousand. The products sold had been fully depreciated at December 31, 2013. The sale thereby completed did not generate any cost over the period due to the reversal of the €1.5 million provision recognized previously for these products.

January 2014:

The Board of Directors' Meeting on January 8, 2014 awarded:

- 60,622 founders' warrants (BSPCE) to replace 330,935 existing BSPCEs,
- 247,364 founders' warrants (BSPCE),
- 27,398 share subscription warrants.

Fiscal year ended December 31, 2013

November 2013:

- In order to be able to finance (1) its various research and development projects, (2) the acceleration of commercial development for its JAZZ implant range, and (3) the Company's working capital requirement as well as the payment of its loan installments and, more generally, its financial commitments, the Company was floated on the regulated NYSE Euronext market in Paris, Compartment C, on November 25, 2013. The total gross proceeds of the issue amounted to approximately €14 million. 1,959,259 new shares were issued as part of the offer. See Note 8.

July 2013:

- 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 share subscription warrants (BSA) to KREOS and the pledge of the Company's goodwill to KREOS.

- Issue of Bonds Convertible into Shares (OCA) for an amount of €1,875 thousand in May 2013 and €1,000 thousand in July 2013. These convertible bonds were automatically converted into shares (principal) at the time of the stock market introduction. See Note 11.

- Reduction of capital and reverse share split. At the time of the General Shareholders' Meeting of July 19, 2013, IMPLANET carried out a share capital reduction by absorption of prior losses and a reverse share split. See Note 8. Following these transactions, the share capital is fixed at €4,433,406 and divided into 2,955,604 shares, each with a nominal value of €1.50.

1st half of 2013

- The first surgical spinal procedures in the United States using JAZZ (posterior fixation and spinal deformity reduction system by means of a polymer sub-laminar band and a metallic connector) were carried out at the end of June 2013.

- At the end of February 2013, the Company created a distribution subsidiary in the United States, in New York State. The corporate name of this entity is IMPLANET AMERICA, INC. and it is included in the consolidated financial statements at December 31, 2013.

- Issue of Bonds Redeemable in Shares ("ORA") for an amount of €1,544 thousand in January 2013. These bonds were automatically reimbursed in shares (principal and interest) at the time of the stock market float. See Note 11.

Note 2: Accounting principles, rules and methods

2.1 Principle for preparation of the financial statements

The financial statements of IMPLANET SA 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 No. 2014(03) 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 going concern assumption was used by the Board of Directors, in view of the financial capacity of the Company with regard to its financial needs for the next 12 months.

This analysis is based on the following information:

- As of December 31, 2014, cash and cash equivalents amounted to €2,357 thousand and realizable investments to €2,800 thousand (€300 thousand in terms deposits and €2,500 thousand in MTN);
- The cashing of the 2014 research tax credit (CIR), totaling €379 thousand;
- The opening of an optional equity line of credit with Kepler Cheuvreux on July 9, 2014;
- The completion of a capital increase (issue premium included) of €11,177 thousand in March 2015.

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

- its stage of development: research and development costs for projects in progress: JAZZ (posterior fixture and spinal deformity reduction system), mechanical testing, filing of patents, protection of intellectual property, etc.;
- commercial rollout costs (launch of new products, territorial expansion, etc.).

To assist the understanding of the financial statements presented, the principal valuation methods used are set out below, in particular when:

- a choice is offered by the legislation;
- an exception provided for by the regulations is used;

- the application of an accounting rule is insufficient to give a true and fair view;
- an accounting rule is waived.

2.2 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
Management and accounting software packages	3 to 5 years

The expenditure related to the registration of patents and to product development is recognized in expenses.

2.3 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.

2.4 Long-term financial assets

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.

2.5 Inventories

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.

2.6 Receivables

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 CICE represents 4% of the remuneration paid for 2013 and 6% of the remuneration paid over the following years.

2.7 Marketable securities

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.

2.8 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.

2.9 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.

2.10 Retirement Benefits

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 commitments. See Note 22.1.

2.11 Loans

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.

2.12 Government subsidies receivable

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 in Note 13.

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.

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.

The Company received reimbursement of the research tax credit for 2013 during the year following the closure of the fiscal year concerned.

2.13 Revenues

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: EX-WORKS). 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 in 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".

2.14 Research and Development expenses

Research and Development costs are recognized as expenses.

2.15 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 impairment of receivables;
- 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.

2.16 Net financial income

Net financial income mainly represents factoring interest expenses, loan interest, interest arising on term deposit accounts and on medium-term notes, and foreign exchange gains and losses.

Note 3: Intangible fixed assets, property, plant and equipment and long-term financial assets

Note 3.1: Intangible fixed assets, property, plant and equipment

GROSS VALUE OF FIXED ASSETS (Amounts in euros)	12/31/2013	Acquisitions	Disposals	12/31/2014
Incorporation and development expenses	0			0
Other intangible fixed assets	270,765	22,030		292,795
Intangible fixed assets in progress	6,250	44,659	6,250	44,659
Total intangible fixed assets	**277,015**	**66,689**	**6,250**	**337,454**
Technical installations, equipment and tooling	4,086,886	1,445,355	1,843,580	3,688,661
General installations, fixtures & fittings	82,537	6,566		89,103
Transport equipment	0	0		0
Office and IT equipment and furniture	206,668	17,918		224,586
Property, plant and equipment in progress	0	92,253		92,253
Total property, plant and equipment	**4,376,091**	**1,562,092**	**1,843,580**	**4,094,603**
GRAND TOTAL	**4,653,106**	**1,628,781**	**1,849,830**	**4,432,057**

AMORTIZATION AND DEPRECIATION OF FIXED ASSETS (Amounts in euros)	12/31/2013	Allocations	Reversals	12/31/2014	Net values 12/31/2014
Incorporation and development expenses	0			0	0
Other intangible fixed assets	157,512	64,637		222,149	70,647
Intangible fixed assets in progress	0			0	44,659
Total intangible fixed assets	**157,512**	**64,637**	**0**	**222,149**	**115,305**
Technical installations, equipment and tooling	3,292,746	632,173	1,082,965	2,841,954	846,707
General installations, fixtures & fittings	64,978	10,385		75,363	13,740
Transport equipment	0	0		0	0
Office and IT equipment and furniture	180,641	18,438		199,079	25,507
Property, plant and equipment in progress	0	0		0	92,253
Total property, plant and equipment	**3,538,365**	**660,996**	**1,082,965**	**3,116,396**	**978,207**
GRAND TOTAL	**3,695,877**	**725,633**	**1,082,965**	**3,338,545**	**1,093,512**

GROSS VALUE OF FIXED ASSETS (Amounts in euros)	12/31/2012	Acquisitions	Disposals	12/31/2013
Incorporation and development expenses	0			0
Other intangible fixed assets	217,457	53,308		270,765
Intangible fixed assets in progress	0	6,250		6,250
Total intangible fixed assets	**217,457**	**59,558**	**0**	**277,015**
Technical installations, equipment and tooling	3,999,776	389,104	301,994	4,086,886
General installations, fixtures & fittings	82,537			82,537
Transport equipment	0			0
Office and IT equipment and furniture	205,619	1,049		206,668
Property, plant and equipment in progress	0			0
Total property, plant and equipment	**4,287,932**	**390,153**	**301,994**	**4,376,091**
GRAND TOTAL	**4,505,389**	**449,711**	**301,994**	**4,653,106**

AMORTIZATION AND DEPRECIATION OF FIXED ASSETS (Amounts in euros)	12/31/2012	Allocations	Reversals	12/31/2013	Net values 12/31/2013
Incorporation and development expenses	0			0	0
Other intangible fixed assets	43,754	113,758		157,512	113,254
Intangible fixed assets in progress	0			0	6,250
Total intangible fixed assets	**43,754**	**113,758**	**0**	**157,512**	**119,504**
Technical installations, equipment and tooling	2,552,459	974,198	233,911	3,292,746	794,140
General installations, fixtures & fittings	53,288	11,690		64,978	17,559
Transport equipment	0			0	0
Office and IT equipment and furniture	162,081	18,560		180,641	26,027
Property, plant and equipment in progress	0			0	0
Total property, plant and equipment	**2,767,828**	**1,004,448**	**233,911**	**3,538,365**	**837,726**
GRAND TOTAL	**2,811,582**	**1,118,206**	**233,911**	**3,695,877**	**957,230**

The technical installations, equipment and tooling principally comprise ancillary devices commissioned when they are delivered to healthcare facilities.

Note 3.2: Long-term financial assets

GROSS VALUE OF FIXED ASSETS (Amounts in euros)	12/31/2013	Acquisitions	Disposals	Reclassifications	12/31/2014
Other investments	7	246,786			246,793
Other long-term financial assets	621,646	1,128,531	1,151,348		598,829
Total long-term financial assets	**621,653**	**1,375,317**	**1,151,348**	**0**	**845,622**

GROSS VALUE OF FIXED ASSETS (Amounts in euros)	12/31/2012	Acquisitions	Disposals	Reclassifications	12/31/2013
Other investments	0	7			7
Other long-term financial assets	34,988	586,658			621,646
Total long-term financial assets	**34,988**	**586,665**	**0**	**0**	**621,653**

AMORTIZATION AND DEPRECIATION OF FIXED ASSETS (Amounts in euros)	12/31/2013	Allocations	Reversals	12/31/2014	Net values 12/31/2014
Other investments	0			0	246,793
Other long-term financial assets	0	84,452		84,452	514,377
Total long-term financial assets	**0**	**84,452**	**0**	**84,452**	**761,170**

AMORTIZATION AND DEPRECIATION OF FIXED ASSETS (Amounts in euros)	12/31/2012	Allocations	Reversals	12/31/2013	Net values 12/31/2013
Other investments	0			0	7
Other long-term financial assets	0			0	621,646
Total long-term financial assets	**0**	**0**	**0**	**0**	**621,653**

Long-term financial assets essentially comprise:

- holding of shares in the subsidiary IMPLANET AMERICA INC for US$300,010;
- a guarantee deposit in favor of Kreos for €191 thousand, as part of the implementation of the €5 million bond issue in 2013;
- guarantee deposits paid under the terms of operating leases for the French premises;
- a liquidity contract (cash reserve for €91,598 and treasury shares for €280,852, depreciated by €84,452).

Equity interest in IMPLANET AMERICA INC.

The Company decided, by way of a deed dated December 31, 2014, to increase the share capital of its wholly-owned subsidiary IMPLANET AMERICA INC. by US$ 300 thousand by offsetting receivables.

On the basis of the expected development of the Jazz product (in particular in the United States) and of the sales growth achieved by the American subsidiary, the Company believes that there is no reason to recognize a depreciation of the equity of its subsidiary.

Liquidity contract

Following its listing on the Paris Euronext stock market, the Company signed a liquidity contract on November 20, 2013 with Banque Oddo et Cie in order to limit the intra-day volatility of Implanet shares.

For this purpose, the Company entrusted €400 thousand to this institution in order that the latter can take long or short positions in the Company's shares.

Note 4: Inventories

INVENTORIES (Amounts in euros)	12/31/2014	12/31/2013
Inventories of raw materials	116,314	207,335
Inventories of goods for resale	2,726,498	4,882,328
Inventories of semi-finished products	15,372	
Inventories of ancillary devices and instruments	829,096	1,210,827
Gross total inventories	**3,687,280**	**6,300,490**
Impairment of inventories of raw materials	0	0
Impairment of inventories of goods for resale	(720,642)	(2,057,579)
Impairment of stocks of ancillary devices and instrumer	(39,414)	(252,098)
Total impairment of inventories	**(760,056)**	**(2,309,677)**
Net total inventories	**2,927,224**	**3,990,813**

Composition of the inventories

This inventory of raw materials essentially comprises polymer components, reels of wire (manufacture of the JAZZ braid), product manuals, RFID chips ("Radio-frequency identification") and packaging.

The inventory of goods for sale principally comprises the various categories of implants for arthroscopy, hips, spines and knees.

The inventory of ancillary devices and instruments comprises new equipment available for sale and not made available to healthcare facilities.

Provision for impairment of inventories

During the 2013 fiscal year, the Company decided to proceed with the progressive withdrawal from the less profitable activities. This decision resulted in an additional impairment charge on inventories at December 31, 2013, particularly relating to the products in the "hips" range for €0.8 million. During the first half of 2014, the latter were the subject of divestment, leading to a €1.5 million reversal of the impairment charge on inventories of goods and ancillary devices.

Note 5: Trade receivables

5.1 Trade receivables

TRADE RECEIVABLES AND RELATED ACCOUNTS (Amounts in euros)	12/31/2014	12/31/2013
Trade receivables and related accounts	2,890,119	2,453,816
Gross total trade receivables and related accounts	**2,890,119**	**2,453,816**
Impairment of trade receivables and related accounts	580,824	200,868
Total impairments of trade receivables and related accounts	**580,824**	**200,868**
Net total trade receivables and related accounts	**2,309,295**	**2,252,948**

The Company's products are sold to public and private hospitals and to distributors (including the Implanet America Inc. subsidiary).

The provision for impairment of customer receivables has been established on a case-by-case basis based on the estimated risk of non-recovery.

5.2 Details of the receivables and breakdown by maturity

The tables below show the detail of Receivables at December 31, 2014 and 2013, as well as their breakdown into receivables due in less than one year or in more than one year:

STATEMENT OF RECEIVABLES (Amounts in euros)	12/31/2014		
	Gross Amount	Due in less than 1 year	Due in more than one year
Fixed assets			
Other long-term financial assets	598,829	0	598,829
Total fixed assets	**598,829**	**0**	**598,829**
Current assets			
Trade receivables (1)	2,890,120	2,308,056	582,064
Employees and related accounts	16,300	16,300	
State - Research tax credit (2)	378,877	378,877	
State - Business competitiveness tax credit (3)	34,954	34,954	
Value added tax	555,520	555,520	
Trade payable debit balances	53,022	53,022	
Factor - guarantee fund	30,001	30,001	
Factor - available reserve and other receivables	58,661	58,661	
Group (4)	1,334,087	1,334,087	
Total current assets	**5,351,541**	**4,769,477**	**582,064**
Prepaid expenses	97,379	97,379	
Grand total	**6,047,749**	**4,866,856**	**1,180,893**

STATEMENT OF RECEIVABLES (Amounts in euros)	12/31/2013		
	Gross Amount	Due in less than 1 year	Due in more than one year
Fixed assets			
Other long-term financial assets	621,646	0	621,646
Total fixed assets	**621,646**	**0**	**621,646**
Current assets			
Trade receivables (1)	2,453,816	2,251,805	202,011
Employees and related accounts	9,175	9,175	
State - Research tax credit (2)	302,377	302,377	
State - Business competitiveness tax credit (3)	19,906	19,906	
Value added tax	576,952	576,952	
Trade payable debit balances	64,480	64,480	
Factor - guarantee fund	50,037	50,037	
Factor - available reserve and other receivables	138,646	138,646	
Group (4)	274,214	274,214	
Other receivables	4,227	4,227	
Total current assets	**3,893,830**	**3,691,819**	**202,011**
Prepaid expenses	172,043	172,043	
Grand total	**4,687,519**	**3,863,862**	**823,657**

(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 2014: €378,877 reimbursement expected in 2015
- CIR 2013: €302,377 amount reimbursed in 2014

(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 2014: €34,957 reimbursement request made in 2015
- CICE 2013: €19,906 amount reimbursed in 2014

(4) The Group receivables relate to the Implanet America Inc. subsidiary. On the basis of the expected development of the Jazz product (in particular in the United States) and of the sales growth achieved by the American subsidiary, the Company believes that the advances granted to its subsidiary, to finance its growth, are recoverable. Consequently, the Company has not recognized any impairment of receivables.

Note 6: Marketable securities and cash

Marketable securities comprise realizable medium-term notes and term accounts.

The table below sets out details of the marketable securities and net cash:

MARKETABLE SECURITIES AND NET CASH (Amounts in euros)	**12/31/2014**	**12/31/2013**
	Value in use	**Value in use**
Medium-term bonds (1)	2,800,050	10,500,049
Term accounts (2)	1,301,004	1,301,727
Bank accounts and cash	1,056,451	1,903,335
Total Marketable Securities and Net Cash Balances	**5,157,505**	**13,705,111**

(1) At December 31, 2014, the medium-term notes are the subject of a €300 thousand pledge under a lease-back agreement with Banque Courtois maturing in October 2017.

(2) At December 31, 2014, the term accounts are the subject of a €150 thousand pledge under a lease financing agreement with the bank HSBC maturing in July 2015.

Note 7: Prepayments and accruals

The amount of prepaid expenses is broken down by type as follows:

PREPAID EXPENSES (Amounts in euros)	12/31/2014	12/31/2013
Real estate leases	22,789	22,680
Equipment leases	12,219	29,509
Insurance policies	16,923	99,655
IT Maintenance	31,925	2,492
Fees	5,000	8,573
Miscellaneous	8,523	9,134
Total prepaid expenses	**97,379**	**172,043**

The amount of prepaid expenses only concerns operating expenses.

There were no prepaid expenses at December 31, 2013 and 2014.

Note 8: Shareholders' equity

Note 8.1: Changes in shareholders' equity

The change in shareholders' equity over the 2013 and 2014 fiscal years is detailed as follows:

Implanet Changes in shareholders' equity Amount in euros	Share capital-*Number of shares*	Share capital	Issue premiums	Retained earnings	Reserves and net income	Equity
At December 31, 2012	*29,556,037*	**29,556,037**	**4,738,744**	**(25,631,115)**	**(4,735,157)**	**3,928,509**
Appropriation of the 2012 net income				(4,735,157)	4,735,157	-
2013 net income					(6,500,812)	(6,500,812)
Effect of the reverse share split	*(26,600,436)*					
Deduction of the negative retained earnings from the share capital		(25,122,634)	(4,738,744)	29,861,378		
Issue of shares	*1,959,262*	2,938,892	11,167,776			14,106,668
Conversion of bonds	*484,659*	726,989	3,730,905			4,457,894
Share subscription warrants (BSA)			4,396			4,396
Costs related to the planned listing on the stock market			(2,413,252)			(2,413,252)
At December 31, 2013	*5,399,522*	**8,099,283**	**12,489,825**	**(504,893)**	**(6,500,812)**	**13,583,403**
Appropriation of the 2013 net income				(6,500,812)	6,500,812	-
2014 net income					(5,288,306)	(5,288,306)
Share subscription warrants (BSA)			10,822			10,822
At December 31, 2014	*5,399,522*	**8,099,283**	**12,500,647**	**(7,005,705)**	**(5,288,306)**	**8,305,919**

Note 8.2: Composition of the share capital and detail by share category

COMPOSITION OF THE SHARE CAPITAL	12/31/2014	12/31/2013
Capital (in euros)	8,099,283	8,099,283
Number of shares	5,399,522	5,399,522
Nominal value (in euros)	1.50 €	1.50 €

The share capital is fixed at the sum of €8,099,283. It is divided into 5,399,522 ordinary shares which are fully subscribed and paid up with a nominal value of €1.50.

This number is stated exclusive of share subscription warrants (BSA) and founders' warrants (BSPCE) granted to certain investors and individuals, whether employees or not of the Company, and which have not yet been exercised.

No change was made to the share capital in the 2014 fiscal year.

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.

At December 31, 2014, the Company held 49,100 treasury shares.

Note 8.3: History of the share capital

Type of transaction	Capital in €	Issue premium in €	Number of shares created	Number of shares comprising the capital	Par value in €	Share capital in €
At December 31, 2012	**29,556,037**	**4,738,744**		**29,556,037**		
Share subscription warrants (BSA) - 2013		*4,396*				
Effect of the reverse share split				(26,600,436)		
Offsetting of deferred losses	(25,122,634)	(4,738,744)				
against the share capital					1.50	4,433,403
Issue of shares	2,938,892	11,167,776	1,959,262	4,914,863	1.50	7,372,294
Conversion of bonds	726,989	3,730,905	484,659	5,399,522	1.50	8,099,283
Costs related to the planned listing on the stock market		*(2,413,252)*				
At December 31, 2013	**8,099,283**	**12,489,826**		**5,399,522**		
Share subscription warrants (BSA)		10,822				
At December 31, 2014	**8,099,283**	**12,500,648**		**5,399,522**		

Note 8.4: Distribution of dividends

The Company did not distribute any dividends during the fiscal years ended December 31, 2013 and 2014.

Note 9: Equity instruments

Note 9.1: Share subscription warrants (BSA)

Award date	Type	Number of warrants issued	Number of lapsed options	Number of options in circulation	Maximum number of shares to be issued (1)	Exercise price in €	Exercise period
At December 31, 2010		**0**	**0**	**0**	**0**		
General Shareholders' Meeting of September 26, 2011	$BSA_{09/11}$	60,000	0	60,000	6,000	10.00 €	10 years
At December 31, 2011		**60,000**	**0**	**60,000**	**6,000**		
General Shareholders' Meeting of June 29, 2012	$BSA_{05/12}$	10,245	0	10,245	1,025	10.00 €	10 years
General Shareholders' Meeting of June 29, 2012	BSA_{2012}	165,000	0	165,000	16,500	15.00 €	10 years
General Shareholders' Meeting of October 11, 2012	$BSA_{09/2012}$	100,000	0	100,000	10,000	15.00 €	10 years
At December 31, 2012		**335,245**	**0**	**335,245**	**33,525**		
General Shareholders' Meeting of January 22, 2013	$BSA_{01/2013}$	25,000	0	25,000	2,500	15.00 €	10 years
At December 31, 2013		**360,245**	**0**	**360,245**	**36,025**		
Board meeting of January 8, 2014	$BSA_{01/2014}$	27,398	0	27,398	27,398	6.68 €	10 years
At December 31, 2014		**387,643**	**0**	**387,643**	**63,423**		

(2) 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.

Note 9.2: "Ratchet" share subscription warrants (BSA)

The "Ratchet" share subscription warrants (BSA) automatically became void on the date of the admission of the Company's shares to Euronext in 2013 and can no longer be exercised after that date.

Note 9.3: Founders' warrants (BSPCE)

Award date	Type	Number of warrants issued	Number of lapsed options	Number of options in circulation	Maximum number of shares to be issued (1)	Exercise price in €	Exercise period
Board meeting of December 29, 2007	$BSPCE_{s/12/2007}$	100,000	80,000	20,000	2,000	15.00 €	10 years
Board meeting of February 5, 2009	$BSPCE_{s/02/2009}$	106,500	93,500	13,000	1,300	15.00 €	10 years
Board meeting of April 22, 2010	$BSPCE_{s/03/2010}$	167,500	137,500	30,000	3,000	15.00 €	10 years
At December 31, 2010		**374,000**	**311,000**	**63,000**	**6,300**		
Board meeting of April 6, 2011	$BSPCE_{s/06/2011}$	272,000	204,000	68,000	6,800	15.00 €	10 years
Board meeting of November 18, 2011	$BSPCE_{s/09/2011}$	103,500	54,500	49,000	4,900	15.00 €	10 years
At December 31, 2011		**749,500**	**569,500**	**180,000**	**18,000**		
General Shareholders' Meeting of June 29, 2012	$BSPCE_{05/2012}$	21,793	21,793	0	0	10.00 €	10 years
At December 31, 2012		**771,293**	**591,293**	**180,000**	**18,000**		
At December 31, 2013		**771,293**	**591,293**	**180,000**	**18,000**		
Board meeting of January 8, 2014	$BSPCE_{01/2014\text{-}1}$	39,706	10,916	28,790	28,790	6.68 €	10 years
Board meeting of January 8, 2014	$BSPCE_{01/2014\text{-}2}$	19,638	0	19,638	19,638	6.68 €	10 years
Board meeting of January 8, 2014	$BSPCE_{01/2014\text{-}3}$	1,278	639	639	639	6.68 €	10 years
Board meeting of January 8, 2014	$BSPCE_{01/2014\text{-}4}$	246,864	0	246,864	246,864	6.68 €	10 years
At December 31, 2014		**1,078,779**	**602,848**	**475,931**	**313,931**		

(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.

