For translation purposes only

A French Limited Company with a share capital of €1,413,718.95
Registered office: Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac
Bordeaux B 493 845 341

2017 *DOCUMENT DE REFERENCE*

CONTAINING THE ANNUAL FINANCIAL REPORT

AND THE MANAGEMENT REPORT

AMF AUTORITÉ DES MARCHÉS FINANCIERS

This *Document de référence* was filed with the *Autorité des marchés financiers* (French Financial Markets Authority or AMF) on April 16, 2018, in accordance with Article 212-13 of its General Regulation. It may be used in support of a financial transaction if it is supplemented by a Securities Note as specified by the AMF. This document has been prepared by the issuer and is binding on the signatories.

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 ended December 31, 2016 and the related Statutory auditors' report respectively on pages 197 to 254 and 296 to 297 of the *Document de référence* filed with the AMF on April 3, 2017 under the reference D.17-0292.

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. 225-100-1 of the French Commercial Code), and

the information which makes up the Company's Corporate Governance Report (Articles L. 225-37-2 to L. 225-37-5 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 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, CEO of Implanet

1.2. STATEMENT OF THE PERSON RESPONSIBLE

Martillac, April 16, 2018

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*.

Ludovic Lastennet
Chief Executive Officer

1.3. PERSON RESPONSIBLE FOR THE FINANCIAL INFORMATION

David Dieumegard
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, France
represented by Laurent Chapoulaud and Jean-Pierre Caton
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 ending December 31, 2018

INKIPIO Audit, member of the Lyon regional company of auditors, Immeuble Le Sans-Souci, 19, rue des Tuiliers, 69003 Lyon, France
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 ending 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, France
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 ending December 31, 2018

INKIPIO SAS, member of the Lyon regional company of auditors, 78 A rue Guy Lussac, 01440 Viriat, France
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 ending December 31, 2018

2.3. INFORMATION ON AUDITORS HAVING RESIGNED, BEEN DISMISSED OR BEEN REAPPOINTED

Not applicable

2.4. DECLARATION OF FEES PAID TO THE AUDITORS

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

Pre-tax amount (in € thousands)	12/31/2017		12/31/2016	
	Ernst & Young	INKIPIO AUDIT	Ernst & Young	INKIPIO AUDIT
Statutory audit work	43	33	80	38
Services other than auditing (SACC)	9	13	26	42
Subtotal	**52**	**45**	**106**	**80**
Other services rendered				
- Tax	1	-	-	-
- Other	4	-	-	-
Subtotal	**5**	**-**	**-**	**-**
Total	**57**	**45**	**106**	**80**

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, 2017 in Section 20.1 "Consolidated financial statements prepared in accordance with IFRS for the fiscal year ended December 31, 2017" 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 € thousands) *IFRS*	**12/31/2017** 12 months *Audited*	**12/31/2016** 12 months *Audited*
TOTAL ASSETS	**12,563**	**16,458**
Non-current assets	**1,950**	**3,169**
of which intangible fixed assets	705	494
of which property, plant and equipment	817	1,233
of which other non-current financial assets (1) (2)	429	1,443
Current assets	**10,613**	**13,288**
of which inventories	3,389	3,555
of which trade receivables	2,787	2,507
of which other receivables	823	968
of which other current financial assets (1) (2)	1,004	191
of which cash and cash equivalents	2,609	6,067
TOTAL LIABILITIES AND EQUITY	**12,563**	**16,458**
Shareholders' equity	**6,288**	**9,660**
Non-current liabilities	**1,121**	**967**
of which amounts due to personnel	144	101
of which non-current financial liabilities	977	866
Liabilities related to assets held for sale	**5,154**	**5,831**
of which current financial liabilities	1,274	2,836
of which derivative instrument liabilities	2	2
of which provisions	576	55
of which trade and other accounts payable	2,422	2,166
of which tax and social security liabilities	850	751
of which other creditors and miscellaneous debt	30	22

(1) At December 31, 2017, other non-current financial assets were mainly composed of term deposits for €0.4 million. Current financial assets are composed of liquid negotiable medium-term notes and liquid term deposits.

(2) At December 31, 2016, other non-current financial assets were mainly composed of negotiable medium-term notes and term deposits for €1.4 million. Current financial assets solely comprise the guarantee deposit given to Kreos.

Simplified consolidated income statements (in € thousands) *IFRS*	**12/31/2017** 12 months *Audited*	**12/31/2016** 12 months *Audited*
Operating income	**8,105**	**8,116**
Of which revenue	7,841	7,825
Current operating expenses	**(13,887)**	**(14,997)**
Current operating income	**(5,782)**	**(6,881)**
Net operating income	**(6,238)**	**(6,881)**
Net financial income	**(373)**	**(407)**
Net P/L	**(6,612)**	**(7,288)**
Net earnings per share (in euros/share)	(0.28)	(0.39)

Statement of cash flows (in € thousands) *IFRS*	**12/31/2017** 12 months *Audited*	**12/31/2016** 12 months *Audited*
Cash flows from operating activities	**(4,465)**	**(5,892)**
Of which free cash flow	*(4,777)*	*(5,736)*
Of which variation in working capital requirement (-)	*(312)*	*155*
Cash flows from investing activities	**(742)**	**4,054**
Of which acquisition of fixed assets	*(744)*	*(570)*
Of which financial investments (1)	*2*	*4,623*
Cash flows from financing activities	**1,815**	**6,815**
Of which capital transactions and issue of convertible bonds with warrants attached (OCABSA) (2)	*3,319*	*6,649*
Of which borrowing and factoring	*(1,503)*	*166*
Impact of changes in exchange rates	**(67)**	**(60)**
Change in cash	**(3,458)**	**4 917**

(1) Cash flows associated with financial investments primarily relate to subscriptions for and withdrawals from financial investments (negotiable medium-term notes and term deposits).

(2) Cash flows generated by financing activities are primarily from capital increases in 2017 and 2016, amounting to €2 million and €6 million respectively, net of costs.

Cash burn, incorporating cash flows from operating activities and acquisitions of fixed assets, was -€5.2 million during the 2017 fiscal year, compared to -€6.5 million during the 2016 fiscal year.

Net indebtedness in (in € thousands) *IFRS*	**12/31/2017** 12 months *Audited*	**12/31/2016** 12 months *Audited*
Non-current financial debts	977	866
Current financial liabilities	1,274	2,836
Cash and cash equivalents	(2,609)	(6,067)
Current and non-current financial assets	(1,354)	(1,356)
Total net indebtedness (1)	**(1,712)**	**(3,721)**

(1) The total cash and financial investments included in current and non-current financial assets exceeds the amount of financial debts.

3.2. INTERIM FINANCIAL INFORMATION

Not applicable

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 and spinal surgery is a competitive market largely dominated 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, 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 orthopedic products market is dominated by large international players (such as Medtronic, Depuy/Synthes, Stryker, Biomet/Zimmer or 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), the 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, 2017, the Company had sold 27,806 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, South America and Australia.
In order to accelerate the marketing of this product, the Company is continuing its research and development efforts. In addition to the rollout of multi-diameter implants, it intends to create a genuine technological platform (see Chapter 6) enabling it to expand its scope of application to numerous surgical indications.

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, 6.5.4 and 6.5.5 of the *Document de référence*).

In order to increase adoption, Implanet uses clinical and scientific studies on braided implants, as detailed in Sections 6.1.1, 6.2.2 and 6.5.5 of the *Document de référence*. Nevertheless, if the Company fails to convince healthcare professionals of the use and relevance 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 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 notably 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:

- knee: development of a revision prosthesis (see Section 6.3.2);
- Jazz: development of a more extensive range aimed at simplifying operational management for surgeons and targeting degenerative disorder surgery (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 6.1.1, 6.2.2 and 6.5.5). 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 France and 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 mainly indirect sales for knee products;
- United States: mainly direct sales (of Jazz only) via the subsidiary Implanet America Inc., with the exception of some indirect sales through distributors;
- Germany: direct sales (of Jazz only);
- Rest of the world: exclusively indirect sales via a network of distributors.

4.2.1.1. Indirect sales via business partners (distributors)

Implanet has established an indirect sales network by means of distribution agreements with local business partners who, at December 31, 2017, accounted for around 59% of Implanet's annual revenue.

At the date of this *Document de référence*, Implanet has distribution agreements with 25 business partners in 20 countries (see Sections 6.2.1.1 and 6.3.3). Among other things, on December 6, the Company entered into a preliminary agreement concerning the implementation of a worldwide partnership with L&K BIOMED in order to accelerate its expansion, especially in the United States and in Asia. In this context, in January, the Company entered into a distribution agreement with Aegis Spine, L&K BIOMED's US subsidiary, under which it can harness the expertise of Aegis Spine's teams for the commercialization of its products in the United States, a priority market for the Company. In line with the previous announcement, the strategic alliance between the Company and L&K BIOMED was finalized last February, with the signature of cross-distribution agreements covering their respective products in Asia and Europe.

Implanet cannot guarantee that it will be able to retain its business 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 business 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 business partners, particularly with regard to the intuitu personae relationship that these business partners have with surgeons and healthcare establishments.

Regarding in particular the international marketing (outside the US and Germany) 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 business 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 business 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, Germany and the United States.

This distribution channel is not favored by the Company abroad (outside of the United States, Germany and maybe some other European countries in the long term). 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 22 agreements with business partners (agents) and plans to sign others to improve its coverage of this region.

The Company also began direct sales in Germany in 2016 and intends to distribute directly in several other major European countries.

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 4.4.5).

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 20 subcontractors based on very strict specifications.

The Company has several subcontractors for general orthopedic metal implants (knee) 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). While Implanet intends to eventually find an additional source of supply for this braid, the Company is currently dependent on the know-how of this subcontractor; should the latter be in default, this could have a negative impact on the Company's 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 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 46 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 (BSAs) and/or founders' warrants (BSPCEs) (see Sections 15.1 and 21.1.4).

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 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 classified 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. This regulation was approved by the European Council in June 2015. In September 2015, the Council's position was finalized and discussions commenced with the European Parliament. An agreement was confirmed by the General Affairs Council in September 2016. The new ruling 2017/745 was adopted by the European Council and Parliament on April 5, 2017, and will come into force in May 2020. This regulatory amendment involves the implementation of an action plan

(training, gap assessment, compliance with technical files, change in the classification of certain products) that could have an impact on the Company's operating margin.

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

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.

The Implanet Spine System was granted the 510(k) authorizations on July 16, 2012, under number K120564 then on April 10, 2015, under number K143731.

The Jazz range obtained the following authorizations:

- Jazz obtained 510k authorization on September 13, 2012 under the number K121541;
- Jazz Lock on March 31, 2016 under the number K153348;
- Jazz Claw on May 18, 2016 under the number K160226;
- Jazz Frame on January 18, 2017 under the number K162764;
- Jazz Band on June 9, 2017 under the number K170730;
- Jazz Passer Band on August 8, 2017 under the number K171881, and lastly;
- Jazz EVO in letter to file.

The Martillac site underwent FDA audits in February 2014 and October 2016 and no comments were made regarding non-compliance.

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, business 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.

As at the date of the *Document de référence*, no material claims had ever been brought against Implanet by patients, surgeons, regulatory authorities or any other third parties due to its products.

The Company has liability insurance for faulty products (see Section 4.9) covering the Group's activities, in particular in the United States. 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 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 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 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

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

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

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

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

While the Company is contesting these allegations, it cannot be sure of the outcome of this dispute, nor give any guarantees in this regard, nor predict the financial impacts it may have to bear due to these legal proceedings.

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

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 products and 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 the Company's intellectual property rights being violated by a third party

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 date of the *Document de référence*, the Company neither faced any of these situations nor was involved in any dispute, whether as claimant or defendant, relating to its intellectual property rights or those of a third party.