Note 9.4: Equity instruments awarded to executives

Founders' warrants (BSCPE)					
Name of the beneficiary	Founders' warrants (BSPCE) issued, awarded and subscribed	Founders' warrants (BSPCE) awarded and likely to be subscribed	BSPCEs exercisable at closing 12/31/2014	Founders' warrants (BSPCE) exercisable subject to conditions	Decision to issue and award founders' warrants (BSPCE)
Ludovic LASTENNET	138,672	0	0	138,672	General Shareholders' Meeting of January 8, 2014
Jean-Gérard GALVEZ	40,294	0	0	40,294	
Denis SAINT-DENIS	26,995	0	0	26,995	
At December 31, 2014					
None.					
At December 31, 2013					

Share subscription warrants (BSA)					
Name of the beneficiary	Share subscription warrants (BSA) issued, awarded and subscribed	Share subscription warrants (BSA) issued and likely to be subscribed	Share subscription warrants (BSA) exercisable at closing 12/31/2014	Share subscription warrants (BSA) exercisable subject to conditions	Decision to issue and award share subscription warrants (BSA)
None.					
At December 31, 2014					
Jean-Gérard GALVEZ	25,000	0	25,000	0	General Shareholders' Meeting of January 22, 2013
At December 31, 2013					

Note 9.5: Equity line of credit with Kepler Cheuvreux

The Company opened an optional equity line of credit with Kepler Cheuvreux on July 9, 2014. IMPLANET has the option to ask Kepler Cheuvreux to subscribe for new shares that may be issued in tranches during the next 24 months, within the overall limit of 530,000 shares. Kepler Cheuvreux has made a firm subscription undertaking at the exclusive request of IMPLANET. The Company did not use this line of credit during the 2014 fiscal year.

Note 10: Provisions for liabilities and expenses and for impairment

PROVISIONS (Amounts in euros)	12/31/2014				
	Amount at start of year	Allocations	Reversals	Release of surplus provisions	Amount at year end
Provisions for legal disputes	109,131	0	109,131	0	0
Provisions for employment tribunal disputes	35,500	0	35,500	0	0
Provisions for foreign exchange losses	16,385	976	16,385	**0**	976
Total provisions for liabilities and expenses	**161,016**	**976**	**161,016**	**0**	**976**
	Amount at start of year	**Allocations**	**Reversals**		**Amount at year end**
Long-term financial assets	0	84,452			84,452
Provisions for inventories and work in progress	2,309,655	55,745	1,605,344		760,056
Provisions for trade receivables	200,868	379,956			580,824
Total provisions for depreciation and amortization	**2,510,523**	**520,153**	**1,605,344**	**0**	**1,425,332**
Grand total	**2,671,539**	**521,129**	**1,766,360**	**0**	**1,426,308**

PROVISIONS (Amounts in euros)	12/31/2013				
	Amount at start of year	Allocations	Reversals	Release of surplus provisions	Amount at year end
Provisions for legal disputes	350,000	109,131	165,200	184,800	109,131
Provisions for employment tribunal disputes	26,800	35,500	26,800	0	35,500
Provisions for foreign exchange losses	0	16,385			16,385
Total provisions for liabilities and expenses	**376,800**	**161,016**	**192,000**	**184,800**	**161,016**
	Amount at start of year	**Allocations**	**Reversals**		**Amount at year end**
Long-term financial assets	0				0
Provisions for inventories and work in progress	1,130,045	1,227,727	48,117		2,309,655
Provisions for trade receivables	192,901	7,968			200,868
Total provisions for depreciation and amortization	**1,322,946**	**1,235,695**	**48,117**	**0**	**2,510,523**
Grand total	**1,699,746**	**1,396,711**	**240,117**	**184,800**	**2,671,539**

Disputes and liabilities

The Company may become involved in legal, administrative or regulatory procedures in the normal course of its activity. The Company recognizes a provision when it is probable that such proceedings will result in charges 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.

Following the settlement in 2014, an exceptional expense of €37,570 was recognized resulting in a reversal of provisions in the same amount.

Tax audit

The Company was the subject of a tax audit covering fiscal years 2009, 2010 and 2011.

The Company received reassessment notifications in December 2012 (in respect of the 2009 fiscal year) and in January 2013 (in respect of the 2010 and 2011 fiscal years) amounting to charges and interest of €109 thousand, reduction of tax losses carried forward of €234 thousand, of which the Company disputed certain grounds put forward.

Following the receipt of the conclusions from the tax authority on May 27, 2013, the Company decided to recognize a provision for the amount of the reassessment notifications, namely €109 thousand at December 31, 2014.

Following the settlement in 2014 (payment of the tax adjustment), an exceptional expense of €109 thousand was recognized resulting in a reversal of provisions in the same amount at December 31, 2014.

Provisions for impairment

- See Note 3.2 for the provisions for impairment of long-term financial assets
- See Note 4 for the provisions for impairment of inventories
- See Note 5 for the provisions for impairment of receivables

Note 11: Convertible bond issues

CHANGES IN BOND ISSUES (Amount in euros)	Non-convertible KREOS bond issue	Bonds redeemable in shares ORA 2013	Bonds convertible into shares OCA 2013	Total
At December 31, 2012	**0**	**0**	**0**	**0**
(+) Subscription	5,000,000	1,543,936	2,875,001	9,418,937
(-) Repayment				0
(+) Capitalized interest		38,958		
(+/-) Translation		(1,582,894)	(2,875,001)	(4,457,895)
At December 31, 2013	**5,000,000**	**0**	**0**	**5,000,000**
(+) Subscription	0			0
(-) Repayment	(1,860,324)			(1,860,324)
(+) Capitalized interest	36,250			
(+/-) Translation				0
At December 31, 2014	**3,175,926**	**0**		**3,175,926**

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

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 million, the issue of 65,000 Company warrants in favor of KREOS and the pledge of the Company's goodwill in favor of KREOS.

These various transactions were completed as follows:

- The €5,000,000 bond, by issuing 5,000,000 non-convertible bonds with a nominal value of €1 each to KREOS was approved at the Company's Board of Directors' Meeting of July 19, 2013 and wholly subscribed by KREOS on July 24, 2013;
- the free issue of 65,000 share subscription warrants (BSA) for shares in the Company to KREOS was resolved by the Extraordinary General Shareholders' Meeting of July 19, 2013. These share subscription warrants (BSA) have a term of five years with effect from the date of the stock market listing (i.e. November 25, 2018);
- the Company's business (i.e. fonds de commerce) was pledged on July 19, 2013.

At the time the bond contract was arranged, the Company incurred €185 thousand in fees (of which €112,500 were paid at the time of issue and €72,500 are payable on the maturity date).

The bond is repayable in fixed monthly installments between January 1, 2014 and June 1, 2016. It pays interest of 11.5%.

The amount of repayment during the 2014 fiscal year is €1,860,324.

Issuance of bonds redeemable in shares (ORA_{2013}) for an amount of €1,544 thousand.

On January 22, 2013, the Company proceeded with the issue of 1,543,936 bonds redeemable in shares (ORA) in the Company, with a nominal value of €1, to certain shareholders (founders, private investors, financiers).

These bonds redeemable in shares expired on June 30, 2014 unless the bond was redeemed or terminated early.

Annual interest was a fixed 3%, capitalized until maturity and payable in shares. At the time the bond contract was arranged, the Company incurred €28,705 in lawyers' and consultants' fees. These fees were taken into account in determining the amortization of the loan, in accordance with the amortized cost method. After taking into account the issue costs, the effective rate of interest of the bond issue amounts to 4.36%.

The entirety of this loan (capital and interest) was redeemed in shares as part of the stock market introduction in 2013.

Issue of bonds convertible into shares (OCA_{2013}) for an amount of €1,875 thousand.

On May 21, 2013, the Company proceeded with the issue of 1,875,001 bonds convertible into $_{AP09/11\ T1}$ preference shares (OC) in the Company, with a nominal value of €1.

The expiry date of the convertible bonds was fixed at October 31, 2014, unless the bonds were redeemed early.

Other than in the event that one of the specific clauses mentioned below occurred, each bond was automatically converted into 1 $AP_{09/11\ T1}$ on the maturity date.

The annual interest rate was fixed at 3%, capitalized until the maturity date of the bonds and payable in cash on the date of redemption or conversion of the bond. At the time the bond contract was arranged, the Company incurred €14,863 in lawyers' and consultants' fees. These fees were taken into account in determining the amortization of the loan, in accordance with the amortized cost method. After taking into account the issue costs, the effective rate of interest of the bond issue amounts to 3.58%.

The bonds were automatically converted as part of the stock market introduction in 2013.

Issue of bonds convertible into shares (OCA_{2013}) for an amount of €1 million

On July 19, 2013, the Company proceeded with the issue of 1,000,000 bonds convertible into $AP_{09/11\ T1}$ preference shares (OC) in the Company, with a nominal value of €1.

The expiry date of the convertible bonds was fixed at October 31, 2014, unless the bonds were redeemed early.

The annual interest rate was fixed at 3%, capitalized until the maturity date of the bonds and payable in cash on the date of redemption or conversion of the bond.

The bonds were automatically converted as part of the stock market introduction in 2013.

Note 12: Loans from financial institutions

The Company had no loans from financial institutions at December 31, 2014 and 2013.

Note 13: Loans and miscellaneous financial debts

Loans and miscellaneous financial debts comprise repayable advances granted by public bodies (OSEO Innovation and COFACE), together with subsidies for which the definitive award is conditional.

At December 31, 2014, the criteria for repayment (technical and commercial success of the projects) for the OSEO advances were fulfilled.

The table below sets out the composition and changes in the loans and miscellaneous financial debts:

CHANGES IN REPAYABLE ADVANCES AND SUBSIDIES	OSEO Knees	OSEO – Beep N Track	COFACE United States	Total
At December 31, 2012	**350,000**	**400,000**	**194,268**	**944,268**
(+) Subscription				0
(-) Repayment	(50,000)	(150,000)	(194,268)	(394,268)
(+/-) Other movements				0
At December 31, 2013	**300,000**	**250,000**	**0**	**550,000**
(+) Subscription				
(-) Repayment	(60,000)	(250,000)		
(+/-) Other movements				
At December 31, 2014	**240,000**	**0**	**0**	**240,000**

13.1 OSEO repayable advances

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:

- €12,500 per quarter in 2013 on the last day of the quarter;
- €15,000 per quarter in 2014 on the last day of the quarter;
- €17,500 per quarter in 2015 on the last day of the quarter;
- €20,000 per quarter in 2016 on the last day of the quarter;
- €22,500 per quarter in 2017 on the last day of the quarter.

The balance of this reimbursable advance was €240 thousand at December 31, 2014

Reimbursable OSEO Innovation advance – Beep N Track

On January 28, 2008, IMPLANET obtained from OSEO a €650 thousand interest-free, repayable innovation loan to "develop a new service for the computerized management of implants intended for healthcare facilities (I-SMART)".

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 €325 thousand following the signature of the contract (received on February 4, 2008);
- second payment of €195,000 thousand following the call for funds (received on April 28, 2009);
- the balance on completion of the work on April 28, 2009.

Following the technical and commercial success of the project, the reimbursement of this innovation subsidy was completed in accordance with the following schedule:

- no later than March 31, 2011: €100,000
- no later than March 31, 2012: €150 000
- no later than March 31, 2013: €150,000
- no later than March 31, 2014: €250,000

This reimbursable advance was repaid in full at December 31, 2014.

13.2 COFACE advances

On December 28, 2009, IMPLANET obtained a reimbursable advance from COFACE under what is known as a "market prospection insurance policy" covering the United States region for the Beep N Track business. IMPLANET benefits from a coverage period of four years, during which its prospecting expenditure is guaranteed within the limit of a defined budget. At the end of this phase, there begins an amortization phase of five years, during which IMPLANET reimburses the advance obtained on the basis of a percentage of the sales revenues earned in the regions concerned.

The terms of the contract are as follows:

- the amount of prospecting expenditure covered by the contract for the entire guarantee period (November 1, 2009 to October 31, 2013) is €1,500 thousand before application of a guarantee coefficient of 80%;
- the Company pays premiums that represent 2% of the budget covered;
- the amortization period runs from November 1, 2013 to October 31, 2018.

On February 10, 2011, IMPLANET received an advance of €194,268 in respect of the first year of coverage of the expenses.

Following the divestiture of the Beep N Track business, COFACE requested the cancellation of the prospecting insurance contract. The repayment of the advances received was made in accordance with the following schedule:

- on January 31, 2013: €64,756
- on April 30, 2013: €64,756
- on July 31, 2013: €64,756

This reimbursable advance was repaid in full at December 31, 2013.

Note 14: Maturity dates of the debts at year-end

	12/31/2014			
STATEMENT OF LIABILITIES (Amounts in euros)	**Gross Amount**	**Due in less than 1 year**	**From 1 to 5 years**	**Due in more than 5 years**
Financial debt				
Convertible bond issue and accrued interest	3,175,926	2,032,688	1,143,238	
Loans and miscellaneous financial liabilities	240,000	70,000	170,000	
Total debt	**3,415,926**	**2,102,688**	**1,313,238**	**0**
Operating liabilities				
Trade payables and related accounts	2,119,853	2,119,853		
Employees and related accounts	251,069	251,069		
Social Security and other social bodies	368,286	368,286		
Other taxes, duties and similar payments	121,996	121,996		
Other liabilities	13,431	13,431		
Total operating liabilities	**2,874,635**	**2,874,635**	**0**	**0**
Grand total	**6,290,561**	**4,977,323**	**1,313,238**	**0**

STATEMENT OF LIABILITIES (Amounts in euros)	12/31/2013			
	Gross Amount	Due in less than 1 year	From 1 to 5 years	Due in more than 5 years
Financial debt				
Convertible bond issue and accrued interest	5,000,000	1,860,324	3,139,676	
Loans and miscellaneous financial liabilities	550,000	310,000	240,000	
Total debt	**5,550,000**	**2,170,324**	**3,379,676**	**0**
Operating liabilities				
Trade payables and related accounts	3,196,462	3,196,462		
Employees and related accounts	254,419	254,419		
Social Security and other social bodies	371,099	371,099		
Other taxes, duties and similar payments	35,946	35,946		
Total operating liabilities	**3,857,926**	**3,857,926**	**0**	**0**
Grand total	**9,407,926**	**6,028,250**	**3,379,676**	**0**

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 euros)	12/31/2014	12/31/2013
Bond issue		
Interest payable	36,250	
Total bond issue	**36,250**	**0**
Trade and other accounts payable		
Suppliers - Invoices not yet received	565,841	858,588
Total trade payables and related accounts	**565,841**	**858,588**
Tax and social security liabilities		
Employees - provision for vacation pay	111,924	108,149
Employees - accrued expenses	171,084	180,846
Accrued social charges	112,492	110,587
State - accrued expenses	32,969	35,346
Total tax and social security liabilities	**428,469**	**434,928**
Other liabilities	7,500	0
Total other liabilities	**7,500**	**0**
Grand total	**1,038,060**	**1,293,516**

Note 16: Revenues

The Company's revenues essentially comprise the sale of orthopedic implants.

Revenue by geographic region for the last two fiscal years ended December 31, 2014 and 2013 are as follows:

REVENUE BY GEOGRAPHIC REGION (Amounts in euros)	12/31/2014	12/31/2013
France	3,972,709	4,407,420
Rest of the World	3,175,152	2,731,737
Total revenue by geographic region	**7,147,861**	**7,139,157**

Note 17: Transfers of expenses

TRANSFERS OF EXPENSES (Amounts in euros)	12/31/2014	12/31/2013
Movement of inventories of ancillary devices into fixed asse	1,444,572	376,821
Benefits in kind granted to employees	60,303	56,564
Reimbursement from training bodies	6,818	6,876
Rebilling of expenses	14,109	33,466
Insurance reimbursements related to claims	8,919	1,119
Total transfers of expenses	**1,534,720**	**474,846**

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

FINANCIAL INCOME (Amounts in euros)	12/31/2014	12/31/2013
Foreign exchange gains	921	2,908
Interest income	74,440	5,861
Reversal of provisions for foreign exchange losses	15,409	0
Total financial income	**90,770**	**8,769**

FINANCIAL EXPENSES (Amounts in euros)	12/31/2014	12/31/2013
Foreign exchange losses	5,089	9,922
Provisions for risk of foreign exchange losses	0	16,385
Provision for impairment of treasury shares	84,452	0
Interest expense	470,397	340,451
Total financial expenses	**559,938**	**366,758**

Note 19: Non-recurring income and expenses

NON-RECURRING INCOME (Amounts in euros)	12/31/2014	12/31/2013
Proceeds from sales of assets	750,400	0
Share of investment subsidies	1,600	7,806
Reversals of tax audit provisions	109,130	0
Reversals of provisions for legal disputes	35,500	350,000
Transactional agreement	0	118,797
Profit from buyback of treasury shares	46,555	0
Miscellaneous non-recurring income	(2,151)	2,152
Total non-recurring income	**941,033**	**478,755**

NON-RECURRING EXPENSES (Amounts in euros)	12/31/2014	12/31/2013
Net carrying amount of assets sold	740,111	18,858
Provisions for liabilities	0	109,131
URSSAF audit	8,460	0
Tax audit	109,130	0
Settlement of disputes	37,570	225,200
Loss from buyback of treasury shares	69,413	0
Miscellaneous non-recurring expenses	0	4,517
Total non-recurring expenses	**964,684**	**357,706**

The Company concluded a lease-back agreement for fixed ancillary goods dated November 13, 2014 (gross value of €750 thousand).

In the course of the fiscal year, the Company was the subject of a tax audit covering fiscal years 2009, 2010 and 2011. Following the receipt of the conclusions from the tax authority on May 27, 2013, the Company decided to recognize a provision for the amount of the reassessment notifications, namely €109 thousand. Following the settlement in 2014 (payment of the tax adjustment), an exceptional expense of €109 thousand was recognized resulting in a reversal of provisions in the same amount at December 31, 2014.

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:

- €378,877 in 2014
- €302,377 in 2013

At December 31, 2014, the amount of the Company's tax losses which can be carried forward indefinitely amounted to €45,291,564.

The corporation tax rate applicable to the Company is the current rate in force in France, namely 33.33%.

Note 21: Related parties

21.1 Transactions with related parties

IMPLANET AMERICA INC.

The balance sheet and income statement accounts for IMPLANET AMERICA INC., with which IMPLANET is related, were as follows:

(Amounts in euros)	12/31/2014	12/31/2013
LONG-TERM FINANCIAL ASSETS		
Investment securities	246,793	7
RECEIVABLES		
Trade receivables & related accounts	868,506	395,956
Other receivables	1,334,088	274,214
OPERATING INCOME		
Sales of merchandise	386,195	396,563
Production sold	545,326	174,227
OPERATING EXPENSES		
Purchases of goods for resale (including customs charges)	144,547	139,487
Other purchases and external expenses	308,326	174,227

IMPLANET Institute

Implanet Institute, a non-profit association sponsored by IMPLANET, has the role of assisting young surgeons in all areas of their practice (program to prepare surgeons for setting up a practice, training in surgical techniques, etc.).

IMPLANET Institute is an independent association whose actions are decided by its Scientific Committee. The members of the association include certain shareholders and employees of the Company.

The contributions of IMPLANET to the IMPLANET Institute during the last two fiscal years were:

- €0 in 2014;
- €5,000 in 2013.

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).

The compensation due to the executives of IMPLANET during the 2013 and 2014 fiscal years was as follows:

		12/31/2014						
DIRECTORS' COMPENSATION (Amounts in euros)	**Function**	**Fixed compensation**	**Variable compensation**	**Exceptional compensation**	**Benefit in kind**	**Advisory fees**	**Attendance fees**	**Total**
Mr. Ludovic LASTENNET	Director since January 22, 2013. Sales Director CEO since November 27, 2012	165,567	22,500		6,036			194,104
Mr. Jean-Gérard GALVEZ	Chairman of the Board of Directors					60,000		60,000
Denis Saint-Denis	Chief Financial Officer Deputy Chief Executive Officer since October 15, 2014	150,000	15,000		5,400			170,400
Mr. Brian Ennis	Member of the Board of Directors						3,000	3,000
Ms. Paula SPEARS	Member of the Board of Directors						3,000	3,000
Mr. Jan Egberts	Member of the Board of Directors						6,000	6,000
Total Directors' compensation		**315,567**	**37,500**	**0**	**11,436**	**60,000**	**12,000**	**436,504**

		12/31/2013						
DIRECTORS' COMPENSATION (Amounts in euros)	**Function**	**Fixed compensation**	**Variable compensation**	**Exceptional compensation**	**Benefit in kind**	**Advisory fees**	**Attendance fees**	**Total**
Mr. Ludovic LASTENNET	Director since January 22, 2013. Sales Director CEO since November 27, 2012	166,176	1,319	45,000	7,189			219,684
Mr. Jean-Gérard GALVEZ	Chairman of the Board of Directors					72,000		72,000
Total Directors' compensation		**166,176**	**1,319**	**45,000**	**7,189**	**72,000**	**0**	**291,684**

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 9.4.

Note 22: Commitments given

22.1 Retirement Benefits

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.

These obligations, related to the legal or contractual compensation due in respect of retirement are evaluated at the year-end dates of the three fiscal years presented. These retirement benefits are not the subject of recognition in the form of a provision in the Company's financial statements, but constitute an off-balance sheet commitment.

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	12/31/2014		12/31/2013	
	Managers	Non-managers	Managers	Non-managers
Retirement age	Voluntary departure between ages 65 and 67			
Collective agreements	Metallurgy Engineers and	Metallurgy Gironde Landes	Metallurgy Engineers and	Metallurgy Gironde Landes
Discount rate (IBOXX Corporates AA)	1.49%		3.00%	
Mortality table	INSEE 2012		INSEE 2012	
Rate of revaluation of salaries	2%		2%	
Rate of turnover	Average (AG2R table)		Average (AG2R table)	
Rate of Social Security charges	51%	47%	48%	43%

Calculated commitments

The commitments calculated for the retirement benefits are broken down as follows:

RETIREMENT BENEFITS (Amounts in euros)	12/31/2014	12/31/2013
Amount of commitments	74,628	34,802

22.2 Obligation under the terms of the KREOS contract

Within the framework of the KREOS bond contract signed on July 19, 2013 (see Note 11), the Company granted to KREOS the following sureties and commitments:

- pledge of the business goodwill in favor of KREOS;
- commitment by the Company not to contract, without prior authorization from KREOS, debt of more than €2.5 million other than (a) the KREOS bond, (b) borrowings to cover working capital requirement, (c) advances from OSEO (or any other support or advance from public bodies), (d) the issue of convertible bonds or bonds redeemable in shares, or (e) current account advances from shareholders;
- commitment by the Company not to proceed with any pledge or cede any assets, except in the normal course of its business.

22.3 Individual training rights (ITR)

French legislation provides for 20 hours of individual training per year under the terms of the Individual Training Right (ITR) for people who have signed an employment contract with IMPLANET. This individual training right may be accumulated over a period of six years (limit of 120 hours) and the costs are recognized as expenses when they are incurred.

At the end of each fiscal year, the rights accumulated but not consumed are approximately:

- 2,638 hours at December 31, 2014;
- 2,317 hours at December 31, 2013.

22.4 Finance leases

	12/31/2014	12/31/2013
Original value	3,582,375	2,831,975
Depreciation and amortization:		
- cumulative total for prior years	2,307,839	1,866,083
- allocations for the year	186,343	441,756
Total	**2,494,182**	**2,307,839**
Royalties paid		
- cumulative total for prior years	2,833,027	2,215,731
- royalties for the year	311,417	617,296
Total	**3,144,444**	**2,833,027**
Royalties remaining to be paid		
- in less than 1 year	330,413	268,577
- between 1 and 5 years	471,240	73,373
- in more than 5 years		-
Total	**801,653**	**341,950**
Residual value		
- in less than 1 year	278	2,907
- between 1 and 5 years	1	278
- in more than 5 years		-
Total	**279**	**3,185**
Amount recognized during the year	341,135	634,327

Finance lease contracts cover software, installations, equipment and tooling.

22.5 Commercial leases

Property leases

As part of its activities, the Company has concluded property leasing contracts:

- for its administrative building, effective on October 8, 2007;
- for its logistics building, effective on December 15, 2010.

These buildings are located at the registered office of the Company in the Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France.

Terms and compensation for early departure

The property leases granted in France have a term of nine full and consecutive years with the option for the Company to give notice on the leases only every three years.

In the event of early departure from the logistics building, the lessor may demand a compensation payment in respect of the internal improvements which were installed and financed by it. These improvements give rise to the payment of lease rental surcharges of €1,833 per month for a period of 84 months. The amount of the compensation payment would be equal to the amount of the remaining lease rental surcharges, namely €65,988 at December 31, 2014.

Charges and commitments

The amount of the rental payments recognized at the end of 2014 and the commitments up until the next three-year period are broken down as follows:

					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 12/31/2014**	**Due in less than 1 year**	**From 1 to 5 years**
MARTILLAC	Administration building	8/10/2007	8/10/2016	136,058	136,104	106,615
MARTILLAC	Logistics building	12/15/2010	12/15/2019	126,398	126,396	186,785

22.6 Factoring contract

The Company uses the GE Factofrance factoring organization for financing, by assigning to it trade receivables originating in France. 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 BODY (Amounts in euros)	12/31/2014	12/31/2013
Outstanding financing balance with factor	151,092	262,184
Total factor debt	**151,092**	**262,184**
Commissions on factor drawdowns	15,976	18,107
Interest on factor drawdowns	5,496	7,041
Total factor expenses	**21,472**	**25,148**

The counterpart 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 net financial income.

22.7 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

- Pledge of a €150 thousand term deposit account maturing in July 2015 under a lease financing agreement with the bank HSBC;
- Pledge of a €300 thousand medium-term note maturing in October 2017 under a lease-back agreement with Banque Courtois.

Earn-out clause – divestiture of Beep N Track to GHX

The contract for the divestiture of the Beep N Track business to GHX includes an earn-out clause on the basis of an agreement for the sharing of revenues exceeding the current business plan of GHX for the 2013(2015) fiscal years. Under the terms of this clause, the Company could receive a maximum earn-out of US$4 million.

No accrued income was recognized at December 31, 2014, given the uncertainty concerning the receipt and assessment of this earn-out.

Bank sureties

- Bank surety of €28,630 from the Banque Courtois on behalf of IMPLANET in favor of the lessor of its administrative building;
- Bank surety of €10,000 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	2014 fiscal year	2013 fiscal year
Managers	22.6	20.3
Employees	15.9	12.8
Total average headcount	**38.5**	**33.1**

Note 24: Management and measurement of financial risks

Implanet may find itself exposed to various types of financial risk: 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.

Interest rate risk

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

- the cash balances include term accounts;
- 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).

With regards to the concentration of credit risk:

- two distributors in France make up over 10% of revenue and total 31% of sales at December 31, 2014;
- one export distributor accounted for over 10% of revenue (11% of revenue at December 31, 2014).

It has implemented policies that allow it to ensure that its customers have a suitable credit history.

Foreign exchange risks

The chief risks related to the foreign exchange impact on purchases and sales in foreign currencies are considered non-material.

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.

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

March 2015:

The Company carried out a secondary fund-raising while maintaining the preferential subscription right for an amount of €11,177 thousand, issue premium included. 4,967,558 new shares were issued as part of the offer.

February 2015:

The Company announced that it had definitively obtained intellectual ownership of its JAZZ technology in Europe until 2031 (patent number EP 2521500).

Note 26: Subsidiaries and equity interests

TABLE OF SUBSIDIARIES AND INVESTMENTS (Amounts in €)	Share 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
				Gross	Net			
IMPLANET AMERICA	247,105	(246,051)	100%	246,793	246,793	1,334,088	(720,281)	0

Note 27: Fees of the Statutory auditors

FEES PAID TO STATUTORY AUDITORS	2014 fiscal year				2013 fiscal year			
	Ernst & Young		INKIPIO AUDIT		Ernst & Young		INKIPIO AUDIT	
(Amounts in euros)	Amount excl. taxes	%	Amount excl. taxes	%	Amount excl. taxes	%	Amount excl. taxes	%
Statutory audits	54,500	62%	36,000	67%	40,000	18%	28,000	100%
Due diligence	19,000	21%	3,000	6%	2,392	0		
Other due diligence as part of the stock market introduction					185,565	81%		
2013 *Document de référence*	15,000	17%	15,000	28%				
Total fees	88,500	100%	54,000	100%	227,957	100%	28,000	100%

20.4. REPORT BY THE STATUTORY AUDITORS ON THE ANNUAL FINANCIAL STATEMENTS AT DECEMBER 31, 2014

INKIPIO AUDIT
19, rue des Tuiliers
69003 Lyon
Simplified joint-stock company (SAS) with a capital of €300,000

Statutory auditors
Member of the
Lyon regional company of auditors

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie – Paris – La Défense 1
Simplified joint-stock company (SAS) with variable capital

Statutory auditors
Member of the
Versailles regional company of auditors

IMPLANET
Registered office: Technopole Bordeaux Montesquieu
Allée François Magendie
33650 – Martillac

Registered in the Bordeaux Trade and Company Register (RCS) under No. 493 845 341

STATUTORY AUDITOR'S REPORT

ON THE ANNUAL FINANCIAL STATEMENTS

FISCAL YEAR ENDED DECEMBER 31, 2014

To the shareholders,

In compliance with the assignment entrusted to us by your General Shareholders' Meetings, we hereby present to you our report relating to the fiscal year ended December 31, 2014, on:

- the audit of the annual financial statements of Implanet, as attached to this report;
- the justification of our assessments;
- the specific verifications and information required by law.

The annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion the annual financial statements

We carried out our audit in accordance with the professional standards applicable in France; these standards require the completion of audit work which gives reasonable assurance that the annual financial statements do not include any significant anomalies. An audit consists of verifying, by sampling or by other selection methods, the elements supporting the amounts and information

appearing in the annual financial statements. It also consists of assessing the accounting methods used, the significant estimates made and the presentation of the financial statements as a whole.

We believe that the information which we collected is sufficient and appropriate on which to base our opinion.

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.

Without questioning the opinion above, we would draw your attention to Note 2.1 “Principle for preparation of the financial statements” in the notes to the financial statements, which describes the information underlying the going concern assumption.

2. Justification of our assessments

In accordance with the requirements of Article L. 823(9) of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matter:

- Your Company recognizes impairment charges for inventories in accordance with the methods described in Note 2.5 "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;
- Notes 2.4 and 3.2 "Long-term financial assets", 2.6 "Receivables" and 5.2 "Details of the receivables and breakdown by maturity" describe the evaluation and impairment principles and methods used for equity investments and receivables, in particular as regards the Implanet America Inc. subsidiary. Our work consisted of assessing the data and assumptions on which these estimates are based.

The assessments thereby made form part of our audit approach for the annual financial statements, taken as a whole, and have therefore contributed to the formation of our opinion as expressed in the first part of this report.

3. Specific verifications and information

We have also carried out, in accordance with the professional standards applicable in France, the specific verifications required by the law.

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 documents sent to shareholders concerning the financial position and the annual financial statements.

Concerning the information supplied in application of the provisions of Article L. 225(102)(1) of the French Commercial Code concerning the compensation and benefits paid to corporate officers, as well as the commitments granted in their favor, we have verified their consistency with the financial statements or with the data used for the preparation of these financial statements and, where applicable, with the information collected by your Company from the companies controlling your

Company or controlled by it. On the basis of this work, we confirm that this information is true and fair.

In application of the law, we have assured ourselves that the various items of information relating to the identity of the holders of the share capital or the voting rights have been notified to you in the management report.

Lyon and Paris-La Défense, April 2, 2015

The Statutory auditors

INKIPIO AUDIT	**ERNST & YOUNG Audit**
Clément Albrieux	Franck Sebag

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

Nature des indications	Exercice 2010	Exercice 2011	Exercice 2012	Exercice 2013	Exercice 2014
I - CAPITAL DE FIN D'EXERCICE					
a) Capital social	24 972 058	29 556 037	29 556 037	8 099 283	8 099 283
b) Nombre d'actions existantes	24 972 058	29 556 037	29 556 037	5 399 522	5 399 522
II - OPERATIONS ET RESULTATS DE L'EXERCICE					
a) Chiffre d'affaires hors taxes	4 583 790	2 847 987	6 646 788	7 139 157	7 147 861
b) Impôts sur les bénéfices	(335 832)	(357 650)	(362 319)	(302 376)	(378 877)
c) Participation des salariés due au titre de l'exercice	0	0	0	0	0
d) Résultats après impôts, participation, amortissements et provisions	(6 253 800)	(3 915 876)	(4 735 157)	(6 500 812)	(5 288 306)
e) Résultats distribués	0	0	0	0	0
III - RESULTAT PAR ACTION					
a) Résultat après impôts et participations mais avant amortisements et provisions	(0,21)	(0,03)	(0,12)	(0,76)	(1,15)
b) Résultat après impôts, participation, amortissements et provisions	(0,25)	(0,13)	(0,16)	(1,20)	(0,98)
c) Dividende attribué à chaque action	0	0	0	0	0
IV - PERSONNEL					
a) Effectif moyen des salariés employés pendant l'exercice	40,9	38,3	29,8	33,1	38,5
b) Montant de la masse salariale	2 676 323	2 736 085	1 981 032	2 197 670	2 210 587
c) Montant des sommes versées au titre des avantages sociaux de l'exercice (Sécurité Sociale, œuvre sociales,...)	1 266 925	1 227 595	930 148	984 260	1 059 050

20.6. DIVIDEND DISTRIBUTION POLICY

20.6.1. Dividends and reserves distributed by the Company during the last three fiscal years

None.

20.6.2. Distribution policy

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.

20.7. PROPOSED ALLOCATION OF 2014 NET INCOME

After deduction of all expenses, taxes, depreciation and amortization, the Company's operating profit, established under French accounting standards, stands at a loss of €5,288,306.24, which we suggest to be allocated to retained earnings.

20.8. NON TAX-DEDUCTIBLE EXPENSES

In accordance with the provisions of Articles 223 quater 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 €68,309 for the fiscal year ended on December 31, 2014

20.9. INFORMATION ON SUPPLIER PAYMENT TERMS

The breakdown of the balance of debts to suppliers at the closing of the 2014 and 2013 fiscal years is as follows:

In euros	Debts due at 12/31/2014	Accruing debts				Total
		0 to 30 days	30 to 45 days	45 to 60 days	> 60 days	
Suppliers	619,646	609,498	171,034	61,465	39,313	1,500,956

In euros	Debts due at 12/31/2013	Accruing debts				Total
		0 to 30 days	30 to 45 days	45 to 60 days	> 60 days	
Suppliers	1,499,642	709,581	16,522	16,522	2,754	2,337,874

20.10. JUDICIAL AND ARBITRATION PROCEEDINGS

As of the date of the *Document de référence*, there is no governmental, legal or arbitration procedure, including any procedure that the Company is aware of, that remains unresolved or threatened against the Company that is likely to have or have had a significant effect on the Company or Group's financial position or profitability over the last 12 months.

20.11. SIGNIFICANT CHANGES IN THE FINANCIAL OR COMMERCIAL POSITION

Besides the capital increase completed in March 2015, to the best of the Company's knowledge, there has not been any significant change in the financial or commercial position of the Company since December 31, 2014.

21. ADDITIONAL INFORMATION

21.1. SHARE CAPITAL

21.1.1. Amount of the share capital

21.1.1.1. Issued share capital

As of the date of the *Document de référence*, the Company's share capital is €15,550,620 divided into 10,367,080 shares with a nominal value of €1.50 each, fully paid up and all of the same class.

21.1.1.2. Unissued authorized capital

21.1.2. Non-equity securities

None.

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

As of the date of the *Document de référence*, the Company holds none of its shares and no Company shares are held by a third party on its behalf.

On January 9, 2015, the Combined 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 Regulations 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. When shares are acquired with a view to improving the trading and liquidity of the stocks, the number of shares taken into account to calculate the aforementioned 10% limit corresponds to the number of purchased shares less the number of shares resold during the authorization period.

Objectives of share buybacks:

- to improve trading and liquidity of the Company's stock under a liquidity agreement 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;
- 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;
- to deliver shares following the exercise of the rights attached to securities giving access to the share capital;
- to purchase shares to be held and subsequently used in exchange or as payment in connection with potential external growth transactions; or
- 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.

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 January 9, 2015

- ✓ 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

- ✓ Publication of transactions at D+7 on the Company's website (excluding any transactions carried out under a liquidity agreement);
- ✓ Monthly filing by the Company to the AMF.

Each year

- ✓ 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.

Number of shares purchased and sold during the 2014 fiscal year:

Under the liquidity contract during the 2014 fiscal year,

- 187,382 shares were purchased at the average price of €6.85, and
- 161,456 shares were sold at the average price of €7.04.

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

Number and value of treasury shares held at December 31, 2014

Considering the purchases and sales made during the 2014 fiscal year, the balance of the liquidity contract was 49,100 shares at December 31, 2014. At this date, the book value was €4, on the basis of the closing price at December 31, 2014, namely €196,400.

21.1.4. Convertible or exchangeable securities or securities with warrants

As of the date of the *Document de référence*, the securities giving access to the share capital fall into three categories, as detailed below:

21.1.4.1. Founders' warrants (BSPCE)

	$BSPCE_{S/12/2007}$	$BSPCE_{S/02/2009}$	$BSPCE_{S/03/2010}$	$BSPCE_{S/06/2011}$	$BSPCE_{S/09/2011}$	$BSPCE_{01/2014(1)}$	$BSPCE_{01/2014(2)}$	$BSPCE_{01/2014(3)}$	$BSPCE_{01/2014(4)}$
Date of the Meeting	December 29, 2007	February 5, 2009	March 31, 2010	March 14, 2011	September 26, 2011	July 19, 2013	July 19, 2013	July 19, 2013	July 19, 2013
Date of Board meeting	December 29, 2007	February 5, 2009	April 22, 2010	April 6, 2011	November 18, 2011	January 8, 2014	January 8, 2014	January 8, 2014	January 8, 2014
Number of approved BSPCE	150,000	150,000	200,000	300,000	500,000	500,000	500,000	500,000	500,000
Total number of allocated BSPCE	100,000	106,500	167,500	269,000	103,500	39,706	20,138	1,278	246,864
Total number of subscribable shares (taking into account reverse split)*	16,600	12,354	19,430	31,204	12,006	46,058	23,360	1,482	286,362
*Of which the number subscribable by corporate officers**	*0*	*0*	*0*	*0*	*0*	*1,459*	*0*	*0*	*237,455*
Corporate officers concerned:* *Ludovic Lastennet* Denis Saint-Denis Jean-Gérard Galvez						*1,459* - -	- - -	- - -	159,400 31,314 46,741
Start date of exercise of BSPCE	December 29, 2007	February 5, 2009	April 22, 2010	June 1, 2011	November 28, 2011	January 8, 2015	January 8, 2015	January 8, 2015	January 8, 2015
Expiry date of BSPCE	December 29, 2017	February 5, 2019	March 31, 2020	June [1], 2021	November 28, 2021	January 8, 2024	January 8, 2024	January 8, 2024	January 8, 2024
Share subscription price (after reverse split)*	12.93 €	12.93 €	12.93 €	12.93 €	12.93 €	5.75 €	5.75 €	5.75 €	5.75 €
Terms and conditions of exercise	(1) (2)	(1) (2)	(1) (2)	(1) (2)	(1) (2)	(3)	(4)	(5)	(5)

	$BSPCE_{S/12/2007}$	$BSPCE_{S/02/2009}$	$BSPCE_{S/03/2010}$	$BSPCE_{S/06/2011}$	$BSPCE_{S/09/2011}$	$BSPCE_{01/2014(1)}$	$BSPCE_{01/2014(2)}$	$BSPCE_{01/2014(3)}$	$BSPCE_{01/2014(4)}$
Number of shares subscribed as of the date of the *Document de référence* (without taking into account the reverse split)	0	0	0	0	0	0	0	0	0
Cumulative number of BSPCE canceled or expired	80,000	93,500	137,500	201,000	54,500	10,916	0	639	0
Remaining BSPCE as of the date of the *Document de référence*	20,000	13,000	30,000	68,000	49,000	28,790	20,138	639	246,864
Total number of shares subscribable as of the date of the *Document de référence* (taking into account the reverse split)*	2,320	1,508	3,480	7,888	5,684	33,395	11,679	247	95,454

(1) After adjusting the number of shares that may be subscribed upon exercise of founders' warrants (BSPCE) and the exercise price of the BSPCE following the increase in capital while maintaining the shareholders' preferential subscription right, in accordance with Article L. 228(99) of the French Commercial Code.

(1) All of these founders' warrants (BSPCE) are exercisable as of the date of the Document de référence.

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

- *within one month 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 $BSPCE_{01/2014(1)}$ may be exercised in full by the holder from January 8, 2015 onwards. In addition, the $BSPCE_{01/2014(1)}$ will become fully exercisable by the holder or his/her assignees:

- *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.*

(4) The BSPCE01-/2014(2) may be exercised, by, the holder in accordance with the following schedule:

- *up to 50%, from January 8, 2015 onwards; and*
- *the balance, i.e. 50%, at the end of an 18-month period starting from the date of allocation by the Board, i.e. from July 8, 2015 onwards.*

In addition, the $BSPCE_{01/2014(2)}$ will become fully exercisable by the holder or his/her assignees:

- *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.*

(5) The BSPCE01/2014(3) and the BSPCE01/2014(4) 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.*

In addition, the BSPCE01/2014(3) and the BSPCE 01/2014(4) will become fully exercisable by the holder or his/her assignees:

- *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.*

21.1.4.2. Share subscription warrants (BSA)

	$BSA_{09/11}$	BSA_{2012}	$BSA_{05/12}$	$BSA_{09/12}$	$BSA_{01/2013}$	$BSA_{2013\text{-}Kreos}$	$BSA_{01/2014}$
Date of the Meeting	September 26, 2011	June 29, 2012	June 29, 2012	Oct 11, 2012	Jan 22, 2013	July 19, 2013	July 19, 2013
Date of Board meeting	-	-	-	-	-	-	January 8, 2014
Number of warrants issued	60,000	165,000	10,245	100,000	25,000	65,000	27,398
Total number of subscribable shares (taking into account the reverse split)*	6,960	19,140	1,188	11,600	2,900	75,400	31,780
*Of which the number subscribable by corporate officers**	0	0	0	11,600	2,900	0	31,780
Corporate officers concerned:* *Denis Saint-Denis* *Jean-Gérard Galvez* *Jan Egberts* *Brian Ennis*	6,960		439	 5,800 5,800	2,900		 12,990 18,790
Number of non-corporate officer beneficiaries	1	3	2	0	0	1	0
Start date of exercise of warrants (BSA)	September 26, 2011	June 29, 2012	June 29, 2012	Oct 11, 2012	Jan 22, 2013	July 19, 2013	January 8, 2015
Expiry date of warrants (BSA)	Sept 26, 2021	June 29, 2022	June 29, 2022	Oct 11, 2022	Jan 22, 2023	(1)	(4)
Issue price of warrants (BSA)	€0.10	€0.15	€0.10	€0.15	€0.15	€0	€0.668
Subscription price per share (taking into account the reverse split)*	8.62 €	€12.93	€8.62	€12.93	12.93 €	(2)	5.75 €
Terms and conditions of exercise	(3)	(3)	(3)	(3)	(3)	(3)	(4)
Number of shares subscribed as of the date of the *Document de référence*	0	0	0	0	0	0	0
Cumulative number of warrants (BSA) null and void or canceled as of the date of the *Document de référence*	0	0	0	0	0	0	0
Share subscription warrants (BSA) remaining as of the date of the *Document de référence*	60,000	165,000	10,245	100,000	25,000	65,000	27,398
Total number of shares subscribable as of the date of the *Document de référence* (taking into account the reverse split)*	6,960	19,140	1,188	11,600	2,900	75,400	10,593

(1) After adjusting the number of shares that may be subscribed upon exercise of share subscription warrants (BSA) and the exercise price of the BSA following the increase in capital while maintaining the shareholders' preferential subscription right, in accordance with Article L. 228(99) of the French Commercial Code.

(1) The BSA $_{KREOS}$ warrants will be exercisable (and shall expire concomitantly) upon the earlier of the two following events:

- *the execution 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 end of a period of five (5) years from the date of initial listing of all or part of the Company's shares on a regulated market or a French or foreign stock exchange.*

(2) The price per subscribed share upon the exercise of the BSA $_{2013\text{-}Kreos}$ warrants is €6,20.

((3) All of these share subscription warrants (BSA) are exercisable as of the date of the Document de référence.

(4) The $BSA_{01/2014}$ 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.*

In addition, on April 22, 2014, the Board of Directors, exercising the authority granted by the General Shareholders' Meeting of July 19, 2013, issued 530,000 share issuance warrants (BEA) in favor of Kepler Cheuvreux, at a unit price of €0.001. In accordance with the terms of the issuance agreement, dated July 9, 2014, between the Company and Kepler Cheuvreux, the Company may, subject to the conditions in the agreement, instruct Kepler Cheuvreux to exercise a defined number of BEA, it being specified that (i) each BEA gives the right to subscribe to one share and that (ii) the number of new shares to be issued following a drawdown request is limited to 30,000. The exercise price of the BEA shall be equal to the average price of the Implanet share weighted by volume during the three consecutive trading days preceding the day a drawdown request is made, minus a discount not exceeding 6%. The BEA automatically become void at the earliest of the following dates: (i) July 9, 2016 or (ii) the date on which the 530,000 BEA have been exercised in full. No BEA have been exercised as of the date of the *Document de référence*. As of the date of the *Document de référence*, the exercise of all BEA issued in favor of Kepler Cheuvreux would enable the subscription of 530,000 new shares, leading to a dilution of 5.11% based on the share capital existing today, and of 4.86% based on the fully diluted share capital.

Finally, the amendment to the venture loan agreement concluded between the Company and Kreos Capital IV (UK) Ltd. on April 16, 2015, stipulates that the Company will issue 18,473 share subscription warrants (BSA giving right to one share each) in favor of Kreos Capital IV (Expert Fund) Ltd. in return for the rescheduling of the €5,000,000 bond issue subscribed by Kreos Capital IV (UK) Ltd. on July 24, 2013. An item concerning the delegation of authority to be granted to the Board of Directors for the purpose of carrying out the issue of said BSA has been added to the agenda of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2014. Under the terms of the above-mentioned amendment, the issue of said BSA must be decided by the Company's Board of Directors no later than June 30, 2015, it being specified that the terms of these BSA shall be in substance identical to those issued by the Company in favor of Kreos Capital IV (Expert Fund) Ltd. on July 19, 2013, with the exception of their exercise price which will be equal to the weighted average of the prices quoted on the last three trading days before the decision to issue the BSA, less a discount of 5%.

21.1.4.3. Share subscription or purchase option plan

None.

21.1.4.4. Free shares allocations

None.

21.1.4.5. Summary of dilutive instruments

As of the date of the *Document de référence*, 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 513,702 shares,

corresponding to a maximum dilution of 4.72% on the basis of the diluted share capital. The dilution in terms of voting rights is identical and amounts to 4.72% on the basis of the diluted voting rights[48].

21.1.5. Acquisition rights and/or obligations connected to share capital issued but not authorized, and commitment to capital increase

The resolutions approved at the General Shareholders' Meeting of January 9, 2015, voting on an extraordinary basis are summarized below:

	Period of validity/Expiry	Ceiling (nominal value)	Pricing principles
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/ March 9, 2017	€8,099,283 (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/ March 9, 2017	€4,049,640 (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/ March 9, 2017	€1,619,850 (1) and within the limit of 20% of the existing share capital at the date of the transaction and per year	See (3)

[48] Excluding exercise of the share issuance warrants issued in favor of Kepler Cheuvreux (whose terms and conditions of exercise are described in Section 21.1.4.2 of the Document de référence).