4.6. INDUSTRIAL AND ENVIRONMENTAL RISKS

The nature of the Company's activities (research & development and marketing of medical devices) does not pose any significant risk to the environment. Its activities do not involve industrial production, thus no use of raw materials and no significant discharges into the environment.

4.7. FINANCIAL RISKS

4.7.1. Risks linked to operating losses

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

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

For the fiscal year ended December 31, 2017, the Group recorded a net loss (IFRS) of €6,612 thousand.

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

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

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

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, Germany and the United States, the Group mainly invoices public and private healthcare establishments.

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

With regard to the concentration of credit risk, one distributor accounted for more than 10% of consolidated revenue at December 31, 2017. The revenue generated with this distributor in France accounted for 22% of the Group's revenue at December 31, 2017.

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

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

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

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

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

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

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

4.7.4. Company's financing

Financing through increases in shareholders' equity

Historically, the Company has financed its growth by consolidating its shareholders' equity by means of capital increases (including at the time of its listing on the Euronext Paris regulated stock market in November 2013 and the capital increases in March 2015, November 2016 and November 2017) totaling €76,108 thousand since its creation.

Public funding

The Company has benefited from repayable advances and subsidies under the OSEO Innovation program, an interest-free loan from BPI France, FEDER subsidies from the Aquitaine Regional Council, research tax credits (*Crédit Impôt Recherche* –" CIR"), and COFACE marketing insurance.
The repayment schedule for the outstanding public financing as at December 31, 2017, breaks down as follows:

MATURITY OF REIMBURSABLE ADVANCES AND INTEREST-FREE LOANS, IN REDEMPTION VALUE (Amounts in € thousands)	**BPI - Interest-free innovation loan - JAZZ Braid**	**Total**
At December 31, 2017	**800**	**800**
Part due in less than one year	-	-
Part due between 1 and 5 years	720	720
Part due in more than 5 years	80	80

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

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

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

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

Issue of Convertible bonds with share warrants attached ("OCABSAs") in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND)

On October 14, 2015, the Company entered into an OCABSA contract with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND, enabling the Company to potentially raise €5 million at its discretion (see Section 21.1.4.5 of the *Document de référence* for more details on the characteristics of this contract).

The Board of Directors decided the issue of:

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

On March 7, 2018, the Company implemented a new bond financing line allowing potential funding of €5 million, at the Company's discretion through the issuance of convertible bonds ("OCAs"). This new financing, provided by EUROPEAN SELECT GROWTH OPPORTUNITIES FUND cancels and replaces the balance of €1.9 million outstanding on the previous financing program signed on October, 14 2015 described above (see Section 21.1.4.5 of the *Document de référence* for more details on the characteristics of this contract).

On the same day, the Board of Directors resolved the issue of a first tranche of 100 OCAs for a total value of €1.0 million.

The following €0.5 million tranches may be called up at the Company's discretion subject to the following conditions:

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

On the date of the *Document de référence*, 71 bonds convertible into shares were still outstanding.

Bank borrowings

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

The current bank borrowing repayment schedule at December 31, 2017 breaks down as follows:

BANK LOANS BY MATURITY (Amounts in € thousands)	**Bank loans**
At December 31, 2017	**440**
Part due in less than one year	221
Part due between 1 and 5 years	219
Part due in more than 5 years	-

4.7.5. Liquidity risk

Since its establishment, the Company has made significant investments in research and development, commercial expenses and marketing, all of which contributed to the negative operating cash flow, which amounted to €4,465 thousand in the fiscal year ending December 31, 2017 and €5,892 thousand for the fiscal year ended December 31, 2016.

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 in particular on the Group's cash and cash equivalents of €2,609 thousand at December 31, 2017 and the cash investments that can be made available during the 2018 fiscal year for €1,004 thousand.

The Company is also examining possible additional financing to fund new developments, which could involve a capital increase, particularly if the Company is no longer able to use the OCAs credit line related to the agreement executed on March 7, 2018, or if it decides not to use it.

At the date of this *Document de référence*, the Company had the required means to meet its financial obligations for the next 12 months without using the issue of OCAs.

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 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.

4.7.6. 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 had issued and awarded share subscription warrants ("BSAs"), Founders' warrants ("BSPCEs") and share subscription and purchase options and had set up an agreement for the issue of convertible bonds ("OCAs") for which the first three tranches were coupled with share subscription warrants (BSAs).

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 would enable the subscription of 7,661,181 new shares, thus leading to dilution equal to 27.10% based on the capital existing today, and 21.32% based on the fully diluted share capital (excluding conversion of the OCA to be issued upon the exercise of 400 share issuance warrants (BEAs) issued to the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (see Section 21.1.4.5 of the *Document de reference*).

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.

(Refer to Section 21.1.4 of the *Document de référence* for the description of the terms of the dilutive instruments at the date of this *Document de référence*).

[1] In the event of the exercise of the 4,851,926 BSA, 1,204,263 BSPCE, 45,000 options outstanding, whether exercisable or not, and the 71 OCAs, on the basis of the lowest of the 10 average daily prices, weighted by the volume of the Implanet share prior to the date of the Document de référence, i.e. €0.468.

4.7.7. 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 2017 CIR totaled €264 thousand.

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

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

4.7.8. Risks linked to public advances and financing

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

At the date of this *Document de référence* (amounts in € thousands)	**Amount granted**	**Amount repaid**	**Amount outstanding**
OSEO Knees	350	350	-
OSEO – Beep'n Track	650	650	-
COFACE USA – Beep'n Track	194	194	-
BPI innovation loan - Jazz Braid	800	-	800
Total	**1,994**	**1,194**	**800**

** not including any expenses incurred by the Company*

These advances and innovation loans are shown in Section 10.1.2 of the *Document de référence*.

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 any interest rate risk in respect of its assets since its excess cash is placed in term accounts and fixed-rate negotiable medium-term notes.

The Company has no variable-rate debt. The loans outstanding at the date of the *Document de référence* are as follows:

- convertible bond issue contracted by the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND). This bond does not bear any interest. At the date of this *Document de référence*, this bond amounted to €710 thousand;

- three-year bank loan of €500 thousand taken out on June 10, 2015, with fixed-rate interest of 1.95% per annum;

- three-year bank loan of €200 thousand taken out on April 4, 2017, with fixed-rate interest of 1.00% per annum;

- three-year bank loan of €210 thousand taken out on September 12, 2017, with fixed-rate interest of 1.95% per annum.

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

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

4.8.2. Foreign exchange risks

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

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

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

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

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

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 incurred by the Company relating to its insurance policies (France and United States) amounted to €310 thousand for the fiscal year ended December 31, 2017.

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	Cabinet ABC - CHUBB	Worldwide, excluding PERMANENT ESTABLISHMENTS OR ESTABLISHMENTS REQUIRING FACILITIES OR AGENCIES LOCATED OUTSIDE METROPOLITAN FRANCE AND THE PRINCIPALITIES OF MONACO AND ANDORRA, other than the foreign establishments or agencies expressly mentioned in the contract (e.g. Boston office)		
	Operation	All damage taken together, including personal injury, of which:	Per year of insurance:	
		- Inexcusable fault	€3,000,000	€5,000 per victim
		- Material and immaterial damage including:	€10,000,000	€2,000
		- Theft committed by agents/employees	€10,000,000	€2,000
		- 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 year of insurance:	
		per claim	€10,000,000	€15,000
		and per period of insurance	€10,000,000	€15,000
			Per year of insurance:	
		Immaterial non-consecutive damage	€1,500,000	€15,000
		Withdrawal expenses	€500,000	€15,000
		USA/Canada guarantee per claim	€10,000,000	€15,000
		USA/Canada guarantee per period of insurance	€10,000,000	€15,000
	Legal Expenses	Legal expenses	Per year of insurance: €30,000	Disputes exceeding €1,500
Industrial and Commercial Multi-risk Damage to Goods and Operating Losses	AXA	Principal guarantees:		
		Fire, explosions, lightning, falling aircraft, impact by terrestrial vehicle, storms, vandalism, terrorism, water damage	Covered up to the insured amounts	Fire: nil Water damage: €1,825 Storm damage: 10% minimum €1,825 Rioting: 10% minimum €2,737
		Damage to electrical, electronic, computer and office equipment	€51,448	€912
		Breakage of IT and office equipment	Not covered	
		Breakage of Machines	Not covered	
		Breakage of windows	€12,347	€912
		Theft, attempted theft (assets, furniture, goods for resale)	€308,661	
		Cash and valuables in cash registers or safety deposit box	Not covered	
		Transport of funds	Not covered	

Industrial and Commercial Multi-risk Damage to Goods and Operating Losses	AXA	Loss of goods for resale subject to controlled temperatures	Not covered	€3,601
		Subsidence	Not covered	
		Other natural events	Not covered	
		All risks except (other material damage)	€1,543,306	
		Goods during transport	Not covered	
		Goods in any place at third parties	€3,842,833	
		Goods entrusted	€3,580,471	
		Assets during construction	Not covered	
		Goods during "Assembly-Trials"	Not covered	
		Automatic insurance	€51,443	
		Difference in conditions, limits and definitions		
Goods for Resale Transport	AXA	Sea transports	€300,000	with no deductible
		River, air and land transport	€300,000	with no deductible
		Own transport	€60,000	€300 unless characterized road accidents
		Trade fairs - Exhibitions	€150,000	with no deductible
		Postal	€5,000	with no deductible
Third party liability of executives and corporate officers of listed companies	CHUBB	Third-party liability for corporate officers, legal defense fees, assistance in criminal cases (per period of insurance) (1): Apart from lawsuits regarding publicly traded securities (USD 25,000 in the USA and €25,000 outside of the USA) and claims brought before US courts (US$25,000)	€3,000,000	with no deductible (1)
Automobile fleet	AXA	Damage caused by any kind of accident, damage caused by collisions	Covered	€450 or €650
		Fire, explosions, terrorist attacks, hail and storms	Covered	€450 or €650
		Theft	Covered	€450 or €650
		Breakage of windows	Covered	€80 or €90
		Natural disasters	Covered	with no deductible
		Driver cover	€160,000	with no deductible
Subsidiary's Insurance (Boston US)	Federal Insurance Company	Commercial General Liability	$1,000,000	
		Workers Compensation and Employers' Liability	$1,000,000	
		Property	$120,000	

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 January 23, 2007 for a term of 99 years ending on January 23, 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 (French public limited liability company) with a Board of Directors.

The Company is governed by French law; its operations are mostly subject to Articles L. 225-1 et seq. of the French Commercial Code.

5.1.5. History of the Company

2006 to 2012	• Rounds of financing totaling €34 million. • CE marking and placement of the first Madison knee prostheses in 2010. • Sale of the Beep N Track business to the American company GHX, global leader in hospital logistics, in 2011. • FDA(510 (k)) approvals for Jazz in October 2012.
2013	• Signing of distribution agreements for Jazz in Italy, Australia and New Zealand. • 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 Spine specialists on the East and West coasts of the United States. • First placements of Jazz in the United States in June.