	Period of validity/Expiry	Ceiling (nominal value)	Pricing principles
Authorization to the Board to increase the share capital by issuing ordinary shares or any securities giving access to the share capital, without shareholders' preferential subscription rights, to a category of persons so as to ensure underwriting of the Company's capital securities likely to be issued through an equity line facility	18 months/ July 9, 2016	€809,930	(4)
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/ March 9, 2017	within the limit of 10% of the share capital per year	See (5)
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/ March 9, 2017	15% of the initial issue (1)(6)	Same price as 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/ March 9, 2017	€4,049,640 (1)	-
Delegation of authority granted to the Board for the purpose of increasing the share capital, 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/ March 9, 2017	€4,049,640 and 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/ March 9, 2017	€1,619,850	-
Authorization granted to the Board of Directors for the purpose of granting options to subscribe or purchase Company shares	38 months/ March 9, 2018	539,952 shares	See (7) and (8)
Delegation of authority to be granted to the Board of Directors for the purpose of carrying out a free issue of BSCPE to Company employees and executives	18 months/ July 9, 2016	539,952 shares	See (8) and (9)
Authorization to be granted to the Board of Directors to make allocations of existing or new free shares	38 months/ March 9,	539,952 shares, up to a limit of 10%	See (8)

	Period of validity/Expiry	Ceiling (nominal value)	Pricing principles
	2018	of the existing capital at the time of allocation	
Delegation of authority granted to the Board of Directors for the purpose of issuing and allocating share subscription warrants to (i) members and non-voting members of the Company's Board of Directors in office on the allocation date of the warrants, who are not employees or executives of the Company or one of its subsidiaries, (ii) persons who have entered into a services or consultancy agreement with the Company, or (iii) members of any committee that might be set up by the Board of Directors, who are not employees or executives of the Company or any of its subsidiaries	18 months/ July 9, 2016	539,952 shares	See (8) and (9)
Authorization granted to the Board of Directors for the purpose of decreasing the share capital by canceling treasury shares	18 months/ July 9, 2016	Up to 10% of the share capital within a 24-month period	

* The Board of Directors has used these delegations of power to increase its capital by a nominal amount of €6,479,424 and a nominal amount of €971,913 within the framework of capital increases, with shareholders' preferential subscription rights, decided on February 18 and March 13, 2015, respectively.

(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 €8,099,283. The aggregate nominal amount of issues of debt securities giving access to the Company's share capital may not exceed €40,000,000.

(2) The share issue price will be at least equal to the weighted average of the prices quoted on the last three trading days before the price was set, less, if applicable, the discount authorized by law (currently 5%), and corrected in the case of a difference in the possession date 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 share issue price will be at least equal to the weighted average of the prices quoted of the last three trading days before the price was set, less, if applicable, the discount authorized by the law (currently 5%), and corrected in the case of a difference in the possession date 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 said securities, is at least equal to the

issue price defined above.

(4) The share issue price will be at least equal to the weighted average of the prices quoted of the last three trading days before the price was set, less, if applicable, the discount authorized by the law (currently 20%), and corrected in the case of a difference in the possession date 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 said securities, is at least equal to the issue price defined above.

(5) 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 three trading sessions before it was set, less, if applicable, a maximum discount of 20%, 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.

(6) 15% or any other percentage determined by decree.

(7) 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.

(8) 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 539,952;

(9) The exercise price of the founders' warrants (BSPCE)/share subscription warrants (BSA) will be determined by the Board of Directors on the date of their allocation and must be at least equal to the weighted average price over the last 20 trading sessions preceding the date of allocation by the Board.

21.1.6. Information on the share capital of any company of the Group that is subject of an option or a conditional or unconditional agreement to put it under option

None.

21.1.7.1. Table of changes in the share capital during the last three fiscal years

The following table shows the changes in the share capital during the last three fiscal years.

Date of issuances	Type of transaction	Share capital	Gross issue premium	Number of shares created	Number of shares making up the capital	Nominal value	Share capital
March 23, 2011	Capital increase	€1,048,154	€324,927.74	1,048,154	26,020,212	€1	€26,020,212
April 5, 2011	Capital increase	€1,106,870	€343,129.70	1,106,870	27,127,082	€1	€27,127,082
October 3, 2011	Capital increase	€2,428,955	-	2,428,955	29,556,037	€1	€29,556,037
July 19, 2013	Capital increase	€3	-	3	29,556,040	€1	€29,556,040
July 19, 2013	Capital decrease	€(25,122,634)	-	-	29,556,040	€0.15	€4,433,406
July 19, 2013	Reverse split (10 to 1)	-	-	-	2,955,604	€1.50	€4,433,406
November 19, 2013	Capital increase through public offering	€2,555,556	€9,711,118.80	1,703,704	4,659,308	€1.50	€6,988,962
November 19, 2013	Capital increase (overallotment option)	€383,322.50	€1,456,663.50	255,555	4,914,863	€1.50	€7,372,294.50
November 19, 2013	Conversion of convertible bonds into shares and reimbursement of bonds reimbursable in shares	€726,988.50	€3,730,905.95	484,659	5,399,522	€1.50	€8,099,283
February 18, 2015	Capital increase with preferential subscription rights	€6,479,424	€3,239,712	4,319,616	9,719,138	€1.50	€14,578,707
March 13, 2015	Capital increase with preferential subscription rights (extension clause)	€971,913	€485,956.50	647,942	10,367,080	€1.50	€15,550,620

21.1.7.2. Changes in the distribution of the Company's share capital during the last three fiscal years

	Situation at December 31, 2012		Situation at December 31, 2013		Situation at December 31, 2014	
	Number of shares	% of voting rights	Number of shares	% of voting rights	Number of shares	% of voting rights
Founders and historical investors	**3,371,823**	**11.41%**	**492,186**	**9.12%**	**450,440**	**8.34 %**
Other investors	**2,407,544**	**8.15%**	**90,578**	**1.68%**	**90,474**	**1.68%**
Financial investors	**23,776,670**	**80.45%**	**2,857,835**	**52.93%**	**1,680,812**	**31.13 %**
Seventure	3,004,708	10.17%	366,763	6.79%	336,763	6.79 %
Cofa Invest	1,256,638	4.25%	153,388	2.84%	153,388	2.84 %
Auriga	4,738,552	16.03%	578,403	10.71%	555,657	10.29%
Edrip	4,948,290	16.74%	604,004	11.19%	604,004	11.19 %
Leilani Investments Partner	1,384,549	4.68%	138,455	2.56%	138,455	2.56 %
CM-CIC	3,495,644	11.83%	412,818	7.65%	-	-
Wellington	4,948,289	16.74%	604,004	11.19%	-	-
Securities in bearer form	**N/A**	**-**	**1,958,923**	**36.28%**	**3,177,796**	**58.85%**
Total	**29,556,037**	**100%**	**5,399,522**	**100%**	**5,399,522**	**100%**

21.1.7.3. Distribution of the share capital and voting rights as of the date of the *Document de référence*

Please see paragraph in Section 18.1.

21.1.7.4. 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.

In the course of the 2014 fiscal year, the share price reached its highest level, €8.42, on February 19, 2014, and its lowest level, €3.52, on December 24, 2014. At December 31, 2014, the share closed at €4.00.

Over the first months of 2015, the share price moved from €4.00 to €2.50 on April 27, 2015, the closing price on the day preceding the filing date of this *Document de référence*, meaning the Company's market capitalization stood at €25.9 million.

21.2. ARTICLES OF INCORPORATION AND BYLAWS

21.2.1. Corporate purpose (Article 3 of the Bylaws)

The Company's purpose in France and abroad is to design, manufacture and market all types of surgical implants and equipment, and to enter into any industrial, commercial or financial, or movable property transactions pertaining, directly or indirectly, to the corporate purpose or any other similar or related purposes, and in particular the granting of manufacturing and distribution licenses and, more generally, any type of transactions of any nature - economic or legal, financial, civil or commercial - pertaining, directly or indirectly, to this purpose or other similar, connected or complementary purposes; the Company also enters, directly or indirectly, into any industrial, commercial or financial, movable or immovable property transactions, in France or abroad, in any form whatsoever, as long as these activities or transactions are related, directly or indirectly, to the corporate purpose or other similar, connected or complementary purposes.

21.2.2. Bylaws and other provisions applicable to the members of the administrative and management bodies

21.2.2.1. Board of Directors

A. Composition of the Board of Directors (Article 11 of the Bylaws)

The Company is managed by a board comprising natural or legal persons, whose number is set by the Ordinary General Shareholders' Meeting within the limits prescribed by law.

Any legal person must, upon its appointment, designate a natural person as its permanent representative on the Board of Directors. The office of the permanent representative shall have the same duration as the office of the represented legal person. If the legal person dismisses its permanent representative, it shall provide an immediate replacement. The same provisions shall apply in the event of death or resignation of the permanent representative.

Members of the Board of Directors shall remain in office for three years. The office of a Member of the Board of Directors shall end upon the conclusion of the Ordinary General Shareholders' Meeting convened to approve the financial statements for the previous year and held in the year during which said office expires.

Members of the Board of Directors can always be reappointed; they may be removed from office at any time by a decision of the General Shareholders' Meeting.

In the event of vacancy due to death or resignation, of one or more Members of the Board of Directors, the Board of Directors may appoint provisional Members of the Board of Directors in between two General Shareholders' Meetings.

The appointments made by the Board pursuant to the preceding paragraph are subject to ratification at the earliest Ordinary General Shareholders' Meeting thereafter.

In the absence of ratification, any resolutions taken and actions carried out beforehand by the Board shall remain valid.

If the number of Members of the Board of Directors falls below the legal requirement, the remaining Members of the Board of Directors must immediately convene the Ordinary General Shareholders' Meeting to appoint new members.

The salaried employees of the Company may be appointed as Member of the Board of Directors. However, their employment contract must entail an actual position. In this case, they will maintain their employment contract.

The number of Members of the Board of Directors linked to the Company by an employment contract may not exceed one third of the Members of the Board of Directors in office.

The number of Members of the Board of Directors aged over 70 may not exceed one third of the Members of the Board of Directors in office. If this limit is exceeded in the course of office, the oldest Member of the Board of Directors is automatically deemed to have resigned at the end of the earliest General Shareholders' Meeting thereafter.

B. Non-voting members (Article 15 of *the* Bylaws)

The Ordinary General Shareholders' Meeting may appoint non-voting members at the recommendation of the Board of Directors. The Board of Directors may also appoint observers directly, subject to ratification by the following General Shareholders' Meeting.

The non-voting members, of which there may be no more than five, form an advisory board. They are chosen freely based on their competence.

They are appointed for a term of three years, expiring at the end of the General Shareholders' Meeting that approves the accounts for the fiscal year just ended.

The advisory board shall examine the issues that the Board of Directors or its Chairman submits, for opinion, to its review. The non-voting members attend the Board of Directors meetings and participate in the discussions only in an advisory capacity. Their absence, however, shall not affect the validity of the deliberations.

They are convened to Board meetings in the same conditions as the Directors.

The Board of Directors may remunerate the non-voting members by making deductions from the attendance fees allocated by the General Shareholders' Meeting to the Directors.

C. Meetings of the Board of Directors (Article 12 of *the* Bylaws)

The Board of Directors shall meet as frequently as required in the Company's interests.

Directors are convened to Board meetings by the Chairman. The notice may be served by any means, in writing or verbally.

The Chief Executive Officer may also ask the Chairman to convene the Board of Directors in relation to a specific agenda.

In addition, the Board may be legally convened by Members of the Board of Directors making up at least one third of its members. In this case, they shall specify the agenda for the meeting.

If a Works Council has been established, its representatives, appointed in accordance with the provisions of the Labor Code, shall be invited to all Board meetings.

Board meetings may be held at the registered office or in any other location, in France or abroad.

For Board deliberations to be valid, the number of the Members of the Board of Directors in attendance must be at least equal to half of its members.

The decisions of the Board of Directors are approved by the majority of votes. In the event of a tie, the meeting's Chairman does not have a casting vote.

If adopted by the Board of Directors, its rules of procedure may establish, in particular, that Members of the Board of Directors who take part in the meeting by videoconference or telecommunications in compliance with the applicable regulations are deemed to be in attendance for the calculation of quorum and majority. This provision shall not apply to adoption of the decisions referred to in Articles L. 232(1) and L. 233(16) of the French Commercial Code.

Each Member of the Board of Directors is provided with the information required to carry out their duties and fulfill their mandate and may request any documents they deem useful.

Any Member of the Board of Directors may authorize another Member, by letter, telegram, telex, fax, e-mail or any remote transmission means to represent them at a Board meeting. However, each Member may only hold one proxy per meeting.

Copies or extracts of the Board's meetings are duly certified by the Chairman of the Board of Directors, the Chief Executive Officer, the Member of the Board of Directors temporarily serving as chairman or a duly authorized signing officer.

D. Powers of the Board of Directors (Article 13 of *the* Bylaws)

The Board of Directors steers the Company's business strategy and monitors its implementation. Subject to those powers expressly conferred on the General Shareholders' Meetings and within the limits of the Company's corporate purpose, the Board considers any issues related to the proper operation of the Company and, through its deliberations, takes decisions on matters concerning the Company.

In its relationships with third parties, the Company is bound even by acts of the Board of Directors that do not pertain to the corporate purpose, unless it proves that the third party was aware that the act exceeded this purpose or could not have been unaware thereof given the circumstances. Publication of the Bylaws itself is not sufficient to constitute such proof.

The Board of Directors carries out the checks and controls it considers necessary.

In addition, the Board of Directors exercises the special powers granted by law.

21.2.2.2. General management (Article 14 of *the* Bylaws)

The general management of the Company is exercised, under its responsibility, either by the Chairman of the Board of Directors or by another natural person appointed by the Board of Directors and bearing the title of Chief Executive Officer (CEO).

The CEO is granted the widest possible powers to act on behalf of the Company under all circumstances. He/she exercises his/her powers within the limit of the corporate purpose and subject to the powers expressly allocated by law to the General Shareholders' Meetings and to the Board of Directors.

He/she represents the Company in its relationships with third parties. The Company is bound even by acts of the CEO that do not pertain to the corporate purpose, unless it proves that the third party was aware that the act exceeded this purpose or could not have been unaware thereof given the circumstances. Publication of the Bylaws itself is not sufficient to constitute such proof.

The CEO may not be older than 65. Should the CEO reach this age, he/she shall automatically be deemed to have resigned. However, his/her office shall be extended until the earliest Board meeting thereafter, during which a new CEO shall be appointed.

If the CEO is a Member of the Board of Directors, he/she may not serve as Chief Executive Officer for a term exceeding his or her term of office as a Member of the Board of Directors.

The CEO may be dismissed at any time by the Board of Directors. If the dismissal is decided without due cause, it may lead to damages, except when the CEO assumes the functions of Chairman of the Board of Directors.

By way of a resolution passed by a simple majority vote of the Directors present or represented, the Board of Directors chooses between the two options for the exercise of the Company's general management detailed in the first paragraph of this Section.

Shareholders and third parties are informed of the choice in accordance with the applicable law and regulations.

The choice thus made by the Board of Directors shall remain valid until the Board decides otherwise or, at its discretion, for the term of office of the CEO.

If the Company's general management is assumed by the Chairman of the Board of Directors, the latter shall be subject to the provisions applicable to the CEO.

In accordance with the provisions of Article 706(43) of the French Code of Criminal Procedure, the CEO can validly authorize any person he/she may choose to represent the Company in legal proceedings that may be brought against it.

Upon proposal by the CEO, the Board of Directors can authorize one or more natural persons to assist the CEO as Deputy Chief Executive Officer.

In agreement with the CEO, the Board of Directors sets the scope and term of the powers granted to the Deputy Chief Executive Officers. The Board of Directors sets their remuneration. If a Deputy Chief Executive Officer is Member of the Board of Directors, he/she may not serve in this role for a period exceeding his or her term of office as Member of the Board of Directors.

In relation to third parties, the Deputy Chief Executive Officer has the same powers as the CEO, notably the power to be a party to legal proceedings.

The number of Deputy Chief Executive Officers may not exceed five.

The Deputy Chief Executive Officer(s) may be dismissed at any time by the Board of Directors at the recommendation of the CEO. If the dismissal is decided without due cause, it may lead to damages.

Deputy Chief Executive Officers may not be older than 65. Should a Deputy Chief Executive Officer in office reach this age, he/she shall automatically be deemed to have resigned. However, their term of office shall be extended until the earliest Board meeting thereafter, during which a new Deputy Chief Executive Officer may be appointed.

When the Chief Executive Officer ceases to carry out or is prevented from carrying out his/her duties, the Deputy Chief Executive Officers, unless decided otherwise by the Board of Directors, retain their duties and remits until the appointment of a new Chief Executive Officer.

21.2.3. Rights, privileges and restrictions attached to the Company's shares

21.2.3.1. Forms of shares (Article 7 *of* the Bylaws)

Shares fully paid-up are registered or bearer shares, at the shareholder's choice, subject to compliance with the relevant legal provisions in relation to the type of shares held by certain natural or legal persons. Shares that are not fully paid up are mandatorily held in registered form.

Shares are registered in an account under the conditions and in accordance with the procedures stipulated by the laws and regulations.

The ownership of shares issued in registered form results from their registration in an account.

21.2.3.2. Voting rights (extract from Article 9 of the Bylaws)

Excluding where otherwise stipulated by law, each shareholder is entitled to a number of voting rights and casts a number of votes at the shareholders' meetings equal to the number of shares he/she owns for which all amounts due have been paid. The nominal value being the same, each capital or dividend share entitles the holder to one vote.

21.2.3.3. Right to dividends and profits (extract from Article9 of the Bylaws)

Each share entitles its holder to a share of the corporate assets, the profits and the liquidation bonuses in proportion to the number and nominal value of the existing shares.

Whenever it is necessary to hold several shares - whether they are preferred shares or not - or transferable securities to exercise any right, shareholders or holders of transferable securities shall be personally responsible for obtaining the required number of shares or transferable securities.

A mandatory deduction of at least five percent (5%) of the profit for the fiscal year, adjusted for any prior losses, is allocated to a reserve fund called the "legal reserve". This transfer is no longer compulsory when the amount of the legal reserve reaches one tenth of the share capital.

The distributable profit comprises the profit for the fiscal year adjusted for any prior losses and the deduction stated in the previous paragraph, plus any retained earnings.

If the accounts for the period, as approved at the General Shareholders' Meeting, show the existence of a distributable profit, the General Shareholders' Meeting may decide to post it under one or more of the reserve accounts it controls in terms of allocation or use, to carry it forward or to distribute it as dividends.

After ascertaining the existence of reserves available to them, the Shareholders may decide to distribute amounts taken from said reserves. In this case, the decision shall clearly state the reserve accounts from which the amounts will be taken. However, dividends are taken in priority from the fiscal year's distributable profit.

The General Shareholders' Meeting or, where not available, the Board of Directors, shall decide the payment terms of the dividends.

However, dividends must be paid within the maximum legal limit of nine months from the end of the fiscal year.

The General Shareholders' Meeting called to approve the accounts for the year may grant each shareholder, for the distributed dividend or part thereof, the choice between payment in cash or in shares.

Likewise, the Ordinary General Shareholders' Meeting, deliberating under the conditions set out by Article L. 232(12) of the French Commercial Code, may grant each shareholder an advance payment of the dividends and the choice between payment of said advance payment or part thereof in cash or shares.

21.2.3.4. Preferential subscription right

The Company's shares carry a preferential subscription right to capital increases under the conditions set forth in the French Commercial Code.

21.2.3.5. Limitations of voting rights

There are no clauses in the Bylaws restricting the voting rights attached to shares.

21.2.3.6. Identifiable bearer shares

The Company may also, at any time and pursuant to the applicable laws and regulations, ask any authorized body, against payment of a fee, for the name (or in the case of a legal entity, the Company name), nationality and address of the holders of shares conferring voting rights immediately or in future at its own shareholders' meeting, as well as the quantity of shares held by each of them, and if applicable, any restrictions imposed on said shares.

21.2.3.7. Buyback by the Company of its own shares

See Section 21.1.3

21.2.4. Terms and conditions governing modification of shareholders' rights

Shareholders' rights as stated in the Company's Bylaws may only be modified by the Company's Extraordinary General Shareholders' Meetings.

21.2.5. General Shareholders' Meetings

A. Shareholders' Meetings (Article 19 of the Bylaws)

General Shareholders' Meetings are convened and held according to the applicable laws.

If the Company wishes to send meeting notices by electronic means rather than by mail, it must obtain the prior consent of the shareholders concerned, who shall provide their electronic address.

Meetings are held at the registered office or in any other location stated in the notice.

The right to participate in meetings is governed by the laws and regulations in force and, in particular, is subject to the record of the shares in the name of the shareholder or of the authorized intermediary registered on behalf of such shareholder at least three business days prior to the meeting, at zero hours, Paris time, either in the shareholder registers held by the Company, or in the bearer share accounts held by the authorized intermediary.[49]

If unable to attend a meeting in person, shareholders may choose one of the following three options, in accordance with the applicable laws and regulations:

- give a proxy under the conditions mandated by the applicable laws and regulations;
- vote by correspondence; or
- send a proxy to the Company without indicating any representative.

The Board of Directors may, in accordance with the laws and regulations in force, arrange for shareholders to attend meetings by videoconference or through telecommunication means that would allow their identification. If the Board of Directors decides to exercise this option for a specific meeting, the decision is included in the meeting and/or convening notice. Shareholders taking part in meetings by videoconference or by any other of the telecommunication means referred to above, as determined by the Board, shall be deemed present for calculating quorum and majority.

Meetings shall be chaired by the Chairman of the Board of Directors or, in his/her absence, by the Chief Executive Officer, a Deputy Chief Executive Officer if they are Members of the Board of Directors, or by Member of the Board of Directors specifically authorized for this purpose by the Board. Failing this, the shareholders' Meeting shall appoint its own chairman.

Tellers duties shall be carried out by the two members attending the meeting who, accepting these duties, have the largest number of votes. The officers in turn designate a secretary who does not need to be a shareholder.

An attendance sheet is kept for each meeting, as required by law.

When convened for the first time, Ordinary General Shareholders' Meetings can only make valid decisions if the shareholders that are present or represented hold at least one fifth of the shares with voting rights. When convened for the second time, Ordinary General Shareholders' Meetings can make valid decisions irrespective of the number of shareholders that are present or represented.

[49] A resolution has been added to the agenda of the General Shareholders' Meeting called for June 17, 2015, for the purpose of ensuring compliance of Article 19 of the Company's Bylaws with the provisions of Decree No. 2014-1466 of December 8, 2014.

Resolutions by the Ordinary General Shareholders' Meeting shall be passed by a majority of the votes of the shareholders present or represented.

When convened for the first time, Extraordinary General Shareholders' Meetings can only make valid decisions if the shareholders that are present or represented hold at least one quarter of the shares with voting rights. When convened for the second time, Extraordinary General Shareholders' Meetings can only make valid decisions if the shareholders that are present or represented hold at least one fifth of the shares with voting rights.

Resolutions by the Extraordinary General Shareholders' Meeting shall be passed by a two-third majority of the votes of shareholders present or represented.

Copies and extracts of the meetings' minutes shall be duly certified by the Chairman of the Board of Directors, a Director serving as Chief Executive Officer or by the meeting's secretary.

B. Powers of Shareholders' Meetings (Article 19 of the Bylaws)

Ordinary and Extraordinary General Shareholders' Meetings exercise their respective powers as provided by law.

21.2.6. Provisions that delay, defer or prevent a change of control

The Company's Bylaws do not include any provisions to delay, defer or prevent a change of control.

21.2.7. Statutory threshold crossings

None.

21.2.8. Specific stipulations governing changes in the share capital

The Company's Bylaws do not include any special stipulations for changes in the share capital.

22. MATERIAL CONTRACTS

22.1. DISTRIBUTION AND AGENCY AGREEMENTS

Axiadis SAM

The Company entered into a non-exclusive distribution agreement with Axiadis, a Monaco company. Under the agreement, Axiadis distributes some of the Company's products (prosthetic and osteosynthesis implants) in France through a network of sales agents. The contract was entered into on January 12, 2011 and initially ran until December 31, 2014. It was extended by an additional clause to December 31, 2016. The contract's terms prohibit the distributor from (i) selling competing products in France, and (ii) selling Company products outside of France. If the distributor breaches condition (ii) it will be liable to pay a penalty of three times the corresponding sums billed. The Company can unilaterally terminate the agreement subject to a 90-day notice period if the distributor commits any serious breach of the terms and conditions, including if in any given year it fails to place the minimum orders as defined in the agreement, sells products outside of the French territory or is subject to a change of control. The distributor cannot transfer the agreement in full or in part without the Company's prior written agreement.

Inverlock Trading SAM

The Company entered into a non-exclusive distribution agreement with Inverlock Trading, a Monaco company. Under the agreement, Inverlock Trading distributes some of the Company's products (prosthetic and osteosynthesis implants) in France through its own distribution network. The contract was entered into on January 12, 2011 and initially ran until December 31, 2014. It was extended by an additional clause to December 31, 2016. The contract's terms prohibit the distributor from (i) selling competing products in France, and (ii) selling Company products outside of France. If the distributor breaches condition (ii) it will be liable to pay a penalty of three times the corresponding sums billed. The Company can unilaterally terminate the agreement subject to a 90-day notice period if the distributor commits any serious breach of the terms and conditions, including if in any given year it fails to place the minimum orders as defined in the agreement, sells products outside of the French territory or is subject to a change of control. The distributor cannot transfer the agreement in full or in part without the Company's prior written agreement.

Spine Enthusiast LLC

The Company's US subsidiary, Implanet America Inc., entered into sales agency agreements with 29 US companies to sell Jazz and the full range of the Implanet Spine System in the United States. These agreements all have very similar terms. Each of them gives the concerned contracting party exclusive rights to sell Jazz and the full Implanet Spine System in one or more specified US states. Each sales partner commits to a minimum volume of sales. If they fail to meet this minimum threshold, Implanet America Inc. has the right to terminate the agreement in advance.

For instance, Implanet America Inc. concluded an exclusive sales agreement with the US company Spine Enthusiast LLC to distribute Jazz and the full Implanet Spine System in the State of Florida. This agreement was entered into on April 1, 2013, for an indefinite period of time and it can be terminated at any time by either party with a 60-day prior written notice. Implanet America Inc. also has the right to unilaterally terminate the agreement with a 7-day prior written notice if Spine Enthusiast LLC is subject to a change of control or fails to achieve 75% of the sales targets set out in the contract. Implanet America Inc. also has the right to unilaterally terminate the agreement if it is taken over by a third party that does not wish to continue the contractual relationship with Spine

Enthusiast LLC. In these circumstances, Implanet America Inc. must, if the contractual relationship between the parties has been running for more than two years, pay compensation equal to 12-months' commissions. Spine Enthusiast LLC also has the right to unilaterally terminate the agreement with a 30-day prior written notice if it considers, at its sole discretion, that its enforcement would breach any of its agreements with Stryker Corporation or any of this company's subsidiaries.

22.2. SUBCONTRACTING

The Company has concluded the following agreements with three subcontractors, on very similar terms:

- subcontracting agreement concluded on August 1, 2013 with Cousin Biotech to manufacture Jazz braids;
- subcontracting agreement concluded on August 25, 2014 with Etablissements Coulot Décolletage to manufacture Jazz metallic implants; and
- subcontracting agreement concluded on May 22, 2014 with In'tech Medical to manufacture Jazz instrumentation.

For instance, the Company concluded a subcontracting agreement with Cousin Biotech to manufacture Jazz components. The agreement become effective on August 1, 2013 for an initial period of five years, tacitly renewable for 12-month periods. The Company has the right to unilaterally terminate the agreement with a six-month prior notice if there is a change in the controlling shareholder, the management of Cousin Biotech or if Cousin Biotech sells a substantial part of its business. Cousin Biotech also has the right to unilaterally terminate the agreement with a 12-month prior notice if the parties fail to agree any change in prices and/or delivery periods as a result of changes to technical specifications or the Company's specifications. If it fails to meet delivery times, Cousin Biotech is liable to pay penalties that vary depending on the size of the order involved.

The Company, as a manufacturer under the terms of Directive 93/42/EEC, is liable for any damages caused to a third party, including damaged caused by a failure to meet the safety requirements of this directive, and therefore guarantees Cousin Biotech against any third-party lawsuits for such damages. Cousin Biotech, however, remains liable, and guarantees the Company in such circumstances, for damages arising from a failure to meet its manufacturing quality obligations or its obligations as a subcontractor under Directive 93/42/EEC. Cousin Biotech also guarantees to comply with US manufacturing process standards.

22.3. Financing via bonds issued to Kreos Capital IV (UK) LTD.

22.3.1. Context

On July 19, 2013, the Company concluded a venture loan agreement with Kreos Capital IV (UK) LTD, in lieu of a master agreement for the subscription by Kreos Capital IV (UK) LTD of a bond issue of €5 million, the issue of Company warrants in favor of Kreos Capital IV (Expert Fund) LTD and the pledge of the Company's goodwill in favor of Kreos Capital IV (UK) LTD.

These various transactions were completed as follows:

- the €5,000,000 bond via the issue of 5,000,000 non-convertible bonds with a nominal value of €1 each to Kreos Capital IV (UK) LTD was approved at the Company's Board of Directors' Meeting of July 19, 2013 and wholly subscribed by Kreos Capital IV (UK) LTD on July 24, 2013;

- the free issue of 65,000 warrants to Kreos Capital IV (Expert Fund) LTD was approved by the Extraordinary General Shareholders' Meeting of July 19, 2013; and

- the Company's goodwill was pledged on July 19, 2013.

On April 16, 2015, the Company and Kreos Capital IV (UK) Ltd. concluded an amendment to the venture loan agreement dated July 19, 2013, by which the parties decided to reschedule the above-mentioned bond issue as follows:

- the term of the contract is increased from 36 to 54 months;

- the fixed monthly installment (capital and interest) is reduced from €190,735.43 to €94,160.22; and

- the annual interest rate remains at 11.5%.

(Please refer to Section 22.3.3 of the *Document de référence* for more information on the characteristics of the bond issue following said rescheduling.)

The entry into force of the amendment is conditional on the issue by the Company of 18,473 share subscription warrants (BSA) giving right to one share each in favor of Kreos Capital IV (Expert Fund) Ltd. An item concerning the delegation of authority to be granted to the Board of Directors for the purpose of carrying out the issue of said BSA has been added to the agenda of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2014. Under the terms of the amendment, the issue of said BSA must be decided by the Company's Board of Directors no later than June 30, 2015, it being specified that the terms of these BSA shall be in substance identical to those issued by the Company in favor of Kreos Capital IV (Expert Fund) Ltd. on July 19, 2013, with the exception of their exercise price which will be equal to the weighted average of the prices quoted on the last three trading days before the decision to issue the BSA, less a discount of 5%.

22.3.2. The venture loan agreement

This master agreement concluded between the Company and Kreos Capital IV (UK) Ltd. **("Kreos")** on July 19, 2013, as modified by the amendment dated April 16, 2015, defines the rules governing relations between the Company and Kreos during the lifetime of the bond.

Under the terms of this agreement, the Company made a number of commitments, notably financial commitments.

These included undertakings to:

(i) not contract, without prior authorization from Kreos, debt of more than €2,500,000 other than (a) the Kreos bond, (b) borrowings to cover working capital requirement, (c) advances from OSEO (or any other support or advance from public bodies), (d) issuance of convertible bonds or bonds redeemable in shares, or (e) current account advances from shareholders; and

(ii) neither pledge nor transfer any assets except in the normal course of its business.

Any breach by the Company of its commitments under the bond could result in early redemption of the loan.

Finally, the Company has granted Kreos the right to ask that a non-voting member be appointed to the Board of Directors.

22.3.3. The Kreos bonds

Number:	5,000,000
Nominal value of bonds:	€5,000,000
Issue date:	July 19, 2013
Subscription date:	July 24, 2013
Subscriber:	Kreos
Date of first repayment:	January 1, 2014
Date of last repayment:	December 1, 2017*
Frequency of repayments:	monthly
Monthly installment amount:	€94,160.22 (capital and interest, with the exception of the last monthly amount of €72,500)*
Interest rate:	11.5%
Transferability:	the bonds can only be transferred within the Kreos group. Note that there will be no request to admit the Kreos bonds for trading.

*** As modified by the amendment of April 16, 2015 to the venture loan agreement, it being specified, however, that the entry into force of said amendment is conditional on the issue by the Company of 18,473 share subscription warrants (BSA) in favor of Kreos Capital IV (Expert Fund) Ltd. no later than June 30, 2015.*

Restrictions on use

The proceeds of the bond must be used by the Company to finance its working capital requirement.

Early redemption:

Kreos can request the early repayment of the whole amount owed (capital and accrued interest) under the protocol conditions, notably, in the event of:

- any failure to make a payment on time;
- any breach of the protocol and commitments in this respect that is not made good within ten working days of notification of the said breach;
- any default by the Company on any other borrowings;
- insolvency of the Company;
- direct or indirect transfer of more than 66% of the Company's capital or voting rights to a third party other than an existing shareholder;
- change in the Company's business purpose;
- breach of commitments under the venture loan agreement; or
- occurrence of any event or circumstance that causes or may cause the Company a net cost or net loss totaling more than €500.000 or that significantly affects the Company's ability to repay the bond and which cannot be made good by the Company or its shareholders within 20 working days of Kreos notifying the Company that such an event has occurred.

Collateral given:

In guarantee of its repayment of the bond, the Company has pledged the whole of its business (i.e. *nantissement de fonds de commerce*), including, in particular, all the intellectual property that the Company owns or will own (patents, drawings and models, domain names, brands).

The purpose of this collateral is to guarantee all the Company's payment obligations, totaling five million euros (€5,000,000), comprising the amount of the bond plus any late interest payments, fees, costs, compensation and incidental expenses.

The collateral can be exercised if the Company fails to pay on time any amount due under the terms of the bond and after that an appraiser appointed by the parties or by the president of the Paris Tribunal de Grande Instance has issued a report valuing the intellectual property rights.

Exercise of this collateral (particularly in the event of early repayment of the bond) would result in the transfer of ownership of the Company's business, including all of its intellectual property rights.

Information on the 65,000 warrants issued to Kreos Capital IV (Expert Fund) LTD

The Extraordinary General Shareholders' Meeting of July 19, 2013 issued 65,000 free warrants for shares in the Company to Kreos Capital IV (Expert Fund) Ltd (the BSA_{Kreos}).

The BSA_{Kreos} entitle the holders to subscribe for 65,000 ordinary shares in the Company with a nominal value of €1.50 each at €7.20 per share.

The BSA Kreos cannot be assigned or transferred except in the following circumstances:

(i) warrants transferred by Kreos Capital IV (Expert Fund) Limited to any entity (i) controlled directly or indirectly as defined by Article L. 233(3) of the French Commercial Code by Kreos Capital IV (Expert Fund) Limited, or (ii) that controls, directly or indirectly, as defined by Article L. 233(3) of the French Commercial Code, Kreos Capital IV (Expert Fund) Limited, or (iii) that is under joint control, directly or indirectly, as defined by Article L. 233(3) of the French Commercial Code, with Kreos Capital IV (Expert Fund) Limited during the period when the BSA_{Kreos} are exercisable;

(ii) share subscription warrants (BSA) transferred to its constituent Limited Partnerships, if Kreos Capital IV (Expert Fund) Limited expires during the lifetime of the Kreos share subscription warrants (BSA).

The BSA_{Kreos} will be exercisable (and shall expire concomitantly) until the earlier of the following two events occurring:

(i) 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

(ii) the expiry of a five (5) year period from the initial listing of the Company's shares on the Paris Euronext stock market.

Note that there will be no request to admit the BSA_{Kreos} for trading.

23. INFORMATION FROM THIRD PARTIES, EXPERT STATEMENTS AND DECLARATIONS OF INTEREST

None.

24. PUBLISHED DOCUMENTS

The *Document de référence* is available free of charge at the Company's registered office, Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France.

It can also be consulted on the websites of the Company (www.implanet.com) and the AMF (http://www.amf-france.org)/).

The Bylaws, minutes of General Shareholders' Meetings and other documents relating to the corporate life of the Company, as well as historical financial information and any appraisals or declarations by experts hired by the Company that must by law be disclosed to shareholders can be consulted free of charge at the Company's registered office.

From registration of the Company's shares for trading on the Paris Euronext stock market, all regulatory information required by the AMF General Regulation will also be available from the Company's website (www.implanet.com).

25. EQUITY INVESTMENTS

Information on equity investments by Implanet in other companies which are likely to have a material impact on the Company's assets, financial position or results is given in Sections 7 "Organizational chart" and 20 "Financial information concerning the assets, financial position and results of the Company" of the *Document de référence*.

26. NOTES TO THE FINANCIAL STATEMENTS

26.1. REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE, INTERNAL CONTROL AND RISK MANAGEMENT

IMPLANET SA
A French *Société Anon*yme with a share capital of €15,550,620
Registered office: Technopole Bordeaux Montesquieu,
Allée François Magendie, 33650 Martillac
Registered in the Bordeaux Trade and Company Register (RCS) under
No. 493 845 341

To the readers,

In accordance with the provisions of Article L. 225(37) of the French Commercial Code (Code de commerce), I am pleased to present my report as Chairman of the Board of Directors on the composition, preparation and organization of the work of the Board during fiscal year 2014, as well as the internal control and risk management procedures in the Company.

The report has been prepared by the Company's management according to the terms approved by the Board of Directors during its meeting on March 18, 2015.

1. Corporate governance

Ludovic Lastennet heads the Company as Chief Executive Officer, and Denis Saint-Denis is Deputy Chief Executive Officer.

Ludovic Lastennet was first appointed CEO on November 27, 2012 for an unlimited term. He is also Sales and Marketing Director and is an employee of the Company.

Denis Saint-Denis was first appointed Deputy CEO on October 15, 2014 for an unlimited term. He is also Chief Financial Officer and is an employee of the Company.

Rules of procedure were adopted by the Board of Directors on April 11, 2013 and amended on June 7, 2013 to formalize matters such as the role and composition of the Board, the rules of conduct and the obligations of the members of the Company's Board of Directors, as well as the operating procedures for the Board and the Board Committees. The rules of procedure also set out the rules for determining directors' compensation.

In order to comply with the requirements of Article L. 225(37) of the French Commercial Code, the Company has adopted the MiddleNext Corporate Governance Code for Small and Midcaps, published in December 2009 (the MiddleNext Code) as its reference for governance guidelines.

The table below lists the different recommendations of the Corporate Government Code for Small and Midcapitalizations companies and indicates whether or not the Company complies with them.

MiddleNext Code recommendations	Compliant	Non-compliant
I. Executive Power		
R 1: Combination of an employment contract with a Director position	X(1)	
R 2: Definition and transparency of the compensation of executive corporate officers	X	
R 3: Golden handshakes	X	
R 4: Supplementary retirement schemes	X	
R 5: Stock options and free shares		X(2)
II. Supervisory power		
R 6: Introduction of Board rules of procedure	X	
R 7: Director ethics	X	
R 8: Composition of the Board – Independent Directors	X	
R 9: Choice of directors	X	
R 10: Term of office of Board members	X	
R 11: Board member information	X	
R 12: Creation of committees	X	
R 13: Board and committee meetings	X	
R 14: Directors' compensation	X	
R 15: Introduction of Board evaluation		X(3)

(1) The Board of Directors has authorized the Chief Executive Officer and the Deputy Chief Executive Officer to hold both an employment contract and a Director position, in view of the size of the Company and the distinct technical functions exercised by these individuals in accordance with their respective employment contracts.

(2) To date, the Company has not attached any performance conditions to the exercise of the Founders' warrants (BSPCE) granted to some of its executives since its stock market listing. The Company does, however, intend to adhere to this recommendation for any profit-sharing instruments that may be granted to executives in the future.

(3) At this point, the Company did not comply with this MiddleNext Code recommendation during fiscal year 2014. Such an evaluation has not been deemed necessary to date as the Company's Board of Directors' meetings have always run smoothly. Likewise, no complaints about the preparation and organization of the work of the Board of Directors were recorded during fiscal year 2014 or for any of the previous fiscal years. The Company is, however, currently studying the implementation of a formalized method of evaluating the operations of the Board of Directors and this is expected to be put in place shortly.

1.1 Composition of the Board of Directors

Pursuant to statutory and legal provisions, the Board of Directors is composed of a minimum of three Directors and a maximum of 18, appointed by the General Shareholders' Meeting for a three-year renewable term.

If a vacancy arises, Directors may be co-opted in accordance with applicable law and regulations.

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 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. Moreover, the rules of procedure refer to the current regulations on the disclosure and use of insider information and specify that the Directors must refrain from transactions on the Company's shares when they are in possession of insider information. 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).

At least one of the independent Directors must have particular financial or accounting expertise to be appointed to the Audit Committee.

The table below describes the composition of the Board of Directors according to the appointments made by the General Shareholders' Meetings of February 5, 2007; March 31, 2010; January 22, 2013; April 30, 2013 and June 10, 2014, and the Board of Directors' Meetings on May 24, 2007 and January 8, 2014. As at December 31, 2014, the Company's Board of Directors had eight members and one non-voting member. The latter was appointed by the General Shareholders' Meeting of November 19, 2013, to attend Board meetings and take part in the deliberations in a consultative capacity only.

The terms of office of the directors and the non-voting member will expire at the close of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2015, with the exception of that of Paula Ness Speers, which will expire at the close of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2016.

The Company believes that Paula Ness Speers, Brian Ennis and Jan Egberts meet the criteria for independent Directors as defined by the MiddleNext Corporate Governance Code for Small and Medium Capitalization as published in December 2009 and approved as code of practice by the AMF, inasmuch as Paula Ness Speers, Brian Ennis and Jan Egberts:

- are not, and over the last three years have not been, employees or executive corporate officers of the Company or of a Group company;
- are not important clients, suppliers, or bankers of the Company or clients, suppliers, or bankers for whom the Company or its Group represents a significant share of its business;
- are not reference shareholders of the Company;
- do not have any close family relationship with a corporate officer or reference shareholder; and
- have not been Company auditors in the last three years.

At present, the following are members of the Board of Directors:

Name	Corporate office	Main position in the Company
Jean-Gérard Galvez	Director	Chairman of the Board of Directors
Ludovic Lastennet	Director	Chief Executive Officer and Sales and Marketing Director
Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski	Director	
COFA-Invest represented by Marie Hélène Plais	Director	
Rainer Strohmenger	Director	
Jan Egberts	Independent Director	
Brian Ennis	Independent Director	
Paula Ness Speers	Independent Director	
Kreos Capital IV (UK) Ltd. represented by Maurizio Petitbon	Non-voting member	

1.2 Missions of the Board of Directors

The Board is governed by the provisions of the French Commercial Code, Articles 11 to 13 of the Company's bylaws and its rules of procedure.

The main responsibilities of the Board of Directors are:

- to determine the Company's business strategy and monitor its implementation; subject to those powers expressly conferred on the General Shareholders' Meetings and within the limits of the Company's corporate purpose to consider any issues related to the proper operation of the Company and, through its deliberations, take decisions on matters concerning the Company;
- to appoint the Chairman of the Board, the CEO and Deputy CEOs and decide on their compensation;
- to authorize the agreements and commitments covered by Articles L. 225(38) and L. 225(42)(1) of the French Commercial Code; and

- to approve the Chairman's report on corporate governance and internal control.

It also monitors the quality of the information provided to shareholders and to the markets.

1.3 Conditions for the preparation and organization of the work of the Board

To make a meaningful contribution to the work of the Board of Directors, all members must receive the necessary documents. Requests for documentation are submitted to the Chairman, or where relevant, to any Company executive (Chief Executive Officer or Deputy CEO).

All Board members are authorized to meet the Company's senior executives, provided they inform the Chairman of the Board and the Chief Executive Officer beforehand.

The Board is regularly informed by the Chief Executive Officer on the Company's financial position, cash position, financial commitments and significant events for the Company and the Group.

Lastly, all new Board members may request training on the particular features of the Company, the Group, their businesses and operating segments.

The Board members are notified about meetings by letter, fax or email at least five (5) days before each meeting.

Meetings of the Board of Directors may also be called by any other means, including verbally, if all active Directors are present or represented at the meeting.

All documents and draft documents providing information on the agenda and on any other issues submitted to the Board are sent or provided to the Directors prior to the meeting in a timely manner.

Moreover, the Board is informed about the Company's financial position, cash position and commitments during its meetings.

At this point, the Company does not comply with the provisions of recommendation 15 of the MiddleNext Code Such an evaluation has not been deemed necessary to date as the Company's

Board of Directors' meetings have always run smoothly. Likewise, no complaints about the preparation and organization of the work of the Board of Directors were recorded during fiscal year 2014 or for any of the previous fiscal years. The Company is, however, currently studying the implementation of a formalized method of evaluating the operations of the Board of Directors and this is expected to be put in place shortly.

This evaluation will also aim to check that all important issues are satisfactorily prepared and will assess the contribution of each member to the Board's work, in light of their skills and engagement, in particular.

1.4 Report on the work of the Board in fiscal year 2014

Minutes of meetings are prepared by the Chief Executive Officer and approved by the Chairman before being submitted for the Board's approval during the next meeting. Once signed by the Chairman and a Director, the minutes are transcribed into the minutes log.

The Board of Directors met eight times during fiscal year 2014 on the dates listed below. The attendance rate for all members (Directors and non-voting members) was 76.5%.

Date of Board meeting	Number of members present	Attendance rate
January 8, 2014	Directors: 7 Non-voting members: 2	Directors: 87.5% Non-voting members: 100%
February 13, 2014	Directors: 8 Non-voting members: 0	Directors: 100% Non-voting members: 0%
April 11, 2014	Directors: 7 Non-voting members: 0	Directors: 87.5% Non-voting members: 0%
April 22, 2014	Directors: 7 Non-voting members: 1	Directors: 87.5% Non-voting members: 50%
July 10, 2014	Directors: 8 Non-voting members: 1	Directors: 88.9% Non-voting members: 50%
September 12, 2014	Directors: 7 Non-voting members: 0	Directors: 77.8% Non-voting members: 0%
October 15, 2014	Directors: 8 Non-voting members: 1	Directors: 100% Non-voting members: 50%
December 4, 2014	Directors: 5 Non-voting members: 0	Directors: 62.5% Non-voting members: 0%
Average attendance at Board of Directors' Meetings	/	**Directors: 86.4%** **Non-voting members: 33.3%**

1.5 Audit Committee

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 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 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 provide advice and make appropriate recommendations in any of the above areas.

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.

At present, the following are members of the Audit Committee:

- Jean-Gérard Galvez, Chairman of the Board of Directors;
- Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski, Member of the Board of Directors; and
- Jan Egberts, Director.

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.

1.6 Compensation Committee

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.

At present, the following are members of the Compensation Committee:

- Jean-Gérard Galvez, Chairman of the Board of Directors;
- Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski, Member of the Board of Directors; and
- Brian Ennis, Member of the Board of Directors.

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, the Compensation Committee provides advice and makes appropriate recommendations in any of the above areas.

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 2013 and once during fiscal year 2014.

1.7 Principles and rules governing the compensation of corporate officers

The Company applies all the recommendations of the MiddleNext Corporate Governance Code relating to the compensation of executive and non-executive corporate officers.

Targets were set and approved at the Board of Directors, following a recommendation of the Compensation Committee, for the variable portion of the Chief Executive Officer's compensation for fiscal year 2014. In particular, these targets included revenue growth criteria.

The General Shareholders' Meetings of June 10, 2014, decided, on a proposal of the Board of Directors of February 13, 2014, to allocate attendance fees to certain Members of the Board of Directors for a total amount of €12,000 for the 2014 fiscal year. These break down as follows:

- Jan Egberts: €6,000
- Brian Ennis: €3,000
- Paula Ness Speers: €3,000

Ludovic Lastennet entered into an employment contract with the Company on April 2, 2007. He was appointed Chief Executive Officer during the Board meeting of November 27, 2012. The Board resolved to retain him in his position as salaried Sales and Marketing Director. His employment contract includes compensation under a non-compete clause equal to 6/10 of compensation earned in the 12 months prior to his departure.

Denis Saint-Denis was first appointed Deputy CEO on October 15, 2014 for an unlimited term. He is also Chief Financial Officer and is an employee of the Company under a contract concluded on

January 2, 2014. His employment contract includes compensation under a non-compete clause equal to 75% of the fixed compensation earned in the 12 months prior to his departure.

1.8 Specific terms and conditions relative to shareholders' participation in the General Shareholders' Meeting

Article 19 of the Bylaws includes specific terms and conditions relative to shareholders' participation in the General Shareholders' Meeting.

1.9 Limits placed by the Board on the CEO's powers

The Chief Executive Officer heads up the Company and represents it in its dealings with third parties, within the limit of its purpose. He/she is vested with the most extensive powers to act on behalf of the Company in all circumstances, subject to the powers expressly allocated by law to the Board of Directors and General Shareholders' Meetings, and the limits set by the Board.

The Chief Executive Officer must be under 65 years of age.

The Board of Directors must be informed in advance about commitments relating to investments, acquisitions and disposals for amounts in excess of €50,000.