	• Issue of bonds redeemable in shares for an amount of €1.5 million in January 2013, and of convertible bonds for a total amount of €2.9 million in May and July 2013, fully converted into shares on the IPO. • Issue of €5 million in bonds in favor of KREOS CAPITAL IV (UK) LTD. • Listing on the Euronext Paris regulated stock market in November.
2014	• Discontinuance of marketing of hip prostheses during the first half of 2014. • Opening of an equity line of credit by Kepler Cheuvreux. • The Company's CEO, Ludovic Lastennet, oversees the operations of the subsidiary Implanet America Inc. in the United States from Boston. • FDA validation of the Martillac site in February 2014. • Signing of several sales agents agreements in the United States, enabling the Company to extend its sales network to 25 partners, covering over 60% of the US market. • White paper published in July 2014 by Professor Ilharreborde's team on the results of a clinical study on the restoration of frontal and sagittal balance in scoliosis surgery in adolescents. • First white paper on the use of Jazz in elderly patients suffering from degenerative diseases, published by Dr. Cavagna in December 2014. First results of the efficacy of surgery for degenerative lumbar scoliosis with an average follow-up period of 16 months.
2015	• Definitive intellectual ownership obtained for the Jazz technology in Europe until 2031 (patent number EP 2521500). • Capital increase with preferential subscription rights for shareholders amounting to €11.2 million, including issue premiums. • Final results of a clinical study demonstrating the efficacy of the Jazz implant in the treatment of idiopathic scoliosis in adolescents. • CE marking and FDA approval (US) obtained for all new Jazz diameters. • FDA 510(k) approval obtained in the US for the use of the Jazz platform with all thoracolumbar fixation systems (screws, rods, hooks) available on the market. • Set up of a financing agreement involving the issue of convertible bonds coupled with share subscription warrants ("OCABSA") for potential funding of €5 million, liable to be matched by an equivalent amount if the attached share subscription warrants are exercised, and drawdown of the first tranche in the amount of €1 million. • Regulatory authorization obtained from the Brazilian health authority (ANVISA) for the marketing of the Jazz Band™ platform.
2016	• Successful outcome of the first Jazz implant in Brazil, the biggest market in Latin America. • Appointment of Brian Ennis as head of the subsidiary Implanet America Inc. • Launch of a prospective, multi-center clinical study with TFS International on the use of Jazz in the treatment of degenerative spinal disorders. • Green light for a new implant: Jazz LOCK® • Issue of the remaining bonds convertible into shares with share subscription warrants attached ("BEOCABSA") as part of the financing implemented in October 2015. Drawdown of a second and third tranche of €350 thousand and €250 thousand, respectively. • €800 thousand interest-free innovation loan obtained for the "development and clinical assessment of the Jazz type braided implant for degenerative spinal surgery (particularly the securing or replacement of pedicle screws)". • Patent for the Jazz® technological platform issued in the United States by the US Patent and Trademark Office (USPTO). • Successful outcome for the first surgeries with the new Jazz Lock® implant in France, Italy and the United States. • Capital increase with preferential subscription rights for shareholders amounting to €6.9 million.

	• Publication of a new White Paper "Correction of Adolescent Idiopathic Scoliosis in hypokyphotic patients using Jazz sublaminar bands: preliminary results of a multricentric study using 3D reconstruction", presenting the results of the clinical analyses carried out on a group of adolescents suffering from thoracic hypokyphotic scoliosis treated with sublaminar Jazz implants.
2017	• European Patent granted by the European Patent Office (EPO) for the universal tensioning system for the Jazz® implant. • FDA 510(k) and European (CE) regulatory marketing authorization obtained for the new Jazz Frame® implant. • French patent granted by the French Patent Office (OEB) for the Jazz Lock® implant. • Signature of an exclusive distribution partnership in Australia and New Zealand • Renegotiation of the financing terms with EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND) with the aim of canceling the share subscription warrants (the "warrants") attached to the remaining OCAs to be issued. • Issue of an additional tranche of OCAs for an amount of €1,500 thousand. • American FDA 510(k) and European (CE) authorizations obtained for the marketing of the new JAZZ™ braid. • Transfer of listing to Euronext Growth. • Publication of a White Paper and presentation to the SRS Conference (Scoliosis Research Society) of the results of an independent radiological analysis on the use of the Jazz implant (perfect axial derotation whilst maintaining saggital balance). • American FDA 510(k) and European (CE) regulatory authorizations obtained for the JAZZ™ Passer solution, dedicated to posterior fixation spinal treatments, compatible with all JAZZ™ platform connector implants. • Two new patents obtained for the JAZZ™ platform from the US Patent and Trademark Office - USPTO). • Completion of a €1.75 million fund raising with American institutional investors. • Signature of a Memorandum of Understanding for the purpose of implementing a strategic partnership with the Korean company, L&K BIOMED. • End of the redemption of the bond issue signed with KREOS CAPITAL IV (UK) LTD.
2018	• Release of the pledge on goodwill and intellectual property (IP) after the redemption of the bond issue signed with Kreos Capital IV (UK) LTD. • Completion of the first surgery with JAZZ Lock® in Brazil. • Signature of distribution agreements with the Korean company, L&K Biomed in Asia and Europe, and with its American subsidiary, Aegis Spine in the United States. • Implementation of a new convertible bond financing of €5 million with the European Select Growth Opportunities Fund to support the commercial development of Jazz internationally and drawdown of the first tranche in the amount of €1.0 million. This new financing cancels and replaces the balance of €1.9 million balance on the previous financing program signed in October 2015.

5.2. INVESTMENTS

5.2.1. Key investments over the last two fiscal years

Key investments* (in € thousands)	12/31/2017	12/31/2016
Intangible fixed assets	**364**	**72**
of which capitalization of development expenses	*359*	*71*
Property, plant and equipment	**380**	**607**
of which equipment and tooling	*356*	*531*
Total	**744**	**679**

** including under lease-financing*

The Group's investments in intangible fixed assets during the two fiscal years presented mainly relate to the capitalization of development costs: "Jazz Cap SP", "Madison Evolution Instrumentation" and "Jazz Evo (Jazz Generation 2)" projects.

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

5.2.2. Key ongoing investments

No major investments have been made since January 1, 2018.

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.

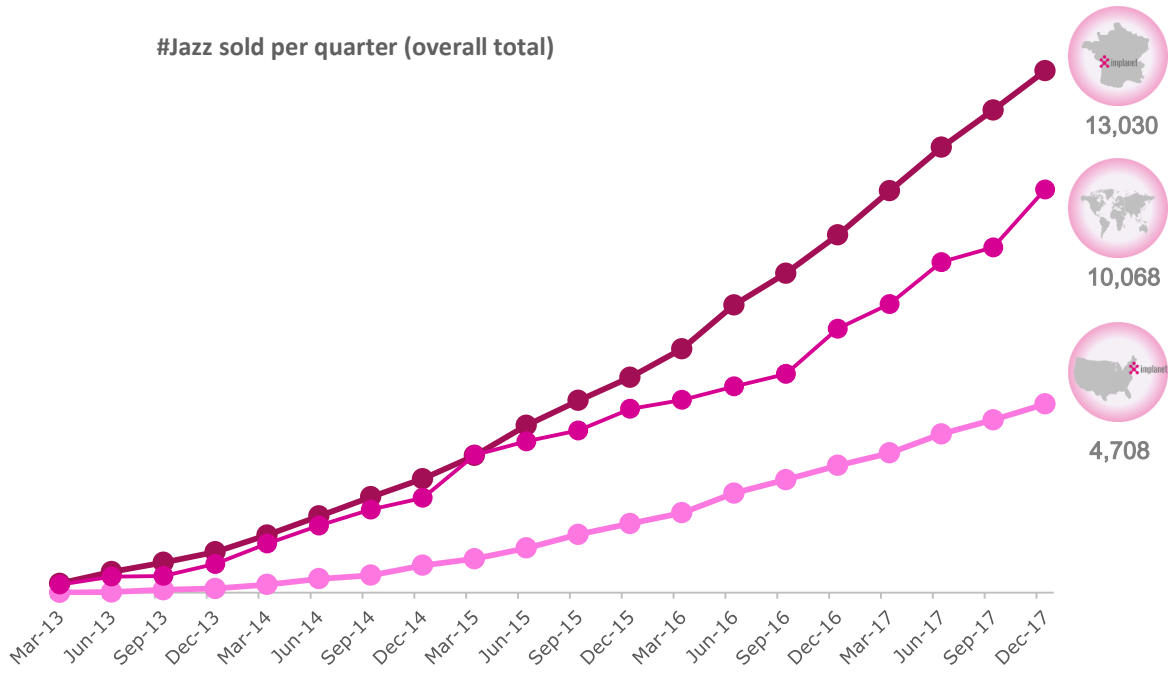
6. OVERVIEW OF ACTIVITIES

Implanet is a company which manufactures implants designed for orthopedic surgery, with the mission of identifying, designing and producing major innovations in the most promising orthopedic segments (knee and spine). The Company markets its products throughout the world and recorded consolidated revenues of €7.8 million in 2017.

Implanet has been marketing its star product, Jazz, since 2013. Its purpose is to improve the treatment of spinal disorders requiring spinal fusion. This product complements the range of products routinely used, such as pedicle screws and hooks, and has already been used in more than 5.500 surgical procedures, representing almost 28.000 Jazz implants.

Number of units sold (overall total)

	2013	2014	2015	2016	2017
Overall Units sold	1,829	5,889	11,690	18,691	**27,806**

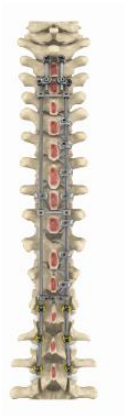


In addition, Implanet continued to recruit new surgeons, with 148 surgeons(1) using its Jazz technology at December 31, 2017, on its direct markets which are France and the United States of America.

Number of active *surgeons in France and in the United States*[1]

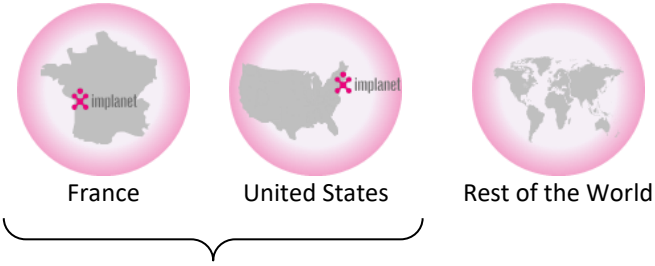
	2013	2014	2015	2016	2017
	10	21	39	58	72
	6	17	43	69	76
Number of active surgeons	16	38	82	127	**148**

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



+15%
Jazz growth

During 2017, revenue amounted to €7.8 million with an increase in Jazz sales of +15% at €4.7 million. The Spinal activity (Jazz), which is Implanet's core business, now contributes 60% of total revenue compared to 52% in 2016. This performance reflects the fast pace of the Group's international expansion, both in France (+16%) and internationally, with the establishment of a commercial presence in new countries such as Germany, Europe's #1 spinal surgery market, Australia and South America:



IFRS data

	France	United States	Rest of the World	WW
	Direct distribution		**Indirect distribution**	
Revenue	€3.8 million	€2.0 million	€2.0 million	€7.8 million
Jazz revenue	*€1.5 million*	*€2.0 million*	*€1.2 million*	*€4.7 million*
Jazz growth	*+16%*	--	*+58%*	*+15%*

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 vertebra body. 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 marketed by Zimmer. The Company considers that Jazz represents major innovations which make it easier to use in the operating room 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.

Indeed, the Company has built a genuine technological platform around the initial Jazz implant, in order to address a market estimated at $2.5 billion[1] (see Section 6.4) through:

- the extension of its range;
- the compatibility with all commercially available fixation systems; and
- possibility of use across all spinal levels.

The Company's strategy is to turn its Jazz technological platform into the global reference on the braided implants market, boosting its adoption by surgeons through its ease of use.

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 scale effects on its operational activities (commercial, logistics, production, regulatory affairs, etc.), thus covering part of its fixed costs.

6.1. SIGNIFICANT PROGRESS IN 2017

Using the strategy defined in 2013, consisting in focusing on its Jazz technology, the Company has made significant progress in 2016 and 2017 which are described in the paragraphs below.

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 a scientific advisory board, i.e. in the US and in Europe.

[1] Company estimate (see Section 6.4).

6.1.1.2. Achievements in 2016 and 2017

At the end of 2016, the Company enhanced the composition of its scientific advisory board with Doctors Brian Kwon, Goeffrey Stewart and Raymond Woo appointed as medical advisers for the US and tasked with the set-up of clinical follow-up and education programs.

Dr. Brian Kwon is a graduate of the “Washington School of Medicine”, St Louis MO. He practices at the New England Baptist Hospital in Boston and specializes in minimally invasive spine surgery. Dr. Kwon is a member of the North American Spine Society (NASS) and sits on the Editorial Committee of the “Journal of Spinal Disorders and Techniques”.

Dr. Geoffrey Stewart is a graduate of the “Jefferson Medical College of Medicine”, Philadelphia PA. He practices at the ORMC Hospital in Orlando and specializes in degenerative spinal disorder surgery on adults. Dr. Stewart is an Associate Professor at the “University of Central Florida” and trainer for “the Orlando Regional Healthcare System”. He is a member of the North American Spine Society (NASS).

Dr. Raymond Woo is a graduate of the Wayne State University School of Medicine, Detroit MI. He practices at the “Florida Hospital for Children” in Orlando FL, where he is Director of the pediatric orthopedic ward. He specializes in spine surgery on children and adolescents. Dr. Woo is a member of the North American Spine Society (NASS) and Scoliosis Research Society (SRS). Moreover, he sits on the Editorial Committee of the “Journal of Spinal Disorders and Techniques”.

Professor Ilharreborde demonstrated (in a “white paper” in 2015 and then in the “Journal of pediatric orthopaedics” in 2016) that there is a limited risk of additional infections using sublaminar bands but that this is lower than the risk using the traditional hook and screw systems.

Publication in September 2017 of a White Paper by the teams of Professor Ilharreborde (APHP – Robert Debré Hospital) presenting the results of clinical analyses on the basis of 3D radiological reconstructions generated by EOS 3D Services. This study carried out with the data from 60 patients, who had been operated with the frame technique using Jazz and Jazz Frame implants, shows that by combining these two implants, the axial correction obtained is identical to the classical "Screw Only" technique, whilst retaining the unique advantage of sublaminar implants for saggital balance.

In October 2017, presentation at the NASS Conference of a clinical study carried out in partnership with Professor Farhadi (Ohio State University, United States), aiming to show the safety and influence of the use of Jazz on the occurance of proximal junctional kyphosis (PJK) syndrome, well known and feared by spinal surgeons.

PJK manifests itself as a kyphosis of the adjacent vertebrae located above the instrumentation of a long thoraco-lumbar segment and often requiring surgical reversal. The results looked a prospective series of 40 patients aged on average 64 years. Whilst the junctional kyphosis syndrome is generally around 30 to 60% according to the literature, thanks to the use of Jazz, this syndrome was only noted in 7.5%. These results were also published in the JNS Spine review at the beginning of 2018[2].

6.1.1.3. Growth plan

As detailed in Section 6.2.2.1, the Company has decided to concentrate its investments on clinical studies and follow-ups, in line with its objectives of commercial expansion and marketing support in the field of degenerative spine disorders and spine deformities in adults.

The Company has therefore set up several post-market clinical trials in France and the United States, aimed at documenting the outcomes of Jazz technology in these indications.

Specifically, a wider scale and longer term prospective analysis has been implemented to define precisely the advantages of Jazz in reducing the occurance of PJK after the surgical treatment of vertebral deformation in adults. This analysis is conducted in partnership with Ohio State University in the United States. A clinical study based on a similar protocol is also currently in the recruitment phase in ten French hospitals.

6.1.2. Enhance the range of implants

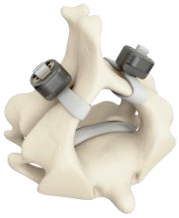
6.1.2.1. Objectives announced

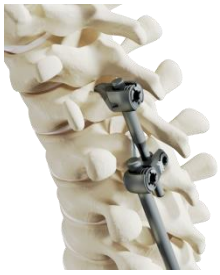
- adapting the versions of Jazz to 3.5 mm and 6.35 mm rods;
- extending the use of Jazz to all spinal levels; and
- adapting the Jazz platform to less invasive surgical procedures.

[2] Publication in the JNS Spine review (Viswanathan VK, Kukreja S, Minnema AJ and Farhadi HF. (2018) Prospective assessment of the safety and early outcomes of sublaminar band placement for the prevention of proximal junctional kyphosis. J Neurosurg Spine. 2018 Feb 9:1-12)

6.1.2.2. Achievements in 2016 and 2017

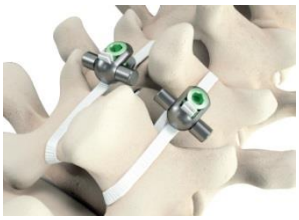
Market launch of **Jazz Lock®**, attainment of CE marking and 510(k) clearance by the Food and Drug Administration (FDA), thus extending the range of clinical indications offered by the Jazz Band® to cover the cervical spine;





Launch of the new **Jazz Claw®** implant, attainment of CE marking and 510(k) clearance by the Food and Drug Administration (FDA) for this upper-level hybrid fixation system for treating major adolescent and adult deformity;

Market launch of **Jazz™ Standalone**, attainment of CE marking, this new solutions offers the same indications as Jazz™ Lock at the lumbar level thanks to its mechanical performance;



New **Jazz™ Frame** implant, attainment of CE marking and Food and Drug Administration 510(k) clearance, a closed single block transversal connector which on its own, thanks to its rigidity, enables the application of the (surgical) "frame" technique, which is particularly successful for the treatment of Adolescent Idiopathic Scoliosis (AIS);

Launch of a new **Jazz™ Passer** instrumentation, attainment of CE marketing and FDA 510(k) clearance for less invasive surgery. This instrumentation offers more options to surgeons in terms of operating techniques and for passing the braid around anatomical structures, thus targeting all market segments, and particularly the degenerative segment; and

Launch of a new **Jazz™ Passer Band** braid, attainment of CE marking and FDA 510(k) clearance. This new braid, adapted to the new Jazz™ Passer instrumentation, may be used in combination with all band connectors of the Jazz™ Platform, making it a transversal solution.

6.1.2.3. Growth plan

Jazz has become a real technological platform that can extend its field of application to cover many surgical indications. The components of this platform are detailed in Section 6.2.2.2, along with the Company's objectives for Jazz, in order to extend its use to all spinal levels.

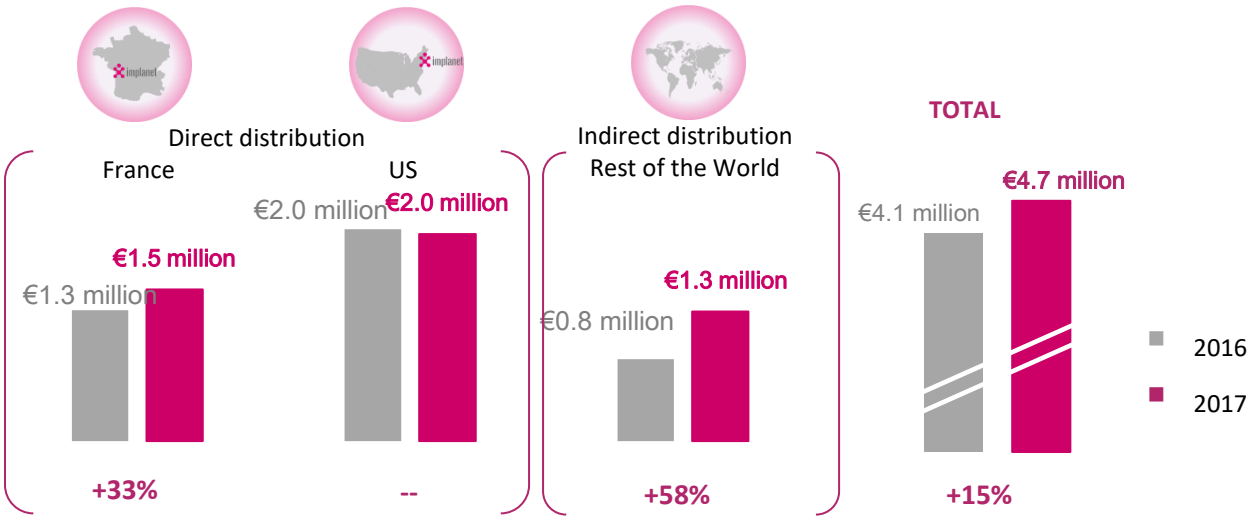
6.1.3. Large-scale deployment of the sales network dedicated to Jazz

6.1.3.1. Objectives announced

- Reinforcing clinical and marketing support to boost the use of Jazz in degenerative spine disorder surgery; and
- Concentrating the "rest of the world" sales organization in two regions: Europe and major export.

6.1.3.2. Achievements in 2016 and 2017

The Jazz business grew by +15% to account for 60% of total Group sales in 2017 compared to 52% in 2016:



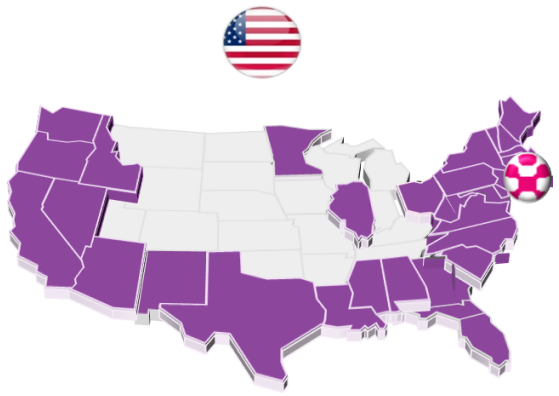
Structure in Europe and in the rest of the world:

- 1 Sales Director, Europe;
- 1 International Product Manager;
- 1 Training Manager;
- commercial rollout in Europe:
    - direct distribution in Germany – #1 European spinal market,
    - reinforcement of sales support in Spain, Portugal, Italy and UK,
    - establishment of a commercial presence in new European countries (Netherlands, Lithuania, Poland, Bulgaria);
- commercial rollout in the Rest of the World:
    - registration obtained in Brazil (leading Latin American market) and in Israel, commercial rollout underway, with the first Jazz surgery conducted in 2016 and early 2017,
    - first surgery conducted in Mexico in 2017,
    - signature of an exclusive distribution agreement with Device Technologies for Australia and New Zealand;
- signature at the end of 2017 of a preliminary agreement for a worldwide partnership with the Korean company, L&K Biomed, which designs, develops and markets a wide range of implants dedicated to spinal surgery in Asia and the United States:
    - in Asia and Oceania: L&K Biomed will distribute the Jazz platform alongside its product range,
    - in Europe, Implanet will distribute L&K Biomed products, which are complementary to the Jazz platform, notably in France, UK and Germany.

Reinforcement in the United States:

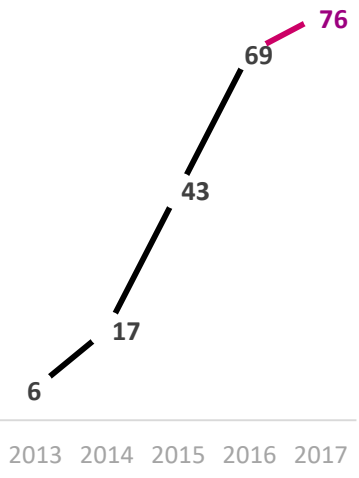
- 29 agency contracts signed;
- 3 sales & marketing employees;

Sales organization (end of 2017)



Direct distribution:
29 agencies in the United States
covering 60% of countries

Monitoring of the number of active surgeons[1]



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

The Company's strategic choice in terms of commercial structure, i.e.:

- a small number of salaried regional managers in charge of regional sales agents who maintain privileged relationships with surgeons;
- the implementation of a surgeon training plan in the Jazz Academy program, presented in Section 6.2.2.3 of the *Document de référence*;
- whilst invoicing the hospitals directly;

enables Implanet to retain a precise vision of its sales performance by varying the direct cost of sales.