1.10 Notice of publication of the information in Article L. 225(100)(3) of the French Commercial Code

See Section 16.6 of the *Document de référence*.

2. Risk management and internal control procedures in the Company

This part of the Company's report draws on the guidelines for implementing the AMF Reference Framework for Risk Management and Internal Control Systems for small and midcaps, updated and published on July 22, 2010.

2.1 General risk management principles

2.1.1 Definition

Implanet continues the process of establishing a formal risk management system.

The organization of risk management aims to identify all the risks and risk factors that could affect the Company's activities and processes and to define the resources required to manage these in

order to keep them at or bring them to an acceptable level for the Company. The system aims to be comprehensive, to cover all risk typologies and all of the Company's or the Group's activities.

2.1.2 Risk management goals

Implanet applies the definition of risk management proposed by the French Financial Markets Authority (AMF), according to which risk management is a lever for managing the Company that helps to:

- create and preserve the Company's value, assets and reputation;
- secure decision-making and the Company's processes to ensure the attainment of its objectives;
- promote the consistency of the Company's actions with its values;
- bring the Company's employees together behind a shared vision of the main risks.

2.1.3 Components of the risk management system

The risk factors identified to date by the Company are presented in Section 4 of this *Document de référence*.

To date, the Company has identified the following main risk categories:

- The competitive environment;
- The Company's dependence on its sales network;
- Intellectual property;
- The manufacturing process;
- Risks related to liability arising from its products;
- Financial risks;
- Legal risks notably in relation to the regulations applicable to medical devices, approvals already obtained or in process, and the regulatory environment;
- Company organization.

These risks are reviewed once a year in order to update the risks with the people directly concerned. The goal of this review is to formally draw up the list of actions required to control these risks and to evaluate the effectiveness of these measures.

2.2 Coordination of risk management with internal control

The risk management system aims to identify and analyze the main risks and risk factors that could affect the Company's activities, processes and objectives, and to define the resources required to maintain these risks at an acceptable level for the Company, particularly by implementing preventive measures and controls, which are part of the internal control system.

At the same time, the internal control system relies on the risk management system to identify the main risks that need to be controlled. The Company has established and developed an internal control system since its inception, however its formal risk management organization is more recent. The Company has embarked on a process of coordinating these two systems, with the aim of identifying the control methods applicable to the Company's key processes that are liable to be affected by the risks categorized as "major".

2.3 General internal control principles

2.3.1 Definition

IMPLANET applies the definition of internal control proposed by the French Financial Markets Authority (AMF), according to which internal control is a system that the Company implements. The system aims to ensure:

- compliance with laws and regulations;
- implementation of the instructions and directions given by general management;
- proper functioning of the Company's internal processes;
- reliability of financial information;
  and
- in general, helps to control its activities, ensure the effectiveness of its operations and the efficient use of resources.

During the fiscal year, IMPLANET continued to roll out its internal control system aimed at "ensuring internally the relevance and reliability of the information used and distributed in the Company's activities".

Nonetheless, internal control cannot provide an absolute guarantee that the Company's objectives will be achieved, or that the risks of error or fraud are fully controlled or eliminated.

2.3.2 Components of internal control

The internal control system is based on an organization with a clear definition of responsibilities, reference systems, resources and procedures. The Company has implemented a quality assurance system since its formation. Processes in all areas of its activity are described by procedures, operating methods, instructions and forms. This written documentation traces all stages of the activities, defines the methods and responsibilities of those involved, specifies the Company's know-how and gives precise instructions for carrying out a given procedure.

All Company employees are involved in internal control.

Operating procedures

All documentation relating to the quality management system (QMS) is uploaded to a dedicated Intranet site to optimize access to documents and ensure they are continually updated to reflect developments in the Company's activities (document life-cycle management). The aim of the system is to achieve continuous improvement of the Company's and the Group's quality and operating procedures, across all areas from operations and management to support.

The quality assurance system covers the following areas:

- Company management
- Innovation
- Quality management
- Listening to customers
- Developing and improving products
- Demonstrating value
- Sales
- Product manufacture
- Managing methods and resources
- Purchasing

- Accreditation

Organization of the Finance and Accounting Department

The Finance and Accounting Department is made up of four people, including the Chief Financial Officer.

The following organization is in place in the Company to minimize financial management risk:

- the Company's General management and the Finance Department personnel in particular are responsible for improving internal control and incorporating the recommendations of the external auditors and the Audit Committee;
- the Company maintains internal separation between the preparation and oversight of the financial statements and calls on independent experts to evaluate complex accounting entries;
- a chartered accountant verifies the preparation of interim and annual individual financial statements and the financial statements prepared under IFRS;
- payroll management is subcontracted to a specialist independent firm;
- the accounting operations of the subsidiary IMPLANET America Inc. are entrusted to a firm of chartered accountants.

The accounts are produced internally and then submitted to the Company's Statutory auditors for review before being presented to the Audit Committee for discussion. This procedure is designed to ensure that the Company's accounting practices are in line with French and international accounting standards (IFRS), as well as to guarantee consistency in the presentation of the accounts.

The Finance Department reports directly to the Chairman of the Board of Directors.

The budget and "monthly reporting" procedure

At the end of the fiscal year, a detailed budget is prepared by the Finance Department for the following year and submitted for approval to general management. The budget is then presented to the Board of Directors. Periodic budget reviews organized with all operating managers examine and approve individual line items and review expenditure as a whole.

The Company's accounting system is based on French accounting standards, with sales broken down by product line and costs broken down by center and type, which allows it to monitor the budget very closely.

The Company draws up "monthly reports" including an operating account, a balance sheet and cash forecasts. These reports are submitted to the Management Committee comprising Ludovic Lastennet (Chief Executive Officer), Denis Saint-Denis (Deputy Chief Executive Officer and Chief Financial Officer), Régis Le Couedic (Research and Development Director), Alain Meunier (Clinical & Scientific Affairs Director) and Franck Laporte (Operations Director).

The Finance Department prepares a report for each Board of Directors' Meeting for the general management and Directors. Reporting is presented and discussed on a regular basis during Board meetings.

At the end of each half-year, the accounting teams finalize the consolidated financial statements for the companies in the Group.

Delegation of powers

Each cost center manager has a capped expenditure authorization, which must be approved by the Company's general management as soon as the threshold is reached. These purchase requests are then checked off against the invoices and delivery notes for the goods before payment is approved.

2.4 Actors in risk management and internal control

General management has been the driving force behind defining and implementing the Company's internal control and risk management systems since the outset.

The risk management system aims to identify and analyze the main risks and risk factors that could affect the Company's activities, processes and objectives, and to define the resources required to maintain these risks at an acceptable level for the Company, particularly by implementing preventive measures and controls, which are part of the internal control system.

2.5 Limits of the risk management and internal control systems and improvement priorities

In 2015, the Company will endeavor to adapt and optimize its risk management system relative to its IT system (SAP) and to improve monitoring of action plans.

The Board of Directors approves the terms of this report, which will be presented to the General Shareholders' Meeting called to approve the financial statements for fiscal year 2014.

2.6 Representation of women and men on the Board of Directors

In accordance with the provisions of French Law No. 2011(103) of January 27, 2011 relative to gender balance on company boards of directors and supervisory boards, and equality in the workplace, the Company currently has two female Directors on the Board of Directors.

Chairman of the Board of Directors

26.2. STATUTORY AUDITOR'S REPORT, PREPARED PURSUANT TO ARTICLE L. 225(235) OF THE FRENCH COMMERCIAL CODE, ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

INKIPIO AUDIT
19, rue des Tuiliers
69003 Lyon
Simplified joint-stock company (SAS) with a capital of €300 000

Statutory auditors
Member of the Lyon
regional company of auditors

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
Simplified joint-stock company (SAS) with variable capital

Statutory auditors
Member of the Versailles
regional company of auditors

Implanet

Fiscal year ended December 31, 2014

Statutory auditor's report, prepared pursuant to Article L. 225(235) of the French Commercial Code, on the report of the Chairman of the Board of Directors of Implanet

To the shareholders,

In our capacity as Statutory auditors of Implanet and in accordance with the provisions of Article L. 225(235) of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with the provisions of Article L. 225(37) of the French Commercial Code for the fiscal year ended December 31, 2014.

It is the Chairman's responsibility to prepare and submit for the approval of the Board of Directors a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L. 225(37) of *the* French Commercial Code, in particular the measures related to corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report on internal control and risk management procedures related to the preparation and processing of accounting and financial information; and

- to attest that this report contains the other disclosures required by Article L. 225(37) of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures related to the preparation and processing of accounting and financial information

Professional standards require that we perform the necessary due diligence required to assess the fairness of the information concerning the internal control and risk management procedures related to the preparation and processing of accounting and financial information contained in the Chairman's report. These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures related to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based, as well as existing documentation;

- obtaining an understanding of the work involved in the preparation of this information and of existing documentation;

- determining if any material weaknesses in the internal control system related to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information concerning the Company's internal control and risk management procedures related to the preparation and processing of accounting and financial information contained in the report of the Chairman of the Board of Directors, prepared in accordance with Article L. 225(37) of -the French Commercial Code.

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L. 225(37) of the French Commercial Code.

Lyon and Paris-La Défense, April 2, 2015

The Statutory auditors

INKIPIO AUDIT	ERNST & YOUNG Audit
Clément Albrieux	Franck Sebag

26.3. CORPORATE SOCIAL RESPONSIBILITY REPORT

1. Social and environmental information

This report presents the information for the company Implanet and its subsidiary Implanet America Inc. for the fiscal years 2013 and 2014. It is specified, however, that Implanet America Inc. had neither own personnel, nor direct expenses, with the exception of a rental expense in a business center, in 2013; consequently, the numerical data for fiscal year 2013 provided below only concern Implanet. For 2014, the presented data represents the aggregate data for Implanet and its subsidiary Implanet America Inc.

1.1 Employment and social information

The Group carries out research, development and sale activities of medical devices. Its personnel are therefore crucial for its economic model. To motivate and retain all of its Key Personnel over the long term, the Group has put in place a talent management policy.

The 2014 fiscal year was marked by the commercial development of the Group in its strategic activities. The Group exceeded US$1 million in sales during its first year of sales in the United States. The gradual acceleration of the sales of Jazz in France, the United States, and the rest of the world, generated growth of +138% with 4,260 implants sold in 2014, showing the quality of the sales teams and the pertinence of the choices of business partners.

This commercial growth was achieved thanks to a substantial increase in the workforce, up by 25% compared with the previous fiscal year, in particular in the US where five people were recruited in 2014 to develop the commercial network and sales all over the US.

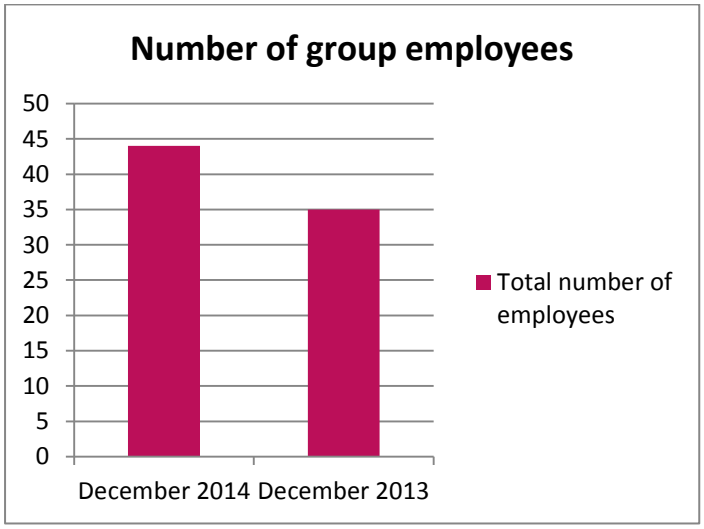
The staff motivation and loyalty policy is confirmed by a generally low departure rate (excluding short-term contracts). The departure rate was below 5% in the 2014 fiscal year (as against 6% in 2013).

The work and management contracts signed between the Group and its Key Personnel include confidentiality, loyalty and non-competition clauses.

a) Employment:

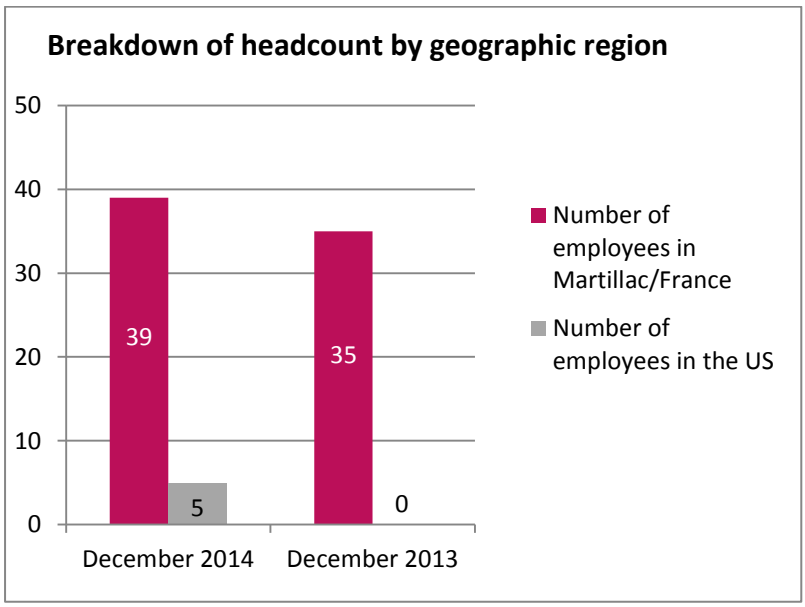
Workforce:

At the end of December 2014, the Group showed strong momentum with **44** employees (full time and part time) as against **35** at the end of December 2013, or a workforce increase of almost 25%. Among them, **41** hold an permanent employment contract (36 in France and 5 in the USA), **1** a fixed-term contract, and **2** an apprenticeship contract. At the end of December 2013, among the 35 employees, 33 held an permanent contract, 1 a fixed-term contract, and 1 an apprenticeship contract. The Group therefore favors stable and lasting employment arrangements to ensure its development.



Breakdown per geographic location:

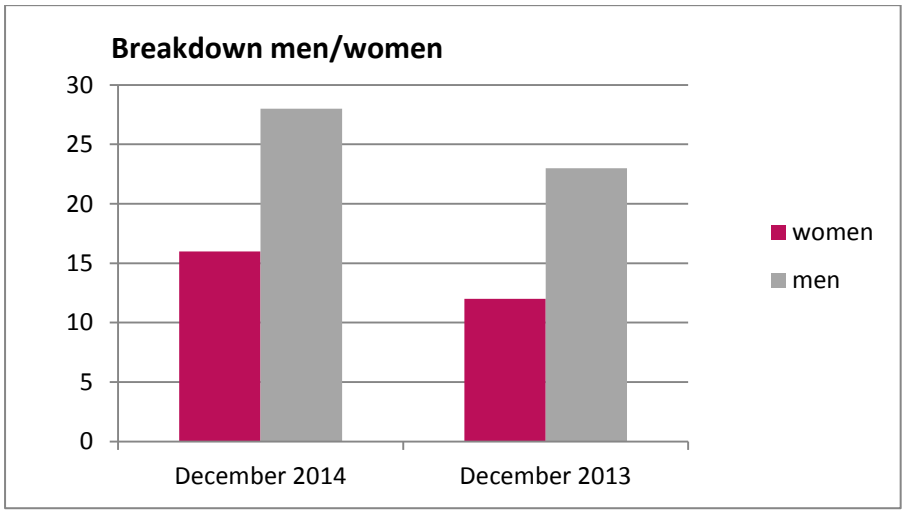
As already seen, in 2014 the Group recruited 5 people in the USA to develop its activity in this geographic zone, while the workforce in France increased by 4 people in 2014. Details on the profiles of the people recruited are presented below.



Breakdown men/women:

At December 31, 2014, women represented 36% of the Group's contractual workforce, an increase on the previous year's figure (34%).

The gender breakdown of employees is as follows:



The Group implements a policy of non-discrimination in wages when hiring employees. Whatever the professional category, the procedures for managing compensations and assessing individual value added are identical for men and women. The same applies to access to training:

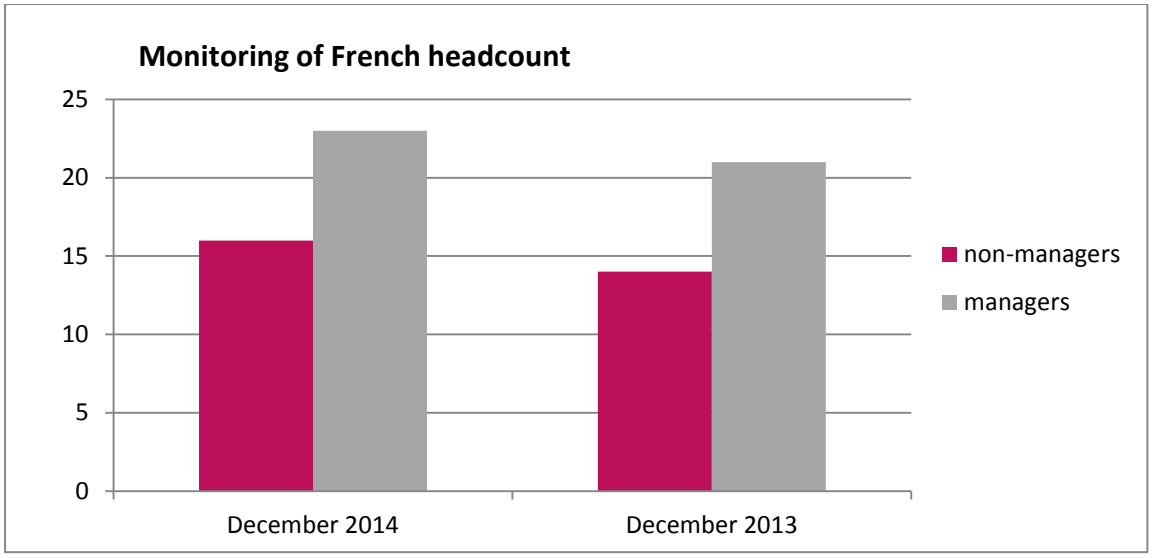
The breakdown of the Board of Directors is presented below in the Section on equal treatment. In 2014, a woman, Ms. Paula Ness Speers, whose career has mostly been in health strategy, was appointed as an independent Director. She has run several large cost-optimization studies and devised many strategies for penetrating healthcare markets.

Skills:

At the end of December 2014, the Group employed 13 people holding masters-level degrees or above, representing 30% of its overall workforce, as against 11 people at the end of December 2013. Two staff members hold a doctorate degree. These staff have wide experience of technology innovation management, and of the development and sale of medical devices and products.

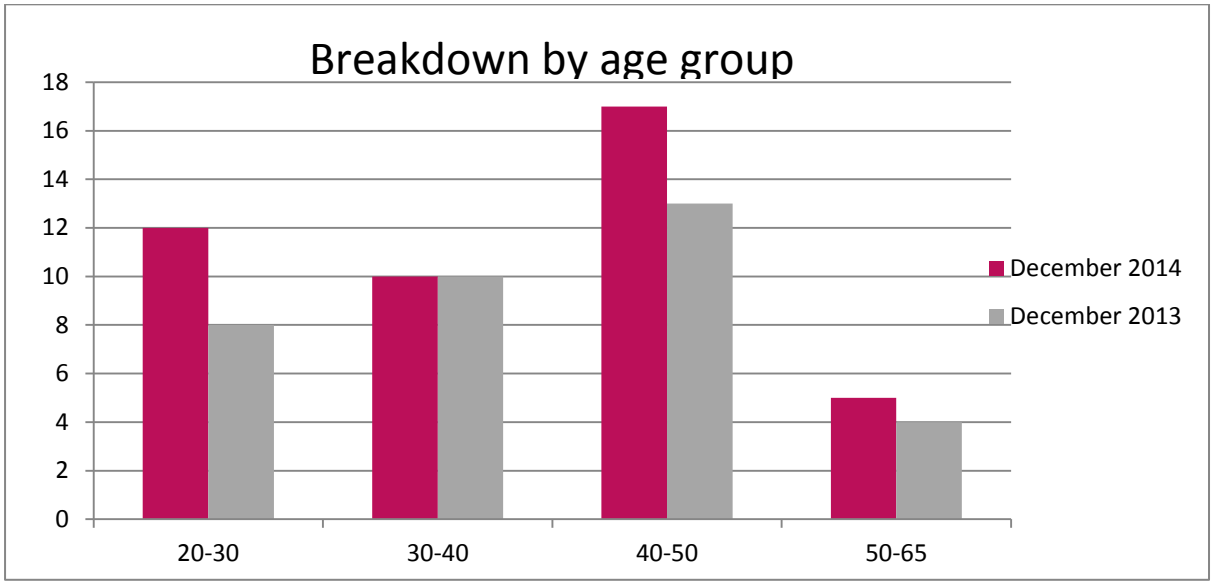
In fiscal year 2014, as in 2013, over 14% of the workforce was directly assigned to research and development activities; the remainder handled support functions such as sales and marketing, administration, quality, and regulatory and operational compliance.

The staff is characterized by a high level of qualification: executives make up 60% of the workforce. It is specified that four full-time and two part-time staff, or 14% of the Group's workforce, were assigned to the R&D activity in 2013 and 2014.


Monitoring of French headcount
25
20
15
10
5
0
December 2014
December 2013
non-managers
managers

Seniority:

At December 31, 2014, both the average age and the average seniority of staff were stable compared with the previous fiscal year, with an average age of 38 years and an average seniority of three and a half years.



The Group's workforce is balanced in terms of the breakdown between young professionals and more experienced employees.

Staff turnover:

In France, the Group recruited 9 new staff members in 2014: 4 permanent contracts, 4 fixed-term contracts and 1 apprenticeship contract. 13 people joined the workforce in 2013. The major recruitment concerned the following positions:

- Deputy Chief Executive Officer in charge of the financial department,
- Export Sales Director for Europe
- R&D Project Manager
- Quality Assistant.

In 2014, 5 staff members left the company (1 layoff for physical incapacity, 1 death and 3 fixed-term contracts ending), as against 9 in 2013.

Thus, the Group created 4 new net positions in 2014 (an 11% increase of its workforce) and 4 in 2013 (a 13% increase).

In 2014, the Group recruited 5 people in the USA in order to grow in this strategic market and position its offer. It recruited staff all over the territory. Two employees are located in Boston, one in San Francisco, one in New Jersey, and one in South Carolina.

These employees hold the following positions:

- Sales Director for the Western US
- Marketing and Communication Director
- Sales Director for the Eastern US
- Operations Department
- Sales and Commercial Development Director for North and South Carolina

The recruitment carried out in the US concerns marketing and commercial development positions that should enable the Group to increase its sales in the North American market.

Compensation:

Charges de personnel par exercice	2 014	2 013
En pourcentage de chiffre d'affaires	49,88%	48,85%
En pourcentage de charges opérationnelles	25,00%	24,05%
Montant global en k€	**3 511**	**3 268**

Payroll expenses increased by 7% during the 2014 fiscal year. This increase outpaced those of the Group's revenue and operating expenses. Payroll expenses represented 50% of revenue and 25% of operating expenses, as against 49% and 25%, respectively, for the previous fiscal year.

The employees' compensation levels are solely based on the positions they hold. The Company makes no difference in terms of the actual salaries between two employees holding the same position.

The compensation paid to corporate officers is described in Note 24 to the IFRS financial statements. As the Group continues to develop its growth and structure, this compensation increased compared with the previous fiscal year.

The Group has set up an individual bonus policy based on quantitative and qualitative criteria. The bonus criteria and amounts are defined during the annual staff review in accordance with the objectives set for the employees. Following the closure of the fiscal year, a summary review is carried out to validate their achievements and final allocations. Sales bonuses are based on sales targets. Other types of bonuses are based on specific criteria for the positions held by the different employees.

b) Organization of work:

In France, the employment contracts of the employees are subject to the national collective agreement for the metallurgy industry; the "national" agreement for executive staff and that of "Gironde et Landes" for non-executive staff.

The work time of executive staff is defined in days (218 days per year) and that of non-executive staff in hours. For the latter, the effective work time is 35 hours per week.