Lastly, discussions with Aegis Spine, the American subsidiary of the Korean company, L&K Biomed, to accelerate the commercialization of its Jazz platform, notably by developing existing and complementary solutions incorporating both companies' technologies. Aegis Spine intends to benefit from IMPLANET America's sales network on the East coast of the United States, in which Aegis Spine has a limited presence. Implanet intends to reciprocally benefit from the significant direct and indirect sales network of Aegis Spine across the other North American regions, thus capitalizing on the recent proven clinical results and a powerful network of leaders of opinion.

6.1.3.3. Growth plan

As set out in Section 6.2.2.3, the Company will continue to step up its sales and marketing efforts:

- United States: completion of the distribution agreements with Aegis Spine and rollout of the Jazz Academy education program, as has already been done in Europe;
- Implementation of a worldwide partnership between Impkanet and the Korean company, L&K Biomed, for the cross-distribution of the respective companies products in Europe and Asia, to benefit from the historical anchorage of the two companies in each of the regions;
- Reinforcing clinical and marketing support to boost the use of Jazz in degenerative spine disorder surgery.

6.1.4. Knee-focused orthopedic activity

The Company has completed its strategic change in order to concentrate solely on its two strategic activities: Jazz and implants for knee surgery with its proprietary prosthesis, Madison.

The knee activity declined by 16%, following the planned closure of arthroscopy implant distribution at the start of 2017. However, sales of the Madison total knee prosthesis were stable in 2017.

The prospects for this activity are set out in Section 6.3.

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 the Jazz platform for spinal surgery to make it the global benchmark in braided implants;
2) continuing its knee surgery implant activity and benefiting from the contribution margin generated by this activity.

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

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

On an addressable market worth USD 2.5 billion[3], Jazz presents characteristics allowing expectations of (i) rapid sales growth opportunities 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 the Jazz platform complements the vast majority of existing product ranges distributed by the actors of the spinal implant sector, Implanet considers that it is able to select the most adequate business partners in each country (national or 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 USD 8,400, a sales agent can generate an immediate commission of over USD 2,000[4] from the first surgical operation, a substantial sum and consequently attractive.

[3] Source: Company, see Section 6.3.1…

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

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

Country	Name of business partners
Australia	DEVICE TECHNOLOGIES
Asia	L&K BIOMED *
Benelux	INSPINE
Brazil	IMPORTEK - TARGMED
Bulgaria	EUROSERVICE BROCKERS *
Spain	MBA INCORPORADO S.L.
Greece	ORTHOPRO MEDICAL PRODUCTS
Ireland	SIS HEALTHCARE UC *
Israel	M FAST Ltd
Italy	MEDINEXT
Lithuania	FORMEDICS *
Morocco	MAROC SYSTEME SANTE *
Mexico	NOVOVASCULAR TECHNOLOGIES
Peru	IMPORTEK PERU SAC
Poland	NOVASPINE POLAND *
Portugal	NEUROWAVE
UK	LINDARE MEDICAL Ltd
Switzerland	CHEMEX TRADING *

**New business partners recruited in 2017.*

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

Name of business partners	Territory covered (entirely or partially)
AEGIS Spine	United States
Operating Room Specialties	Arizona
Innovative Medical Solutions	Arizona
Evolution Pacific	California
Spinal Applications	California
Paramount Medical	North Carolina
Port Spine *	North Carolina
GIO Medical *	Colorado
Spine Enthusiast	Florida
Crosslink Spine *	Florida
IR Surgical	Illinois
Osteocore	Michigan
All Inclusive Medical *	Mississipi
Altus Spine *	Nebraska

Name of business partners	Territory covered (entirely or partially)
Cal Consulting *	New York
Biosystems New England	New England
Bobcat * Surgical	Ohio
Presidential Medical	Ohio
Surgicor	Ohio
Opus Surgical	Pennsylvania
S1 Spine	Pennsylvania
WishBone Medical *	Pennsylvania
4Ps Distributing *	Texas
CoreMD	Texas
Franck Tedesco IMT *	Texas
Innes DME *	Texas
NuMaxis Medical *	Texas
Paragon Medical	Virginia
Port Spine	Wisconsin

**New business partners recruited in 2017.*

Business partner selection is based on the recognized competence of these spinal implants market players, 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 focused on an average unit sales price for its implant to American healthcare establishments (invoiced directly by Implanet America, Inc.) of USD 1,390 and a sales price to importing distributors in other countries of €280 on average. Thus, based on an average price of USD 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 market players 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, the Jazz technological platform is an exception, since insertion of these implants requires simple and relatively inexpensive instruments (see Section 6.5.4.). This simplicity, combined with 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 sales. The Company believes 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.

Spine sales margins and variable contributions:

	 *USA*		 *France & RoW*	
Financial data	**Revenues**	**100%**	**Revenues**	**100%**
	(Cogs)	(10%)	(Cogs)	(45%)
	Product Margin	**90%**	**Product Margin**	**55%**
	(Inst. & log.)	(9%)	(Inst. & log.)	(11%)
	(Commissions)	(33%)	(Commissions)	(11%)
	(Other)	(5%)	(Other)	(2%)
	Contribution change	**43%**	**Contribution change**	**31%**
Average sale price Jazz	**€1.3 thousand**		**€0.3 thousand**	

6.2.2. Clear strategic orientations for the Jazz division

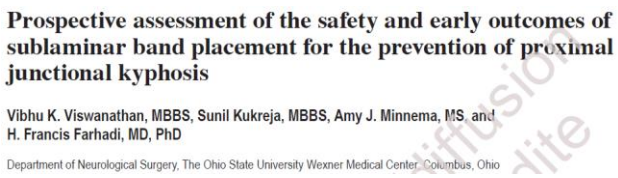
Implanet has defined a strategy comprising three main lines of action for Jazz: (i) publication of clinical studies to boost the Company's marketing efforts, (ii) extension of the range, and (iii) strong presence on the US market and launch in Asia. These strategic objectives are consistent with the positioning the Company wishes to take on the braided implants market: capitalize on Jazz's ease of fitting 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

Implanet can rely on a database of clinical studies and regular users of braided implants for the commercial deployment of Jazz (see Sections 6.4.4, 6.5.4 and 6.5.5), 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 osteo-degenerative diseases.

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

- **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 in elderly patients with more or less high quality bones. Thus, in partnership with Ohio State University in the United States, the Company took part in a clinical trial aiming to show the safety and influence of the use of Jazz on the occurrence of proximal junctional kyphosis (PJK) syndrome, well known and feared by spinal surgeons. PJK manifests itself as a kyphosis of the adjacent vertebrae located above the instrumentation of a long thoraco-lumbar segment and often requires surgical reversal.


Prospective assessment of the safety and early outcomes of sublaminar band placement for the prevention of proximal junctional kyphosis

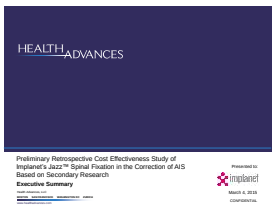
Vibhu K. Viswanathan, MBBS, Sunil Kukreja, MBBS, Amy J. Minnema, MS, and H. Francis Farhadi, MD, PhD

Department of Neurological Surgery, The Ohio State University Wexner Medical Center, Columbus, Ohio

The very positive results of this study which were presented to the latest NASS (North American Spine Society) Conference, the largest international spinal symposium last October, have just been published in the JNS Spine review (Viswanathan VK, Kukreja S, Minnema AJ and Farhadi HF. (2018) Prospective assessment of the safety and early outcomes of sublaminar band placement for the prevention of proximal junctional kyphosis. J Neurosurg Spine. 2018 Feb 9:1-12) The results looked a prospective series of 40 patients aged on average 64 years. Whilst the junctional kyphosis syndrome is generally around 30 to 60% according to the literature, thanks to the use of Jazz, this syndrome was only noted in 7.5%.

A wider scale and more long term prospective analysis has been implemented to define precisely the advantages of Jazz in reducing the occurrence of PJK after the surgical treatment of vertebral deformation in adults. A clinical study based on a similar protocol is currently in the recruitment phase in 10 French hospitals (see Section 6.6.2).

- **MEDICO-ECONOMIC 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. On this topic, a first study was published in March 2015 by Health-Advances.


HEALTH ADVANCES

Preliminary Retrospective Cost Effectiveness Study of Implanet's Jazz™ Spinal Fixation in the Correction of AIS Based on Secondary Research

Executive Summary

implanet

Moreover, the Company will continue to support publications on the use of Jazz in pediatric scoliosis and severe deformities. In order to do so, the Company initiated the formation of the International Sub-Laminar Study Group which brings together a significant number of European (France, Italy, Portugal) and American centers around a single protocol and a single clinical database. Its objective, amongst other things, is to enable members of this group to hold regular scientific discussions and share operating data so as to be able to publish their clinical results concerning larger patient cohorts.

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

Clinical program

	Criteria	*Purpose*	*Following stages*
Large deformity (Pediatric + AIS)			
Versatility of Jazz in AIS Corrections	▪ Multicenter ▪ Collection of standardized data ▪ Retrospective/prospective	▪ Results over large cohorts ▪ International Group	▪ Protocol validation
International sub-laminar study group	▪ Multicenter ▪ KEOPS computer database & collection of standardized data ▪ Retrospective/prospective	▪ Results over large cohorts ▪ International Group ▪ Sharing of surgical data facilitating publication	▪ Expansion of the Group ▪ Data analysis and first publications

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 – upper level protection	▪ Single center (Ohio) ▪ Prospective ▪ Investigator initiated study	▪ Support the use of Jazz for degenerative disorders in the US	▪ First publication (Viswanathan et al., 2018)
Biomechanical study – upper level protection	▪ Biomechanical study (cadavers)	▪ Support the use of Jazz for degenerative disorders in France	▪ Article being finalized before submission
Thoracolumbar arthrodesis – upper level protection (comparison with screws and Mersilen tape (braid alone))	▪ Multicenter (10 French centers) ▪ Prospective	▪ Demonstrate the benefit of using Jazz for upper level protection	▪ Patients currently being included

Medico-economic studies

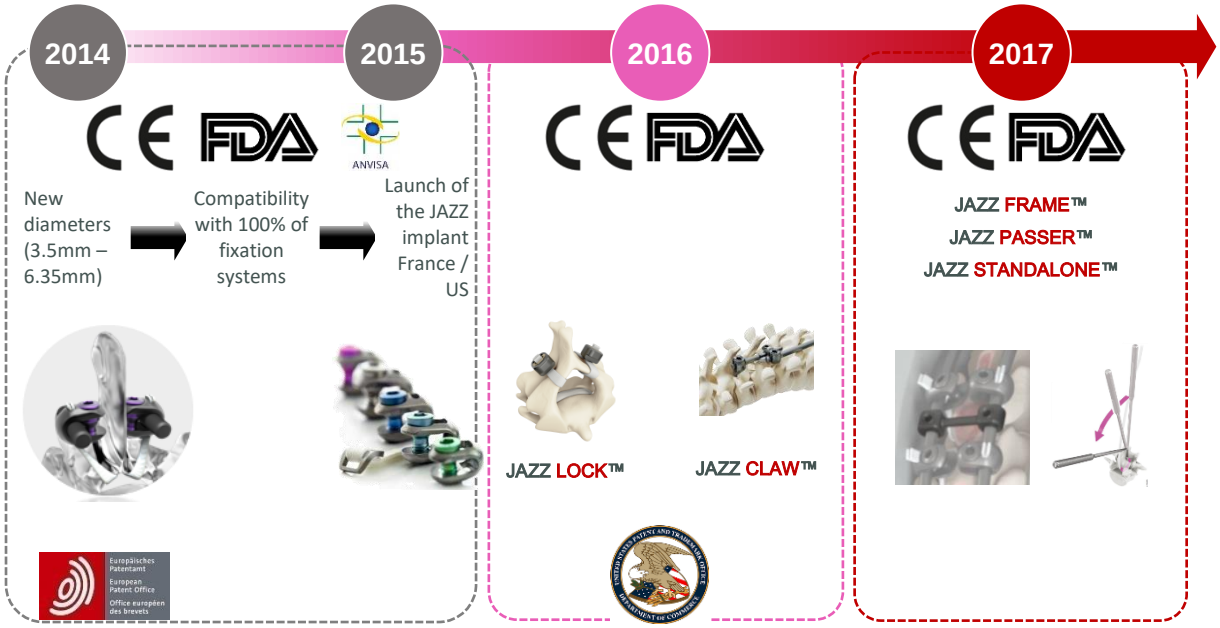
	Criteria	*Purpose*	*Following stages*
Medico-economic analysis of using Jazz to correct major pediatric deformities HEALTH ADVANCES Strategy Consultants for the Healthcare Industry	▪ Comparative, multi-criteria analysis ▪ 2 cohorts of 32 patients ▪ Retrospective ▪ Hybrid Jazz construction vs. screw ▪ Conducted by an independent US	▪ Quantify the medical/economic benefits ▪ Improve listing by healthcare establishments	▪ Publication