Non-executive staff who work beyond this number of hours gather overtime. The need for overtime remains very limited. Implanet offers its employees the choice of payment or free time for any overtime done. In the 2014 fiscal year, the non-executive staff did 174 hours of overtime, or about

0.6% of the hours worked by non-executive staff (236.5 hours or 1% in 2013), of which 99 were paid in 2014 (162 hours paid in 2013).

In the United States, the five employees recruited have contracts based on US labor law. The five US employees are employed by Implanet America Inc. Their employment contracts stipulate working arrangements defined between the two parties in compliance with American law.

Implanet makes little use of temporary employment. In France, the Group employs 35 people on a full-time basis and 4 people part time; in the US it employs 5 people full time.

Absenteeism remains limited within Implanet despite an increased rate between 2013 and 2014. The "absent working days-to-present working days" ratio remained below 5% in 2014 for the workforce overall, despite variations between departments.

	G&A	*R&D*	*MKT*	*Sales / Export*	*Raqa*	*OP*	**TOTAL**
total jours absences par service 2014	-	*6*	*5*	*3*	*28*	*350*	**392**
total jours absences par service 2013	*29*	*2*	-	-	*10*	*162*	**203**
ratio jours absences / jours ouvrés 2014	*0,0%*	*0,4%*	*1,1%*	*0,4%*	*1,4%*	*15,2%*	**4,6%**
ratio jours absences / jours ouvrés 2013	*2,2%*	*0,2%*	*0,0%*	*0,0%*	*0,6%*	*7,6%*	**2,9%**

During the 2013 and 2014 fiscal years, these numbers were impacted by the long-term illness absence of one staff member who was incapable of resuming work. This person went on sick leave on June 29, 2013, and was laid off for physical incapacity to resume work at the end of December 2014. If one restates these figures for this particular case the absenteeism ratio comes to **1.7% for 2014 and 1% for 2013.**

The monitoring of absenteeism is carried out on the basis of permanent contract full-time equivalents for each fiscal year in question. Staff on fixed-term or apprenticeship contracts, as well as general management, are excluded from this monitoring. It should be noted that the Group saw no absences at these levels in the course of 2013 and 2014.

c) Labor relations:

Labor relations are handled through Implanet's staff representative bodies: the Employee Representatives.

Implanet has four staff representatives (two primary representatives for each category and two alternate representatives for each category) who were elected in November 2012 for a four-year term. The next election will therefore be organized at the end of 2016.
The meetings of the staff representatives are held in accordance with the applicable laws and regulations. The minutes are distributed to the staff as and when they are completed.
The Group believes that it has good relations with its staff. It maintains a constructive social dialog with the staff representatives on the basis of transparency and openness. This allows it to enjoy a healthy labor relations climate.

d) Health and safety:

The safety of staff and the management of working conditions are fundamental factors for sustainable corporate development. The Group has made the mandatory declarations for its installations and holds the necessary approvals for its activities. The technical checks and controls of the installations are carried out according to the current legislation. The staff holds the certifications and training necessary for using the equipment, and for maintaining Health and Safety at work.

Implanet's rules of procedure summarize the main health and safety rules with which staff must comply. The Company, with the support of its occupational physician, has drafted a unified document on risk assessment. These elements are made available to all company employees.

For all staff members, the Group covers the costs of medical examinations, the frequency of which depends on the position held by the individual employee. The frequency is set jointly with the occupational physician:

- at-risk positions: once a year,
- all other positions: every two years.

In the course of 2013 and 2014, none of the Group's employees, trainees, apprentices or temporary staff had accidents that could be qualified as work-related accidents.

No work-related illnesses or illnesses of an occupational nature were declared by any of the Group's employees, trainees, apprentices or temporary staff in 2013 and 2014. No permanent incapacity was notified to the Group for this fiscal year or previous years.

The latest report of the occupational physician, dated November 22, 2013, identifies no major risks affecting the safety and health of the Company's staff. It lists some areas for improvement, but mainly highlights all the measures already taken by the Group in these domains.

e) Training:

The Group has set up a human resources management policy aiming to attract and retain the best profiles. This entails a pro-active compensation policy, a training budget in line with the needs of the Group's activity and employees, and a willingness to promote career development.

The staff's educational level is high and the Group is particularly keen to maintain the high levels of knowledge and skills of all staff members. It promotes training by setting up programs in line with its strategy. Every year, the members of the company express their training wishes during an individual interview. Subsequently, the annual training plan is drawn in line with the identified priority areas. The training plan is validated by general management and the finance department.

For fiscal year 2014 Implanet had planned 26 training programs, of which 13 were carried out. These 13 training programs represented a total of 289.5 hours, which was a substantial increase on the previous year. In 2013, 9 training programs of the 12 that had been planned were carried out, totaling 101.5 hours.

	2013	2014
Nombre de formations prévues au plan	12	26
Nombre de formations réalisées par les salariés	9	13
Nombre d'heures de formations réalisées	101,5	289,5

The major focus areas of Implanet's staff training concern patient safety. Implanet therefore mainly trains its "quality" and "operational" staff in order to ensure very high product quality. There are a variety of programs. During the last two fiscal years, they focused on knowledge improvement: US regulations/bio-compatibility/professional software/product range.

The Group organizes internal "quality" training programs for all new recruits. A training program is developed for new recruits depending on their positions. The training programs can be taken in person by staff belonging to the Martillac site or online with telephone support by staff based in the United States.

Every new recruit receives a series of "quality" training programs related to the needs of his position. These training programs are provided by employees of the company's "quality" department. The training program followed by every employee is summarized in the "introductory training" document, which is kept in the employee's personnel file.

After each training program, an internal training evaluation sheet is filled out indicating the following: type of training, objectives, expected outcome, assessment of attainment of objectives. Following their training, staff belonging to the "quality" department take a self-assessment test that makes it possible for the managers of the "quality" department to evaluate the knowledge acquired.

f) Equal treatment:

Due to the size of its current workforce, the Group is under no other legal constraint than that concerning the breakdown of its Board of Directors. As a result, one woman sits on the Board of Directors as an independent Director, namely Ms. Paula Speers. It should also be noted that a second woman sits on the Board of Directors as the representative of COFA-INVEST. The Group is therefore in compliance with the requirement of having at least 20% women on its Board of Directors.

During the 2014 fiscal year, the Board of Directors welcomed two new Directors:

- Mr. Brian Ennis brings to Implanet more than 30 years of success in developing and growing medical technology companies;
- Ms. Paula Ness Speers brings her many successes in developing and implementing complex growth strategies in the health industry, covering product cycle definition, launch, and commercial deployment, which will enable Implanet to boost its international growth

As regards the recruitment of new employees, in order to fight discrimination in hiring, the Group has set up a procedure enabling it to make an objective selection based on the needs of the positions to be filled. In order to define these needs, the Group produces job description and recruitment sheets. Recruitment for management positions is handled by a recruitment firm. All other recruitment is handled by the company internally.

The job description sheets mainly describe the duties involved and the skills required for the position. These sheets make it possible to define up front the type and level of education wanted, and the level of experience and specific knowledge required.

The recruitment sheets summarize the details and the contract conditions offered to applicants. They present the recruitment process, contract type, terms and the compensation allocated to the position to be filled.

These sheets make it possible to ensure within the Group a non-discriminatory recruitment process offering equal opportunities to all applicants.

1.2 Environmental information

Due to the nature of its business (research, development and sale activities of medical devices), the Group considers that its environmental impact is slight.

Its activities do not involve industrial production or distribution, thus no use of raw materials and no significant discharges into the environment. Its activities do not require use of town gas or special gases. They generate no particular noise pollution for the staff or local residents. Considering the small quantities handled, the Group believes that the discharges to air linked to its activity are not significant and have little impact on air quality. Details on the greenhouse gas emissions linked to car and air travel are provided below.

Moreover, the Group's research activities are subject to very stringent regulatory requirements, with which it complies. The Group has all of the necessary approvals to conduct its activities.

Within this framework, only the following themes have been retained as relevant for consideration in the rest of the report:

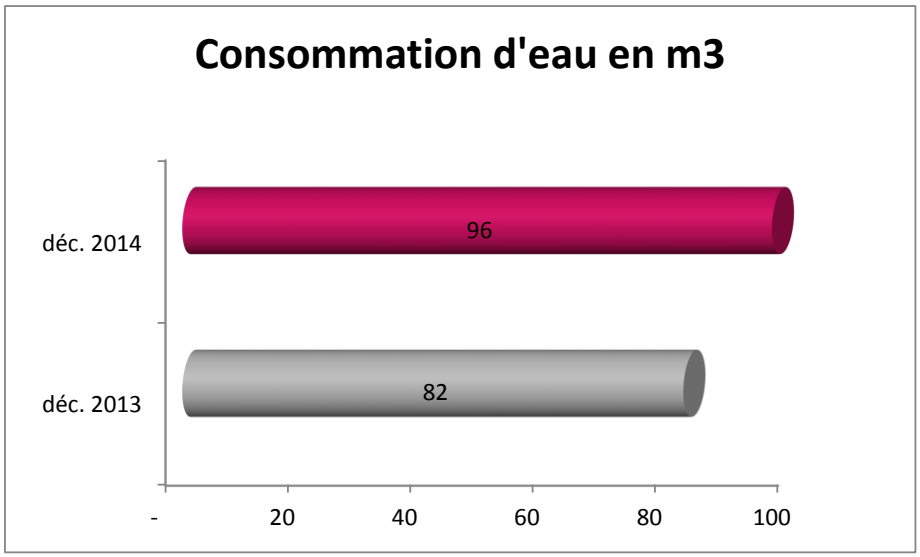
- General environmental policy;
- Sustainable use of resources;
    - Energy consumption,
    - Annual water consumption.

Pollution and waste management: It is noted that the Group rents its premises and offices. It therefore has no power over the installed facilities that could have an impact in terms of the environment and sustainable development. However, at the time of the construction of its second building in Martillac, the Group in collaboration with the lessor opted for a wood-frame building.

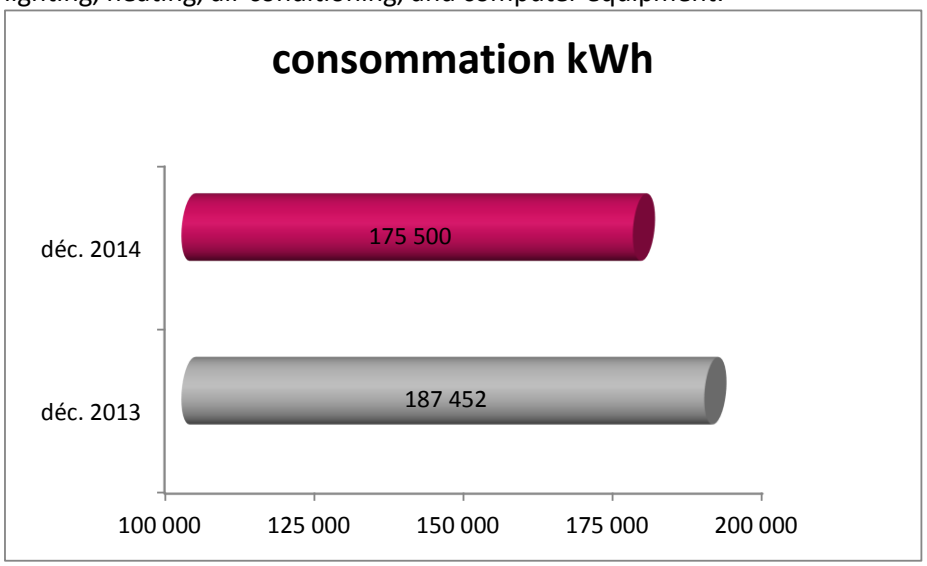
Water and energy consumption:

Natural and energy resources are not inexhaustible and the Group is concerned about its energy footprint. The Group is therefore very vigilant about not over-consuming the various natural resources and energy forms to which it has access.
The company applies simple, common sense principles in terms of environmental protection (daily energy savings gestures, particularly concerning the lighting of the premises).

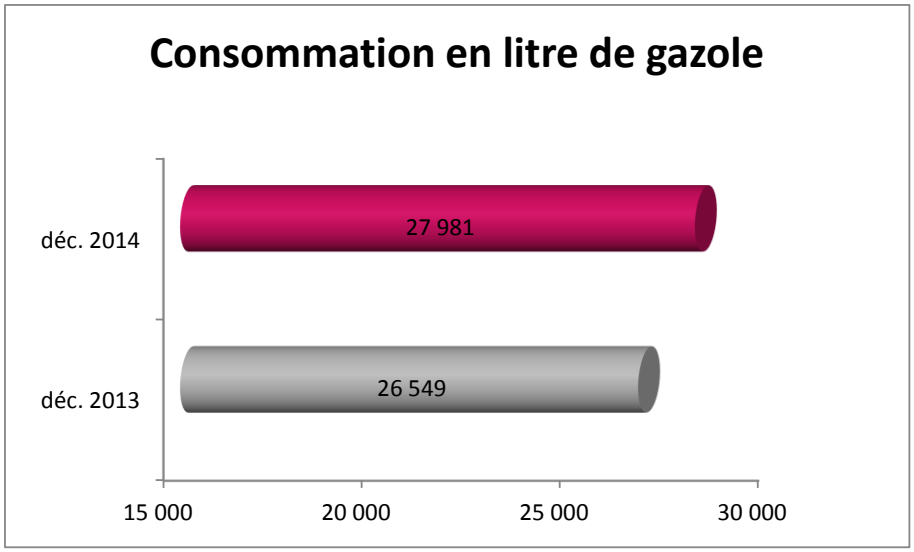
The Group's activities do not consume large quantities of water. The consumption concerns the needs of the staff: sanitary facilities, rest room, maintenance of the premises. It remained below 100 m3 in 2014.



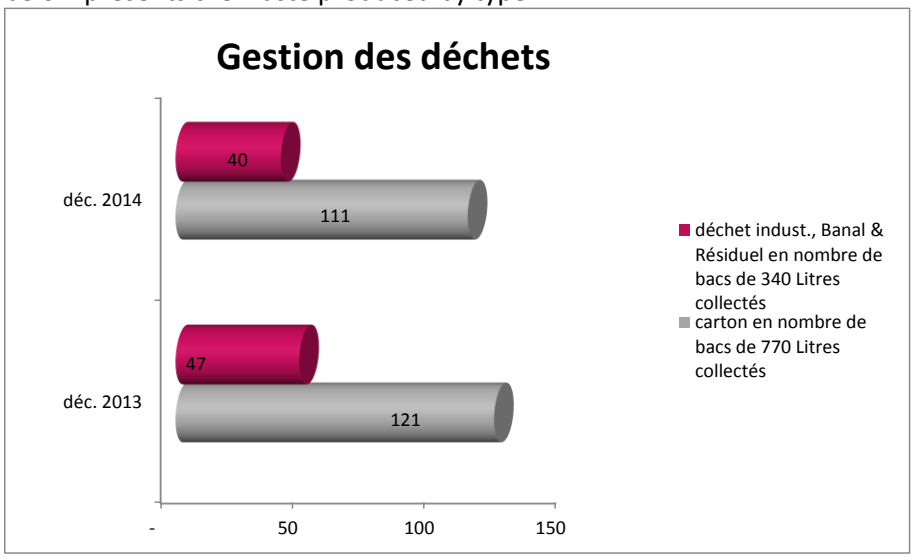
Considering the Group's activities, its electricity consumption remains limited mainly to the needs of lighting, heating, air conditioning, and computer equipment.



The Group's diesel fuel consumption, presented below, corresponds to the company vehicles made available to staff. The consumption remains comparable between the two fiscal years.



As the Group has no direct production it generates only limited amounts of waste. The diagram below presents the waste produced by type.



In addition, despite its low environmental impact, the Group strives to respect the environment and has launched, at its level, the following recycling actions:

- sorting of plastic bottles and caps;
- sorting of paper and cardboard;
- sorting of ink cartridges; and
- sorting of batteries.

Waste receptacles for each type of waste have been installed. The Company uses specialized companies for the removal of the waste.
As regards scrapping of the Company's marketed products, the Group uses a local service provider specialized in the handling of ordinary industrial waste and electrical and electronic waste. Scrapping is carried out under bailiff supervision.
The selected service provider recovers the waste by means of reuse, recycling or any other action generating reusable material or energy. This service provider ensures monitoring and traceability of the material flows as well as elimination of the waste in an approved waste treatment facility.

Paper consumption:

Paper consumption remains limited within Implanet with less than two tons of paper used in 2013 and in 2014.

	2013	2014
nombre de ramettes A4 achetées	*665*	*620*
nombre de ramettes A3 achetées	*4*	*11*
estimation de consommation de papier en T	**1,7**	**1,6**

Greenhouse gas emissions:

Travel by employees using company vehicles:

Between 2013 and 2014, the Group's employees increased their use of company vehicles considerably; they traveled approximately 345,000 km, up by 41%.

	déc. 2014	déc. 2013	var. en %
Rejets de gaz à effet de serre en teq CO_2	**42,8**	34,6	**24%**
Nombre de milliers Km parcourus	**345**	244	**41%**

However, the increase in greenhouse gas emissions was less significant; from 34.6 CO_2 TEQ in 2013 to approximately 42.8 CO_2 TEQ in 2014, or an increase of 24%. It should be noted that the emissions are estimated on the basis of manufacturer information and only take into account the fuel combustion.

This is explained by the fact that Implanet in fiscal year 2013 replaced four old gasoline-powered vehicles with hybrid electric-gasoline cars. As a result of the concern about the greenhouse gas emissions into the atmosphere, hybrid vehicles now represent a quarter of the company's fleet.

This change has made it possible to reduce CO2 g/km emissions by 37% on a quarter of the fleet.

Air travel by employees:

Considering its ongoing international growth, the Group was forced to make significant use of national and international air travel in 2014. It therefore set up monitoring criteria for its CO_2 emissions caused by this mode of travel in 2014. This information has been estimated on the basis of travel agent or airline data and only takes into account the fuel combustion for the flights.

données 2014	Rejets de gaz à effet de serre en teq CO_2	nombre de km parcourus, en milliers	nombres de voyages
agence boarding pass	**98,2**	849	137
agence prêt à partir	**8,2**	107	63
total	**106,4**	**956**	**200**

It is clear that this type of travel became significant for the Group in 2014, as the CO_2 emissions caused by air travel represent twice the amount of those caused by car travel.

However, air travel on average causes less CO_2 emissions than car travel (an average of 0.111 CO_2TEQ per thousand km for air travel as against an average of 0.124 CO_2 TEQ per thousand km for car travel, or a difference of about 10%).

Furthermore, to limit its travel and impact on the environment, the Group strives to use video- or teleconferencing whenever possible. In order to limit the number of trips as much as possible, the Chief Executive Officer prolongs his visits to the USA.

1.2 Information concerning company commitments to promote sustainable development

IMPLANET territorial and social policy

IMPLANET was created in 2006 and currently employs 44 people. Over a period of seven years, the Group has hired qualified and skilled staff, most of whom come from the Bordeaux area. Permanent employment contracts are preferred. Fixed-term contracts concern replacements or temporary activity peaks.

The Group applies a permanent policy of employing and training young people. Every year, the Group recruits people under apprenticeship or professional training contracts as well as a number of trainees for the purpose of training them. Everyone who completes a trainee period of at least one month receives compensation.

The Group also wants to contribute to the integration of disabled people into the economy. For this purpose, it calls on the services of a center providing care to disabled people through employment (ESAT). In 2013 and 2014, the Group purchased supplies from handicap-friendly companies, thus partially fulfilling its obligations as regards the employment of disabled workers. It places two to three orders per year for a total amount of between €4,000 and €5,000.

IMPLANET quality policy

IMPLANET has set up a quality policy for 2012/2015 with the following aim

"A modern vision, socially and economically responsible, applied to the supply of products and services to the world of healthcare."

IMPLANET dedicates this vision to all the actors of the healthcare chain: healthcare product manufacturers, healthcare establishments, physicians, medical staff, healthcare budget and expense management bodies.

By listening to these actors and analyzing their needs, IMPLANET can offer two main product and services families.

- First of all, IMPLANET offers “Gold Standard” surgical products, at very competitive prices, thus enabling improved healthcare cost control, while maintaining the highest quality standards and full regulatory and performance compliance.

- IMPLANET also offers the IMPLANET Smart System IT tool to ensure the traceability of a healthcare product throughout the healthcare chain together with all associated treatment and patient data.

This offer is made possible by IMPLANET's focus on development, product life monitoring, optimization of internal and external operations, and the goal of ensuring the highest possible safety for the patient.

IMPLANET strives to satisfy its customers and undertakes to implement the human and material resources necessary to achieve and maintain this satisfaction within the framework of a structured approach of dialog and continuous control.

IMPLANET organizes and deploys its activities, paying careful attention to deadlines and processes, towards ambitious, measurable and reachable objectives.

IMPLANET is also aware of the crucial importance of the commitment and competence of its staff for its success. Curiosity, innovation, participation and autonomy are therefore key values for the Company.

IMPLANET and all of its management are committed to being particularly attentive to the needs and suggestions of customers, staff and suppliers, in order to constantly improve the quality and performance of its products and services for the mutual benefit of all actors of the community in which it is active.

General management ensures compliance with these principles and their constant adaptation to industry best practices.

Measures taken in favor of consumer health and safety

The health and safety of consumers is at the heart of the Group's activities: to develop innovative devices and products for everybody, worldwide. In the context of its research and development activity, the Group is obliged to comply with current standards (Good Laboratory Practices, Good Manufacturing Practices) and with the regulations laid down by government agencies in charge of public health protection, such as the European Union Agency (EMA) or the Food and Drug Administration (FDA) in the United States.

The Group’s main concern is to bring to market implants, manufactured to uncompromisingly high standards of quality and meeting the most stringent clinical performance requirements, for various orthopedic surgery markets, as is reflected in IMPLANET's quality policy based on European Directive 93/42/EEC on medical devices. IMPLANET is ISO 13485 certified and all products are in compliance with the CE standard.

Taking into account the development of the healthcare system in each country, the Marketing team identifies a portfolio of products and services based on a detailed analysis of the socioeconomic, regulatory, demographic and cultural characteristics of each market. The R&D team focuses on the design of scientifically and clinically proven implants, using quality materials, tested according to the most stringent standards in force, combined with simple and user-friendly instrumentation. Our working groups, comprising surgeons, engineers and experienced product managers, work closely together to offer a range of implants of high quality with specifications based on solid scientific data, to adequately meet the needs of healthcare professionals and to guarantee the safety of patients.

2014 confirmed the Group's positioning and the quality of the research it offers the sector.

Significant progress was also achieved in European markets:

- First operations using JAZZ in Germany and Spain, following the signature in December 2013 of a partnership contract with major actors in the sector;
- Increase in the number of implants inserted in Italy and Greece;
- Granting by the European Patent Office of the "Universal Tibial Insert" patent, an exclusive product in the Knee Implant range.

At organizational level, the Group has pursued its certification processes:

- Completed the 510(k) registration with the US FDA for a technical improvement of JAZZ and its associated instrumentation making it easier and safer to use;
- Compliance Audit of the Martillac (Bordeaux) production site carried out by the FDA in February 2014. This Audit generated no critical remarks or observations.

2014 was also marked by the clinical results of the JAZZ implant in scoliosis surgery on adolescents, providing validation of the Group's development and innovation strategy.

This study, conducted by the Pediatric Orthopedic Surgery Department of the Hôpital Robert Debré, attached to the Université Paris Diderot, provides the results obtained with the JAZZ implant in scoliosis surgery on adolescents by postero-medial translation and, more particularly on the restoration of frontal and sagittal balance. This study was conducted based on the 12-month monitoring of a consecutive series of 20 patients.

Alain Meunier, IMPLANET's Clinical & Scientific Affairs Director, comments: "These preliminary results of a major multi-center study of the JAZZ system confirms two essential parameters: technical efficacy and patient safety. For IMPLANET, these results validate, from a clinical point of view, the concept of sublaminar bands in treating idiopathic scoliosis in adolescents."

"This study, post-market, completes the data used to achieve CE marking in 2011 and FDA approval in 2012 for the JAZZ implant. For all our teams and partners, these results represent the validation of our development and innovation strategy. We are pursuing our research efforts to constantly improve the surgical procedure and the treatment of young patients suffering from severe spinal deformities" concludes Ludovic Lastennet, IMPLANET's Chief Executive Officer.