Timetable

Clinical and medico-economic studies	2018	2019	2020
Large deformity (Pediatric + AIS)			
Multi-center sublaminar study group	WP1	WP2	
Osteo-degenerative (adult patients)			
Instrumented thoracic & lumbar arthrodesis supplemented by Jazz (Patient follow-up - Ohio State University)			
Biomechanical studies – upper level protection (France)	WP1		
Biomechanical studies – upper level protection (comparison with screws and Mersilen tape)	WP1		

6.2.2.2. Transforming Jazz into a technological platform

The following diagram details the planned evolution of the Jazz technological platform which, in addition to the multi-diameter versions planned at the time of the listing on the stock market, is becoming a real technological platform which can expand its field of applications to cover many surgical indications.



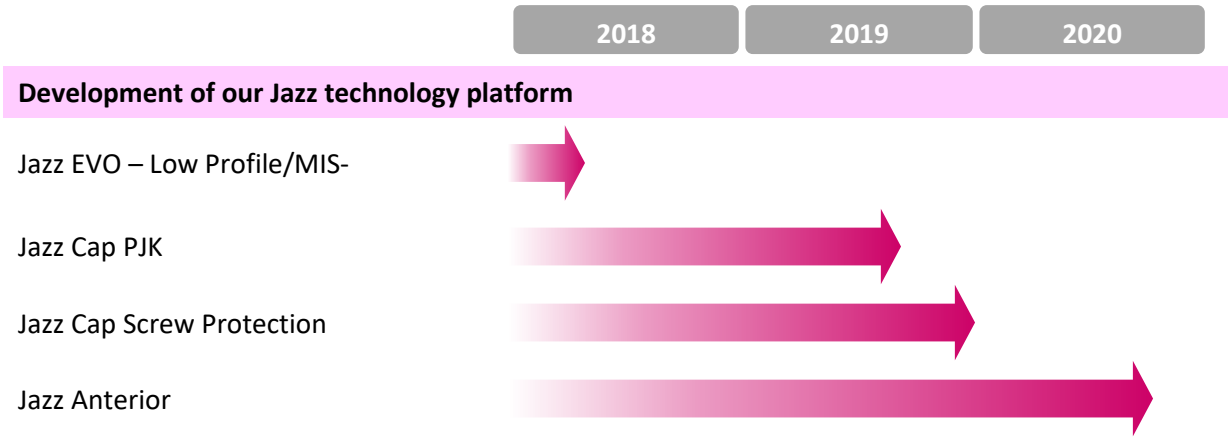
JAZZ EVO

In its constant drive to innovate, the Company works in close collaboration with user surgeons to develop its range and optimize the design of Jazz implants so that they become even easier to use in degenerative spine disorders.

JAZZ CAP

The Jazz DF solution reflects Implanet's efforts to investigate all indications that may be compatible with the use of sublaminar braids. This implant will address the demand of surgeons needing, for certain degenerative disorders, a stable fusion solution without the use of pedicle screws or for securing the screws.

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 will continue to gradually organize its sales team and support staff for business partners (agents) in 2018. The aim is to extend the coverage of the American territory so as to have additional independent business partners who will promote the Jazz technological platform on a daily basis. However, the Company wants to keep its fixed costs down, while continuing to give priority to variable sales-structure costs. Consequently, development through a network of independent agents is particularly suited to the Company's strategy.

  Moreover, following the partnership agreement with L&K Biomed, Implanet America will be able to benefit from additional commercial resources and the already established network of Aegis Spine, L&K Biomed's subsidiary in the United States.

- "Rest of the world" sales organization. The creation of a Europe region export department in 2016 confirms the Company's intention to step up its sales efforts on that market. Armed with CE marking for its entire range, rapid progress is expected. Across the main Export region, registration in Brazil (the biggest market in Latin America with 27,000 surgical operations in 2015 and expected annual growth of 7.5% over the upcoming years[5]), the first Jazz operations performed at the end of 2015, and registrations underway in other countries such as Mexico, should enable the Company to take advantage of the growth drivers that these markets represent. The Jazz launch objectives in the main countries are summarized below.

  There again, following the partnership agreement with L&K Biomed, Implanet will be able to benefit from additional commercial resources and the already established network of L&K Biomed in the Asia Pacific region.

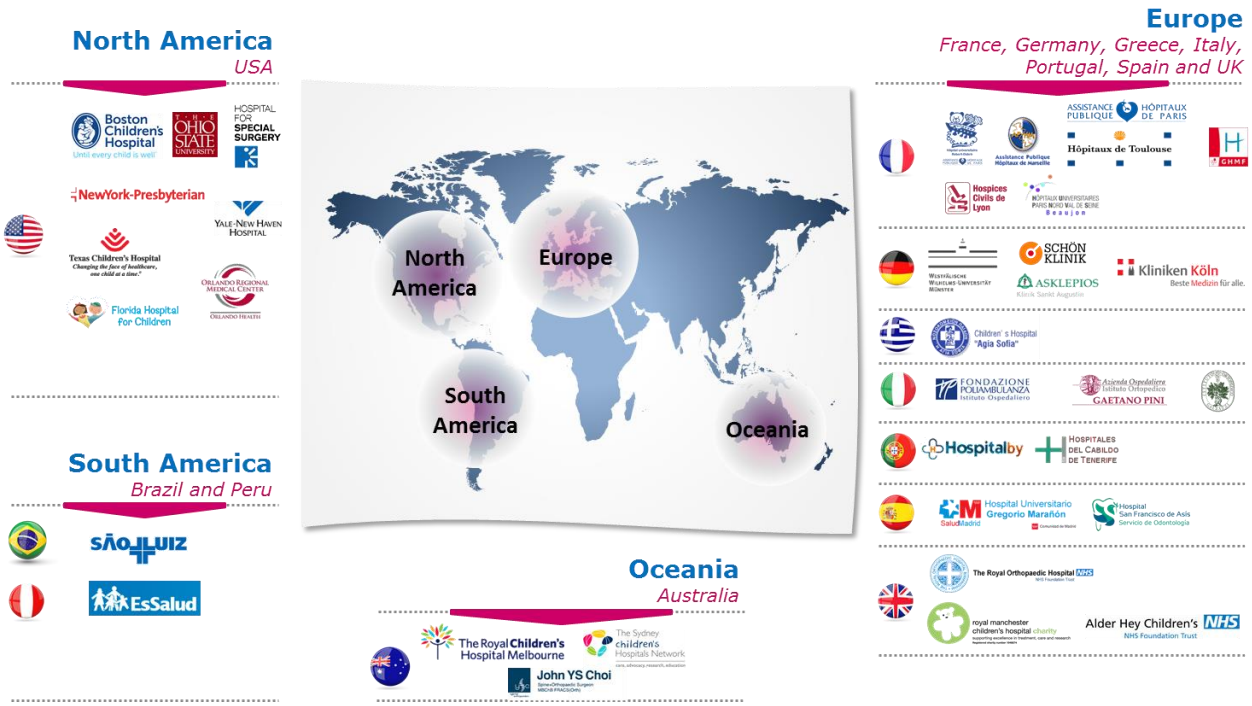
- Increased marketing. The Marketing Department, organized around two Marketing Managers (Europe and the US), two International Product Managers and a Communications Manager, intends to step up the attention drawn to the Jazz technology and the support for sales efforts. This will be done through partnerships 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 take part in scientific boards and attend product development meetings.

[5] Source: GlobalData, version 2015, "Global Spinal Market 2005-2021".

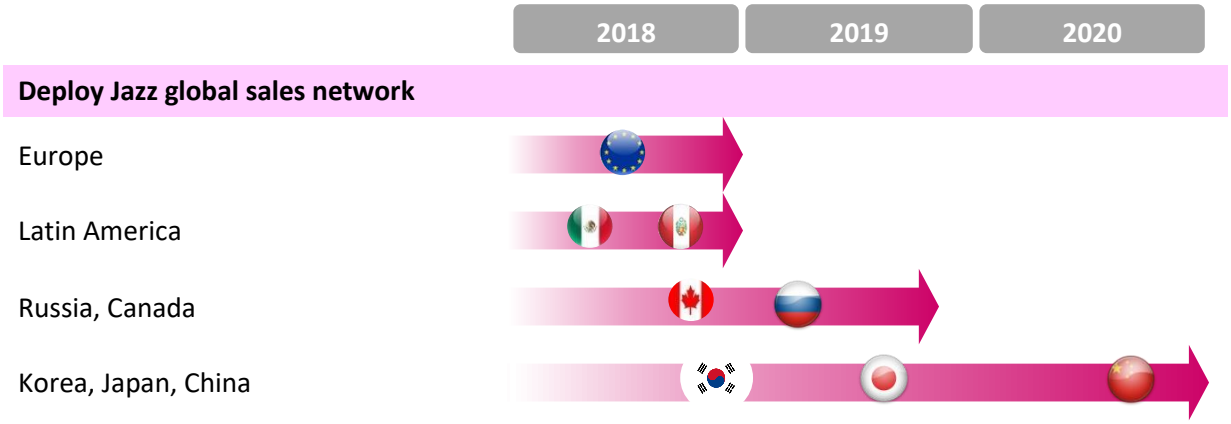
- Jazz Academy / training. In order to facilitate the adoption of the Jazz technological platform and promote it's marketing to surgeons, regardless of the applications (deformities or bone degeneration), the Company has recently set up a multi-media education program within the "Jazz Academy". The Company organized 30 ad hoc training sessions aiming both to train its world experts and educate future users. This program took various forms, with 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. Implanet will also benefit from the solid training infrastructure both in the Asia Pacific region where L&K Biomed has intensified its regional development and in the United States where the combined efforts of both the groups' subsidiaries will enable a significant increase in the number of training sessions.

Jazz ACADEMY	Number
Sessions since the launch	30
Total number of participants, of which:	220
Surgeons	*96*
Sales staff/agents/distributors	*124*

Implanet has numerous prestigious reference centers throughout the world:



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



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

The Company developed this range for tactical and independence reasons, 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, the Company 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.

At the beginning of 2018, the Company finalized a strategic partnership with the Korean company, L&K Biomed, with the signature of a cross-distribution agreement for their respective products.

L&K BIOMED

Thus, Implanet will distribute in Europe a wide range of high-end implants that are complementary to the Jazz platform:

- cervical plates;
- a complete range of cervical and lumbar fixations;
- cervical and lumbar cages;
- a Mini Invasive MIS system.

These products designed for spinal surgery will be initially distributed in France, UK and Germany with a view to becoming a major player in these markets.

6.3. THE KNEE RANGE – A SOURCE OF RECURRING REVENUE

6.3.1. A high-end range for knee surgery

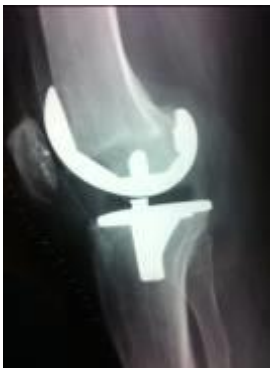
The Company wanted to offer national distributors a product range for knee surgery promoting independence from their historic partners, the American multinationals.

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 75,000 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 PROTHESIS



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.).

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

- an anatomical design, which was modified slightly in early 2016 with the Madison EVO femur, and 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 5 surgical procedures, a reduction in the number of surgical stages involving bone cutting, instrument storage in only 4 boxes, reducing cleaning, sterilization and storage costs; and
- over the past 5 years, 200 patients have undergone annual monitoring in 10 reference centers within the framework of a Post-Market follow-up;
- in addition, Post Market monitoring of the Madison Evo range (second generation implants) was introduced at the end of 2016, with the aim of involving 250 patients in 10 reference centers.

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.

6.3.2. Continuing the development of 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 without a significant increase in its working capital requirement or additional investment in ancillary devices.

6.3.2.1. Ongoing development in France

The growth of the activity in France relies on a Knee Sales Manager hired at the end of 2015 and several business partners recognized in general orthopedics and for knee surgery in particular.

6.3.2.2. 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.

6.3.2.3. Extending the surgery range with targeted R&D efforts

The Company considers that its knee surgery range covers all the disorders it wishes to address. 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.

6.3.3. Export coverage: main distributors

The Company markets its knee range via the specialized importing distributors listed 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
Brazil	IMPORTEK - TARGMED
Spain	PROTECTRAUMA S.L.
Greece	ORTHOMEDICAL SA
Iran	RADMAN SAMAN IDEH Co.
Peru	IMPORTEK PERU SAC
Switzerland	CHEMEX TRADING
Switzerland	CITIEFFE INTERNATIONAL

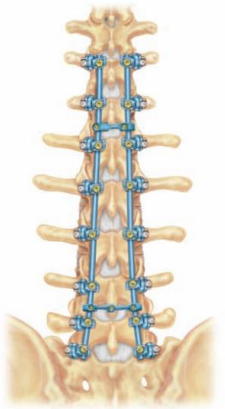
6.4. JAZZ: A TECHNOLOGY AIMED AT A POTENTIAL MARKET WORTH OVER USD 2.5 BILLION

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.

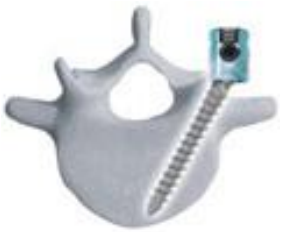
6.4.1. Introduction to spinal fusion surgery

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.



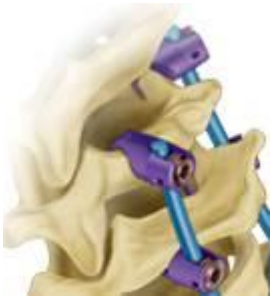
With deformities, whether degenerative or not, the technique involves repositioning the vertebrae in their normal alignment using a system of metal implants fixed to bone segments, then fusing the treated vertebrae. If there is no deformity, the technique involves fusing the operated vertebral segments, 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 the dura 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[6]. To adapt to all anatomical configurations encountered during surgery, the surgeon must have a wide selection of screws of different diameters and lengths available.

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 scoliosis. 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.

[6] 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.
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.

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

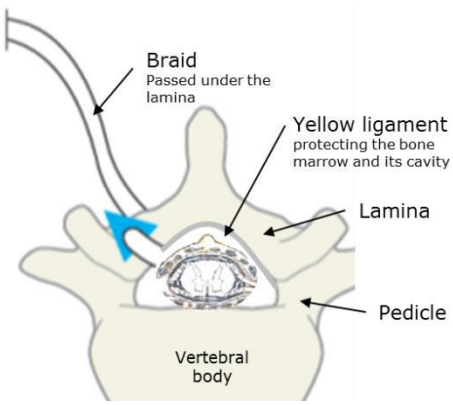
- quality and ease of attachment:
  - to the metal rod,
  - to the vertebrae, whether normal or pathological:
    - healthy vertebrae,
    - fragile vertebrae (e.g. for osteoporotic patients),
    - deformed vertebrae (e.g. scoliosis);

- the fastest possible implantation time: scoliosis surgery can last for more than five hours (operating risks increase with time);

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

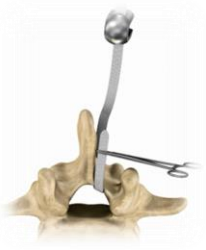
This type of implant is used to resolve situations in which screws and hooks are not suitable for the patient's anatomy and/or the quality of bony tissue to which they are attached.

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:

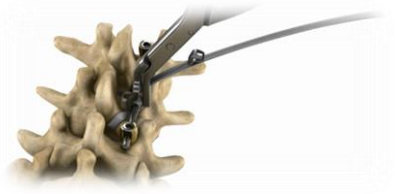
First the rods are attached at the top and base of the spine using traditional implants (screws at the base and double hooks at the top).



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

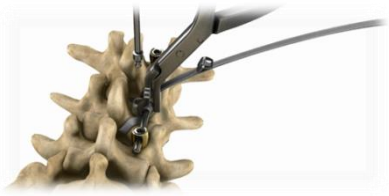
The braid is carried under the vertebral lamina. To facilitate its passage, the end is stiffened over the first few centimeters by a flat metal blade that can be preshaped. Passage is facilitated by the instruments developed by Implanet.

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.

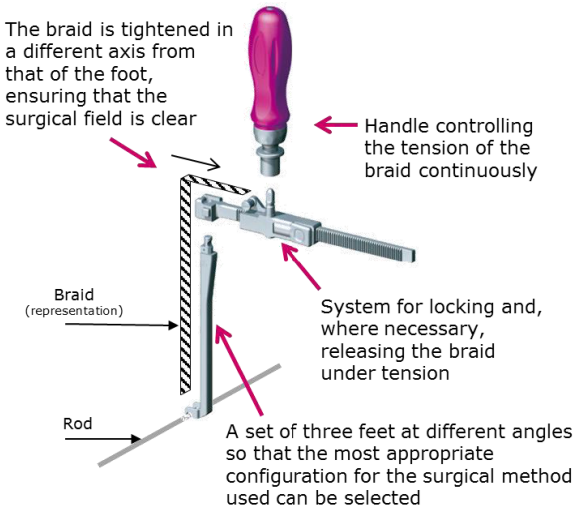


The Jazz device is then clipped to the rod using pliers provided for the purpose. The implant can easily be moved to position it in the optimal place without having to dismantle it.

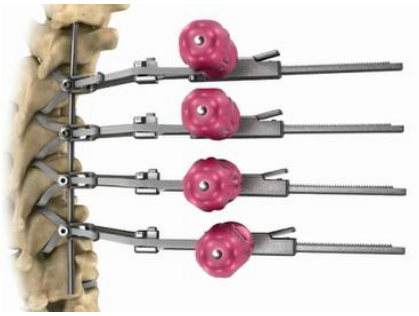
The locking screw is inserted without being tightened so that the implant can be tightened during the reduction phase.

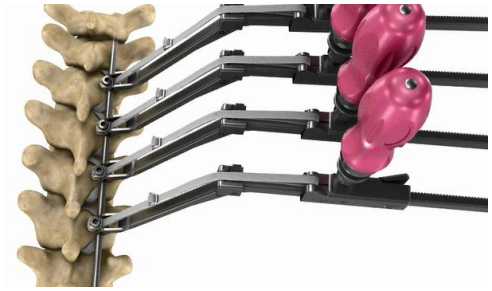


As shown on the right, the implant remains free to ensure correct positioning in all the axes during the tightening phase and movement (reduction) carried out on the spine.



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.

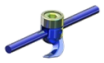
One important Jazz characteristic is its patented **clippable stirrup**. The fast method for attachment to the rod is used for initial positioning of the implant and, if necessary, repositioning throughout the surgical procedure without having to alter any or part of the system components.

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.

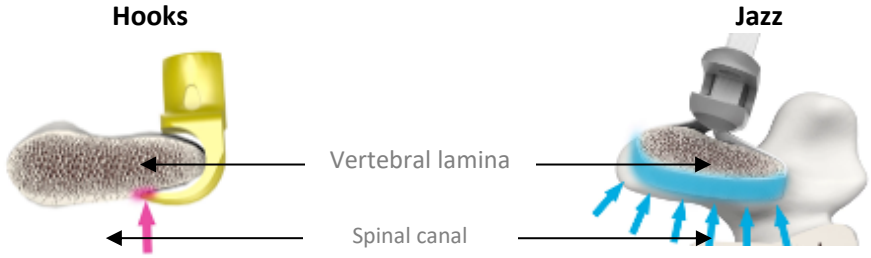
The following table shows Jazz's strong points that the Company judges to be specific relative to hooks and screws.

		 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 worth over USD 2.5 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 USD 2.5 billion, according to the world surgical procedure volumes supplied by i-Data.

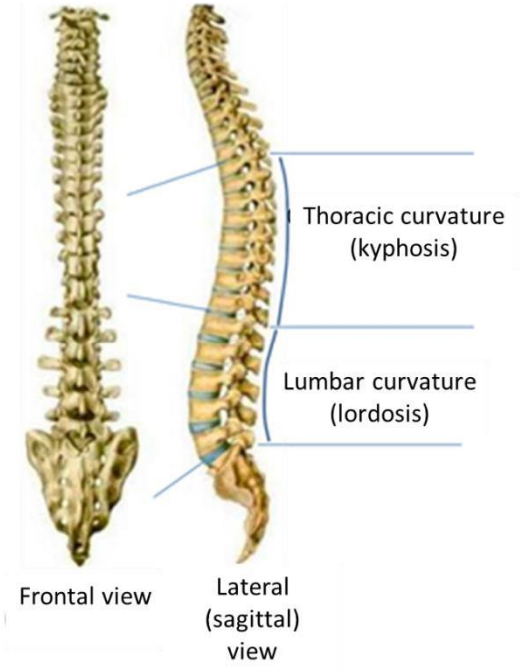
Annual global market potential by segment	No. potential cases	No. units per case	Total no. of units	Average unit price (USD)	Market in USD millions	Sources see sections
Scoliosis / Adult and pediatric major deformities	80,000	6	480,000	$1,000	$480	6.5.6
Osteoporotic degeneration	231,000	4	924,000	$1,000	$924	6.6.2
Degeneration: replacement of intermediary screw	200,000	2	400,000	$1,000	$400	6.6.3
Degeneration: Protection of adjacent discs	200,000	2	400,000	$1,000	$400	6.6.4
Trauma/Tumors	80,000	4	320,000	$1,000	$320	6.7
TOTAL			**2,524,000**		**$2,524**	

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

Severe deformities, such as scoliosis, account for around 80,000[7] 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 USD 134,529[8].

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

Normal spine



Scoliotic spine

A normal vertebral column is characterized by:

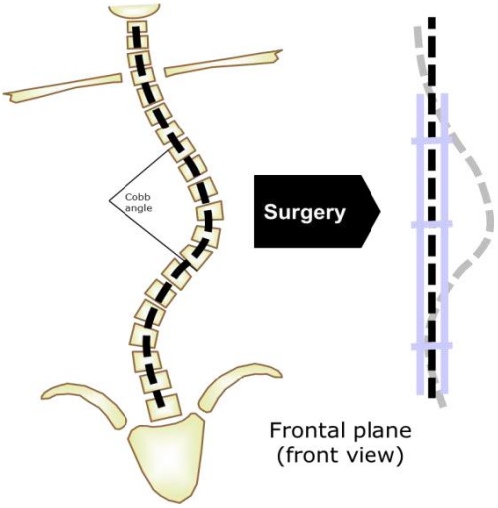
- vertebrae aligned vertically in the frontal plane;
- a large double curve in the sagittal plane. This double curve is necessary for the overall balance of the trunk and correct positioning of the center of gravity.