As the Group is constantly striving to improve its results, it is pursuing its scientific studies in order to offer appropriate solutions to the healthcare sector. At present, several clinical follow-up studies and one biomechanical study are underway.

- Clinical follow-up after market launch of Jazz for two indications:
    - Idiopathic or neurological scoliosis in adolescents: 3 centers (Purpan, Toulouse, Marseille, La Timone and Robert Debré, Paris). At present, a white paper has been drafted by the Robert Debré team, in which their clinical results are described one year later. Two other white papers, by the Marseille and Toulouse teams, are

currently being drafted. These white papers will be published when two years have passed for all the patients.

- Degenerative scoliosis in older patients: Mono-center study (Dr. Cavagna, Clinique de la Porte de l'Orient, Lorient, France). This study aims to assess the clinical results and the risk of complications in the treatment of degenerative scoliosis in older patients with multiple comorbidities. At present, 21 patients have been monitored with an average delay of 16 months. A white paper was completed in December 2014. This white paper will be submitted to a peer-reviewed journal in the first quarter of 2015.

- Biomechanical study: in partnership with the Mayo Clinic Mechanical Engineering Laboratory (Rochester, MN, USA), IMPLANET studied the protection capacity of screws by Jazz in vertebrae presenting poor bone quality for which screw-only assembly presents a substantial risk of mechanical complication (loosening, rupture). This study, the report on which was provided by Mayo Clinic in July 2014, clearly shows the additional mechanical support that a Jazz can provide to a screw in bony tissue of very poor quality. This in-vitro study in part explains the very good preliminary results obtained by Dr. Cavagna.

Action taken to prevent all forms of corruption

As regards the risk of corruption, the Group believes that it has set up effective internal controls enabling it to prevent this phenomenon. The separation of payment tasks is one of the measures taken to avoid mistakes and malfeasance. As regards the selection of suppliers, several estimates are systematically requested and compared as soon as certain expense thresholds have been reached.

Within the framework of the Bertrand Law, following the enactment of Decree No. 2013(414) of May 21, 2013, "on the transparency of the advantages granted by companies producing or selling healthcare or cosmetic products for human use," and in order to meet its legal obligations, IMPLANET twice a year publishes, on its Internet site, the amounts and details of the advantages it grants to healthcare professionals and the title of the agreement(s) it has signed with them

Within this framework for fiscal years 2013 & 2014, the Group has made public on its Internet site, under the heading "Declaration of transparency," the following information:

- Last name/First name/Title/Professional address/Country/Specialty/RPPS reg. No. of the healthcare professional to which it has granted a benefit;

- Date of signature of the agreement/Type of agreement (consultant, hospitality, etc.), - Program linked to the agreement (in the framework of conferences);

- Exact amount of the benefit and Nature of the benefit granted.

For the 2013 fiscal year, the Group declared €22 thousand for 50 healthcare professionals. For the first half of 2014, it declared €27 thousand for 41 healthcare professionals

Consideration of social and environmental issues in the purchasing policy

Implanet resorts to subcontracting to produce the medical devices that it sells.

Raw materials and goods are purchased from suppliers and subcontractors. This item is substantial in Implanet's income statement. It grew in 2014 as a result of the company's growth during the past year:

Achat matières premières et marchandises par exercice	2 014	2 013
En pourcentage de charges opérationnelles	34,62%	22,83%
Montant global en k€	**4 862**	**3 103**

The Group has set up a listing and monitoring procedure of its suppliers. It has thereby formalized the mechanisms put in place for selecting, evaluating and auditing these suppliers.

It has not set up specific "CSR" criteria for the selection of its suppliers, but its selection criteria are based on the supplier's capability of meeting Implanet's requirements, which may relate to products, procedures, manufacturing processes and equipment, staff qualifications, quality management systems, and/or delivery times.

The Group thereby creates value added by involving suppliers and healthcare professionals in its ambition to be a responsible corporate citizen.

This operating method applies to all suppliers that may have an impact on the quality of the finished, packaged, labeled and sterilized Implanet brand product.

Consequently, the following families of suppliers are concerned:

- manufacturers (manufacturing subcontracting, finished product manufacturer, cleaning subcontractor, sterilization, etc.)

- component suppliers (raw material, packaging, labeling)

- suppliers of manufacturing consumables (tooling, abrasives, etc.)

- service providers with an impact on product quality (control laboratory, metrology, maintenance of specific workspaces, etc.)

The Purchasing/Operations Director and the purchaser handle, in collaboration with the Quality and R&D-Industry departments, the listing and monitoring of manufacturers, suppliers of components and manufacturing consumables, and service providers having an impact on product quality.

The listing procedure comprises a documentation collection phase and a supplier audit phase. Once these phases have been validated and the supplier listed, the purchaser handles the monitoring and evaluation of the supplier in question.

To ensure the quality of the services, the Group enters into subcontrating agreement with some suppliers, in order to define specifications, production targets, delivery times, and legal safeguards for the commercial relationship (list of active patents).

CSR indicators of the Implanet Group for fiscal year 2014

Grenelle 2 Article 225		GRI 3.1	Section
Indicators to report			
Reporting scope and consolidation of significant entities	Implanet & Implanet America for 2013 & 2014	3.5 to 3.11	1
Employee-related information			
Employment			
Total workforce	Description: employees bound to the employer by an employment contract that is ongoing or suspended for vacation or sick leave, irrespective of the nature of the contract Data collection: Excel monitoring sheet by the Administrative and Financial Manager (AFM) IT system used: extra-accounting monitoring within the framework of salary and personnel management Exclusion: non-employee staff are not taken into account (temporary staff, trainees, employees of an external company) Specific features: to be broken down by gender, age, type of contract, seniority and working hours (full time/part time) Validation circuit: information centralized and controlled by AFM	LA 1	1.1.a)
Breakdown of employees by gender	Description: based on the workforce at 12/31/2013 & 12/31/2014 Data collection: Excel monitoring sheet by AFM IT system used: extra-accounting monitoring within the framework of salary and personnel management Exclusion: see total workforce Validation circuit: information centralized and controlled by AFM	LA 1	1.1.a)
Breakdown of employees by age	Description: average age and breakdown by age group based on the workforce at 12/31/2013 & 12/31/2014 Data collection: Excel monitoring sheet by the AFM IT system used: extra-accounting and personnel monitoring Exclusion: see total headcount Validation circuit: information centralized and controlled by AFM	LA 1	1.1.a)
Breakdown of employees by geographic region	Description: the entire workforce was linked to the Martillac site until December 31, 2013/As of fiscal year 2014: employees have been hired in the USA. Data collection: Excel monitoring sheet by AFM IT system used: extra-accounting and personnel monitoring Exclusion: see total headcount Validation circuit: information centralized and controlled by AFM	LA 1	1.1.a)
Recruitment and departures	Description: recruitment and departures in 2013 and 2014 by geographic location Data collection: Excel monitoring sheet on departure reasons: layoff, resignation, contractual termination, end of probationary period, retirement, death. IT system used: extra-accounting monitoring within the framework of salary and personnel management Validation circuit: information centralized and controlled by AFM	LA 2	1.1.a)

Compensation	Description: payroll expenses, percentage of revenue and operating expenses. Data collection: based on the payroll expenses included in Note 17, the revenue and operating expenses in the consolidated financial statements IT system used: extra-accounting monitoring within the framework of salary and personnel management Validation circuit: information centralized and controlled by AFM	EC1 & EC5	1.1.a)
Change in compensation	Description: comparison of the data above Data collection: based on the payroll expenses included in Note 17, the revenue and operating expenses in the consolidated financial statements IT system used: extra-accounting monitoring within the framework of salary and personnel management Validation circuit: information centralized and controlled by AFM	EC1 & EC5	1.1.a)

Organization of work

Organization of working hours	Description: according to the French Labor Code and the terms of the employment contracts of employees in France/according to the terms agreed with the employees in the USA in compliance with US Labor law. Validation circuit: information centralized and controlled by AFM	LA	1.1.b)
Absenteeism	Description: breakdown by department of the number of days of absence for employees bound to the employer by an ongoing employment contract, based on the total headcount at 12/31/2013 & 12/31/2014 Data collection: Excel extra-accounting monitoring sheet Exclusion: paid vacation days, public holidays and maternity leave. Likewise, non-employee staff are not taken into account (temporary staff, trainees, employees of an external company). For information, the company does not use temporary staff and it saw no absences among the apprentices and trainees in its workforce in the course of 2013 and 2014. Validation circuit: information centralized and controlled by AFM	LA 7	1.1.b)

Labor relations

Organization of the social dialog	Description: compliance with applicable French legislation, election of staff representatives in 2012 (mandate ends 2016)/regular meetings with the staff representatives. Specific features: 100% of the employees are covered by the collective agreement Validation circuit: information centralized and controlled by AFM	LA 4	1.1.c)
Review of collective agreements	Description: no collective agreements signed in 2013 & 2014 Election of staff representatives in November 2012, their mandate lasts four years. The next election will therefore take place in 2016. Validation circuit: information centralized and controlled by AFM	LA 5	1.1.c)

Health and safety

Health and safety conditions in the workplace	Description: drafting of rules of procedure and a unified document on risk assessment that are made available to staff. Data collection: 2013 & 2014 Validation circuit: information centralized and controlled by AFM	LA 6 & LA 8	1.1.d)

Review of agreements signed with trade union organizations regarding health and safety in the workplace	Description: election of staff representatives in 2012. No agreements have been signed with the staff representatives in the last three years. Data collection: 2010 Validation circuit: information centralized and controlled by AFM	LA 9	1.1.d)
Frequency and severity of workplace accidents	Description: The Group saw no work-related accidents in 2013 & 2014 among its employees, trainees, apprentices or temporary staff.	LA 7	1.1.d)
Work-related illnesses	Description: The Group saw no work-related illnesses declared within the company during the 2013 & 2014 fiscal years by any of its employees, trainees, apprentices or temporary staff.	LA 7	1.1.d)

Training

Policies implemented regarding training	Description: annual staff review with request for training => establishment of a training plan validated by General Management and the Finance Department. Monitoring of the completion or not of the training programs. Training plan focused on qualifications and skills. Every new recruit receives internal training related to the needs of his position, see description in the text. Data collection: 2013 & 2014 IT system used: extra-accounting monitoring Validation circuit: information centralized and controlled by AFM	LA 11	1.1.e)
Total number of hours of training	Description: Number of training programs planned, number of programs completed, hours completed. Data collection: 2013 & 2014 IT system used: extra-accounting monitoring Validation circuit: information centralized and controlled by AFM	LA 10	1.1.e)

Equal treatment

Measures taken to promote equality between men and women	Description: Due to the size of its current workforce, the Group is under no other legal constraint than that concerning the breakdown of its Board of Directors. As a result, one woman sits on the Board of Directors as an independent Director. It should also be noted that a second woman sits on the Board of Directors as the representative of COFA-INVEST. The Group is therefore in compliance with the requirement of having at least 20% women on its Board of Directors.	LA 14	1.1.f)
Measures taken to promote the employment of disabled people	Description: use of specific service providers (CAT), number of services and expense level Data collection: 2013 & 2014 IT system used: information taken from the analytical accounting system Validation circuit: information centralized and controlled by AFM	LA 13	1.1.f)
Anti-discrimination policy	Description: action taken to integrate young people (2 apprenticeship contracts in 2014 and use of trainees). Data collection: 2013 & 2014 IT system used: extra-accounting monitoring Validation circuit: information centralized and controlled by AFM	LA 13	1.1.f) and 21.1.f)

Promotion and respect of the stipulations of the fundamental ILO agreements	LA & HR	

Respect of the freedom of association and the right to collective bargaining	Description: compliance with applicable French legislation/Drafting of minutes of the meetings of staff representatives. The next SR elections will take place in 2016, at the end of the current mandate Validation circuit: information centralized and controlled by AFM	HR 5, LA 4 & LA 5	1.1.c)
Elimination of discrimination regarding employment and profession	Description: Recruitment of new employees on the basis of a defined procedure setting the objectives and needs of the position to be filled. Data collection: 2013 & 2014 IT system used: extra-accounting monitoring Validation circuit: information centralized and controlled by AFM	HR 4, LA 13 & LA 14	1.1.f)
Elimination of forced or compulsory labor	Exclusion: the Group only uses French and US labor contracts, it respects French and US labor law which prohibit forced or compulsory labor	HR 6 & HR 7	NA
Effective abolition of child labor	Exclusion: the Group only uses French and US labor contracts, it respects French and US labor law which prohibit child labor.	HR 6	NA

Environmental information

General environmental policy

Organization of the company to take account of environmental issues	Description: Specific measure taken: 4 (of a fleet of 11) gasoline-powered vehicles replaced in 2013 with hybrid electric-gasoline cars, allowing a significant reduction in CO^2 emissions (approximately 37% on 4 vehicles). Data collection: extra-accounting monitoring of the contracts. Validation circuit: information centralized and controlled by AFM	Management approach	2.
Training and information measures taken for employees on environmental protection	Description: no specific measures taken by the Group. The company applies simple, common sense principles in terms of environmental protection (daily energy savings gestures, particularly concerning the lighting of the premises).		NA
Resources dedicated to the prevention of environmental risks and pollution	The nature of the Company's activities does not pose any significant risk to the environment. Consequently, the Group does not dedicate any specific resources to this issue.	EN 30	NA
Amount of provisions and insurance coverage for environmental risks (excluding risk of harm)	Description: The nature of the Company's activities does not pose any significant risk to the environment. The Group has made no provision concerning these risks.	EN 20 & EC 2	NA

Pollution and waste management

Measures for the prevention, reduction or reparation of emissions into the air, the water and the ground with serious environmental effects	Description: the Group does not own its premises and has no direct production. Its impact is therefore deemed insignificant in terms of emissions into the air, the water and the ground.	EN 22, EN 23, EN 24 & EN 26	2

Measures for the prevention, recycling and removal of waste	Description: quantify in tons the Group's production of waste (paper and other). Intervention of specific service providers within the framework of scrapping specific products sold by the Group. For the scrapping of the Company's marketed products, the Group uses a local service provider specialized in the handling of specific waste and the scrapping is carried out under bailiff supervision. Data collection: 2013 & 2014 calendar years Source: extra-accounting monitoring Validation circuit: information centralized and controlled by AFM	EN 22	2
Taking account of noise pollution and any other form of pollution specific to an activity	Description: - noise pollution deemed not significant - pollution linked to the Group's activity in terms of CO2 deemed not significant	EN 25	2

Sustainable use of resources

Water consumption	Description: water consumed in m3 Data collection: 12 months equivalent to the calendar year 2013 & 2014 Source: invoices Validation circuit: management control and accounting Documentary references: invoices and Excel sheet	EN 8	2
Measures taken to improve the efficiency of the water supply depending on local constraints	Deemed not applicable considering the Group's activity.	EN 8, EN 9, EN 10 & EN 21	NA
Consumption of raw materials	Description: all types of paper consumed in tons Data collection: 2013 & 2014 calendar years IT system used: Excel extra-accounting file Validation circuit: management control and accounting Documentary references: invoices and Excel sheet	EN 1	2
Measures taken to improve the efficiency of the use of raw materials	Description: good practices to reduce the consumption of paper, sorting and recycling thereof IT system used: various departments Validation circuit: various departments	EN 10	2
Energy consumption	Description: consumption of electricity in kWh, or diesel fuel in liters Data collection: 12 months equivalent to the calendar year 2013 & 2014 IT system used: extra-accounting Excel monitoring file Validation circuit: management control and accounting Documentary references: invoices and Excel file	EN 3 & EN 4	2
Measures taken to improve energy efficiency and the use of renewable energy	Description: recent sites not owned by the Group. The company applies simple, common sense principles in terms of environmental protection (daily energy savings gestures, particularly concerning the lighting of the premises). Insignificant information	EN 5, EN 6 & EN 7	2
Use of the ground	Criteria deemed not pertinent considering the Group's activity.	EN 25	NA

Climate change

Greenhouse gas emissions	Description: considering its ongoing international growth, the Group's employees were forced to make significant use of air travel during this fiscal year. Monitoring criteria concerning in particular the greenhouse gas emissions linked to this travel were set up during the fiscal year. To limit its travel and impact on the environment, the Group strives to use video- or teleconferencing whenever possible. Data collection: 2014, information not available for 2013 Validation circuit: information provided by the travel agents, centralized and controlled by AFM	EN 16 to 20	2
Adapting to the consequences of climate change	Criteria deemed not pertinent considering the Group's activity.	EN 18 & EC 2	NA
Protection of biodiversity			
Measures taken to preserve or develop biodiversity	Criteria deemed not pertinent considering the Group's activity. There are no premises located in protected areas.	EN 11 to 15	NA
Information concerning company commitments to promote sustainable development			
Territorial, economic and social impact of the company's activity			
Concerning employment and regional development	Description: number of jobs created and maintained, France and USA Data collection: 2013 & 2014 Validation circuit: information centralized and controlled by AFM	EC 8 & EC 9	1 and 2
On the resident or local population	Description: No specific measures taken by the Group.	EC 1 & EC 6	NA
Relations maintained with people or organizations interested in the company's activity (NB: stakeholders)			
Conditions for dialog with these people or organizations	Description: list of action taken towards customers and shareholders Data collection: 2013 & 2014 Validation circuit: information centralized and controlled by AFM	4.14 to 4.17	2
Partnership or sponsorship initiatives	Description: No specific measures taken by the Group.	EC 1 & 4.11 to 4.13	NA

Subcontracting and suppliers

Consideration of social and environmental issues in the purchasing policy	Description: The Group resorts to subcontracting to produce the medical devices that it sells. The supply cycle is short as all the subcontractors are located in France, with the exception of the Eurocoting packaging provider in Italy. The Group implements a listing procedure so that the selected suppliers apply the quality criteria required by it for its products. The selection and listing of suppliers are therefore based on "quality" criteria that correspond to the CSR criteria used by the Group. In order to ensure the quality level of its suppliers, the Group carries out audits based on quality criteria and product traceability See text for details. Validation circuit: purchasing department Documentary references: internal document	EC 6, HR 2 & HR 5 to 7	2

Importance of subcontracting and the consideration of social and environmental responsibility in relations with suppliers and subcontractors	Description: Purchases of raw materials and goods, percentage of operating expenses. Data collection: based on the Purchases of raw materials and goods included in Note 17, operating expenses in the consolidated financial statements IT system used: extra-accounting monitoring within the framework of salary and personnel management Validation circuit: information centralized and controlled by AFM	3.6 & 4.14	2

Fair practices

Action taken to prevent all forms of corruption	Description: list of action taken to prevent all forms of corruption Data collection: action taken in 2013 & 2014 Source: information centralized and controlled by AFM	SO 2 to 4, SO 7 & SO 8	2
Measures taken in favor of consumer health and safety	Description: Quality charter drawn up by the Group and description of the activity by the quality department (ISO 13485 certificate/CE compliant products/US 510 K approval for the Jazz product: certificate and FDA audit). Source: R&D departments/quality Validation circuit: quality departments > General Management Documentary references: internal document	PR 1 & PR 2	2
Other action taken in favor of human rights	Exclusion: the Group's field of action and involvement is limited to the French territory and to Western countries where human rights are respected.	HR	NA

26.4. REPORT BY THE INDEPENDENT THIRD-PARTY BODY ON THE CORPORATE, SOCIAL AND ENVIRONMENTAL INFORMATION

"Implanet
Fiscal year ended December 31, 2014

Report by the independent third-party body on the consolidated corporate, social and environmental information in the management report

To the shareholders,

In our capacity as independent third-party body accredited by COFRAC[1] under number 3(1050) and member of the network of one of Implanet's Statutory auditors, we hereby present our report on the consolidated corporate, social and environmental information concerning the fiscal year closed on December 31, 2014, presented in Chapter 4 of the management report, hereafter the "CSR Information", in accordance with Article L. 225(102)(1) of the French Commercial Code.

Responsibility of the Company

It is the Board of Directors' responsibility to prepare a management report including the CSR Information required by Article L. 225(105)(1) of the French Commercial Code, in accordance with the reference systems used by the company (hereafter "Reference Systems"), summarized in the introduction of Chapter 4 of the management report.

Independence and quality control

Our independence is defined by the regulatory texts, the professional code of ethics, and the provisions of Article L. 822(11) of the French Commercial Code. Furthermore, we have put in place a quality system, which includes documented policies and procedures to ensure compliance with the ethical rules, professional standards and applicable legal and regulatory requirements.

Responsibility of the independent third-party body

It is our responsibility, on the basis of our work:

- to attest that the required CSR Information is present in the management report or, in the case of omission, is the subject of an explanation pursuant to the third paragraph of Article R. 225(105) of the French Commercial Code (CSR Information presence certificate);

- to express a conclusion of moderate assurance that the CSR Information, taken as a whole and in all material aspects, is presented sincerely and in accordance with the Reference Systems (Reasoned opinion on the fairness of the CSR Information).

- Our work was carried out by a team of three people between November 2014 and February 2015 over a period of approximately eight weeks.

- We conducted the work described below in accordance with the professional standards applicable in France and with the Order of May 13, 2013 determining the terms and conditions of the independent third-party body's work.

[1] Made available at www.cofrac.fr

1. CSR Information presence certificate

On the basis of interviews with the managers of the concerned departments, we have familiarized ourselves with the presentation pertaining to sustainable development and the social and environmental consequences of the company's activity, and, if relevant, with the related action plans or programs.

We have compared the CSR Information presented in the management report with the list stipulated by Article R. 225(105)(1) of the French Commercial Code.

In the case of omission of consolidated data, we have verified that an explanation is provided pursuant to the third paragraph of Article R. 225(105) of the French Commercial Code.

We have verified that the CSR Information covered the consolidated scope, namely the company and its subsidiaries, as defined by Article L. 233(1,) and the companies that it controls, as defined by Article L. 233(3) of the French Commercial Code.

On the basis of this work, we certify that the required CSR Information is present in the management report.

2. Reasoned opinion on the fairness of the CSR Information

Nature and scope of the work

We carried out two interviews with the people responsible for preparing the CSR Information within the departments handling the information gathering processes and, if needed, with the people responsible for the internal control and risk management procedures, in order to:

- assess the appropriateness of the reference systems in terms of their pertinence, exhaustiveness, reliability, neutrality and understandability, while taking into account, if applicable, the best practices of the sector;

- verify the setting up of a process to gather, compile, process and control the exhaustiveness and consistency of the CSR Information and to understand the internal control and risk management procedures with respect to the CSR Information.

We determined the nature and scope of our checks and tests in accordance with the nature and importance of the CSR Information with regard to the company's characteristics, the social and environmental stakes of its activities, its sustainable development approach, and the best practices of its sector.

As regards the, in our view, most important CSR Information[2]:

- at the level of the consolidating entity, we consulted the documentary sources and carried out interviews to corroborate the qualitative information (organization, policies, actions, etc.), we implemented analytical procedures on the qualitative information, we verified, on the basis of sampling, the calculations and consolidation of data, and we checked their consistency and agreement with the other information in the management report;

- at Implanet level, we held interviews to verify the correct application of the procedures and we carried out detailed tests on the basis of sampling to verify the calculations and reconcile the data with the supporting documentation. The selected sample thus represents 100% of the headcount.

As regards the other consolidated CSR Information, we assessed its consistency in relation to our understanding of the company.

Lastly, we assessed, if need be, the pertinence of the explanations relative to the total or partial absence of some information.

We believe that the sampling methods and sample sizes that we retained, based on our professional judgment, allow us to express a conclusion of moderate assurance; assurance of a higher level would have required more extensive verification work. Due to the use of sampling techniques and to other inherent limitations to the operation of any internal information and control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be totally eliminated.

Conclusion

On the basis of our work, we did not detect any significant anomalies which would be such as to call into question the fact that the CSR Information, taken as a whole, is presented sincerely and in accordance with the reference systems.

Paris-La Défense, March 19, 2015

The independent third-party body
ERNST & YOUNG et Associés

Christophe Schmeitzky	Bruno Perrin
Partner	Partner
Sustainable Development	

“

[2] **Environmental information and information on social commitments**: the importance of sub-contracting and the consideration of social and environmental criteria in the pricing policy and relations with suppliers and sub-contractors, measures taken to promote the health and safety of consumers).
Employee-related information: employment (total headcount and breakdowns, new employees and dismissals), absenteeism, total training hours.