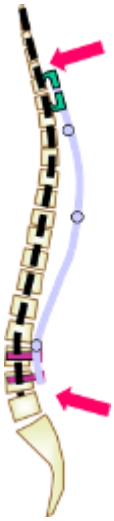
Scoliosis is characterized by a deformity in every plane in the area. Surgical treatment aims to restore the vertebrae to the anatomical position of a normal spine in both the frontal and sagittal planes. Whereas scoliosis affects 2 to 3% of adolescents, only the most severe cases (i.e. 0.2%, of which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

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

[8] 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 (profile)

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.

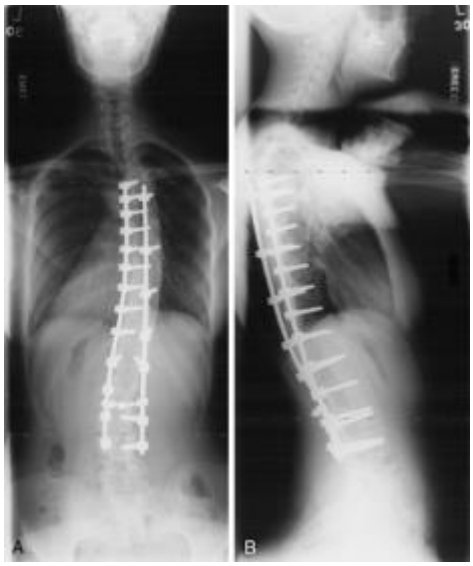
The two schools: "screw only" system or hybrid "screw and hook" system

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.



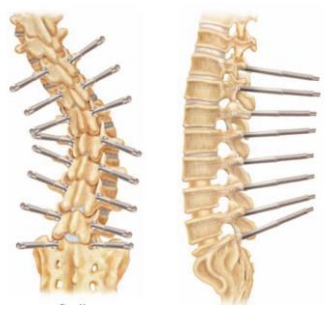
The advantages:

- very good frontal correction;
- a very stable system.

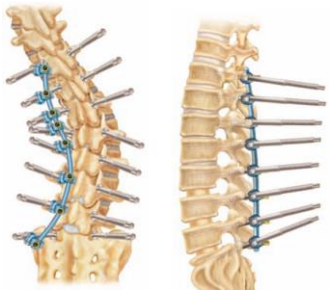
The disadvantages:

- poor sagittal correction (flat back);
- a long procedure (5 hours 20 minutes[9] on average);
- a procedure which is difficult to perform (screw implantation very complex and risky in vertebrae deformed by scoliosis).

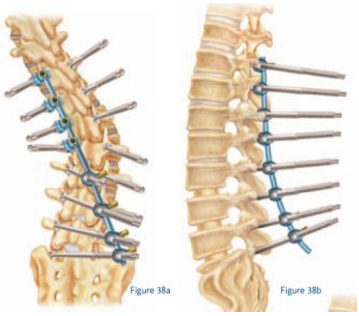
Example of "screw only" procedure as defined in the operating protocol for TSRH-3D implants from world leader Medtronic; note that the assembly has only eight levels (as opposed to 13 in the above example):



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

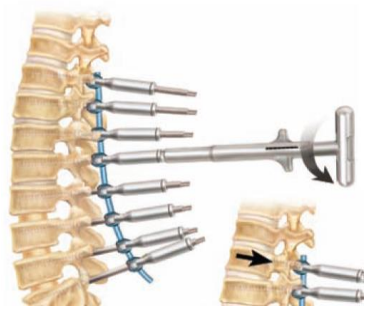


The rods, which have been preshaped, slide into the guides.

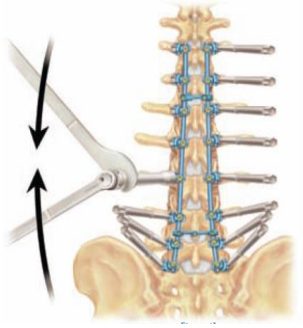


The rod is then lowered against the column one to one of the ends (here, the top).

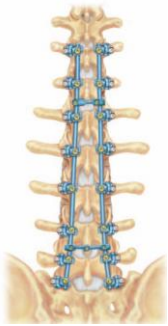
[9] Average over 7 studies and 188 patients: Crawford AH et al, Spine 2013 Epub ahead; Mattila M et al, J Bone Joint Surg Br. 2012; 94(10): 1393-8.; Cheng I et al, Spine. 2005;30(18): 2104-12.; Liljenqvist U et al, Eur Spine J. 2002; 11(4): 336-43; Dobbs MB, et al, Spine. 2006;31(20):2400-4.; Mooney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

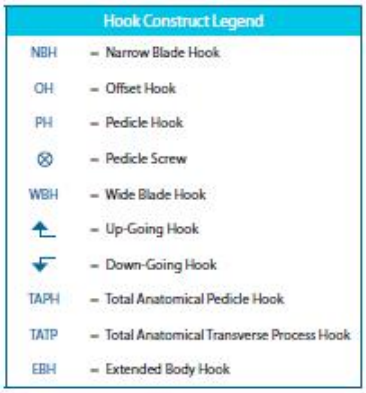
An example of a "screw and hook" assembly plan.

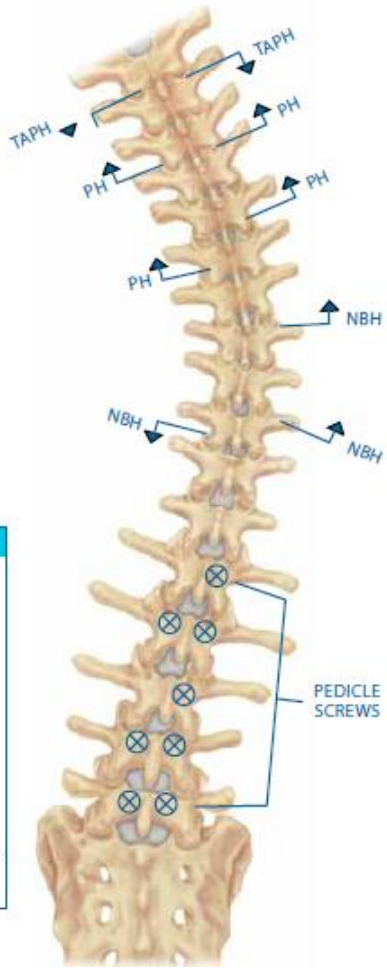
The advantages:

- sagittal correction is often superior; and
- few screws to implant.

The disadvantages:

- a complex choice among the types of hooks supplied and their instability before being attached to the rod;
- frontal correction is less good;
- a long procedure (5 hours 42 minutes[10] on average); and
- difficult, less stable assembly.





[10] 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" well illustrates 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

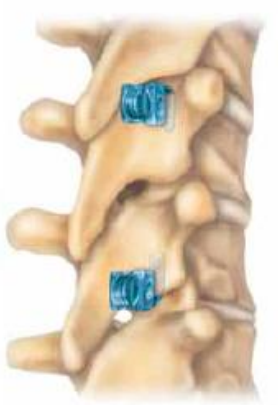
Extra Small	Small	Medium	Large
●	●	●	●

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.

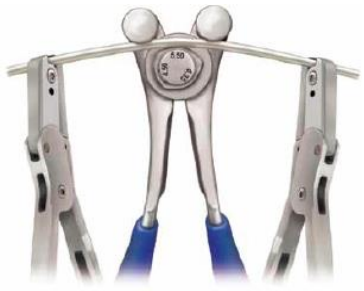
All the parts not implanted have to be cleaned and sterilized for reuse in another surgical procedure.

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

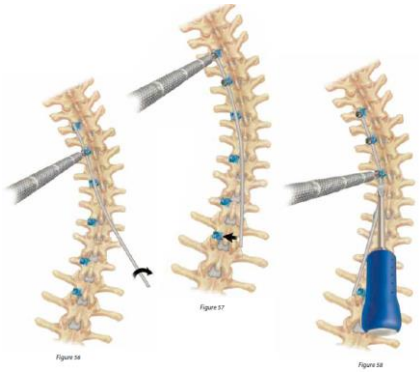
Some key stages in a hook assembly as defined in the procedure using Medtronic Solera implants.



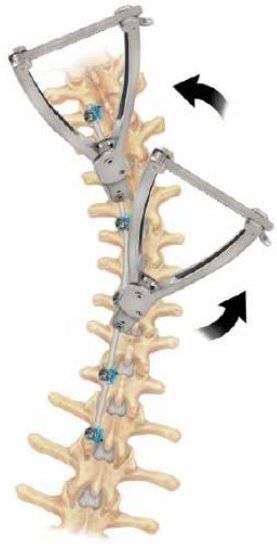
The hooks are inserted in the desired place, which is first prepared by removing parts of the bone that could get in the way.



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

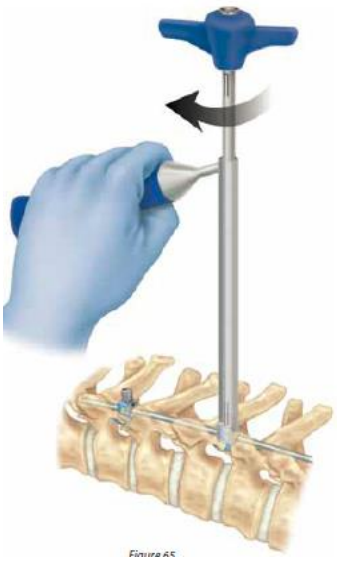


The rod is inserted into the hooks as optimally as possible. The patient's spine is "translated" to conform to the preshaped rod. This is one of the delicate parts of the procedure.



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[11] comparing the "screw only" method with the "screw and hook" method as shown below illustrates the advantages and disadvantages of both techniques.

	"Screw only"[12]	"Screw and hook"[13]
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

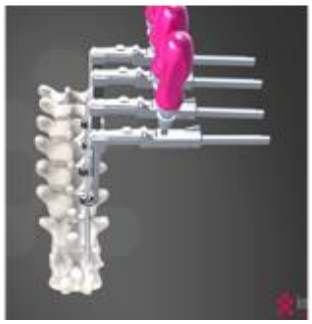
In view of this, Jazz has developed a new technology, basically compatible with both schools, which is used instead of screws or hooks, firstly in locations where screws or hooks are difficult to use, but above all, to take advantage of Jazz's exceptional ability to perform reductions, by using the flexible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

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

[12] 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.

[13] 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 deformities with Jazz during surgery.

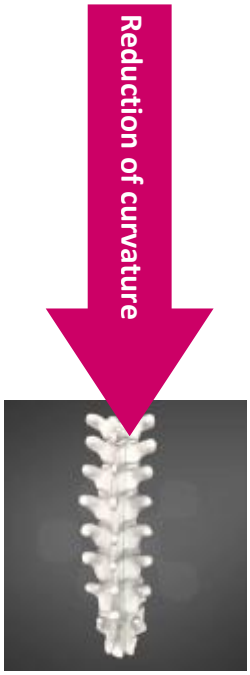


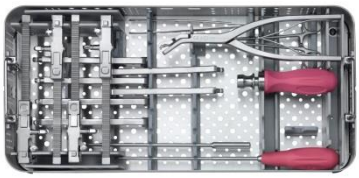
After installing braids at each stage in accordance with the procedure described above, each one is then tightened with its individual tensioners.

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.

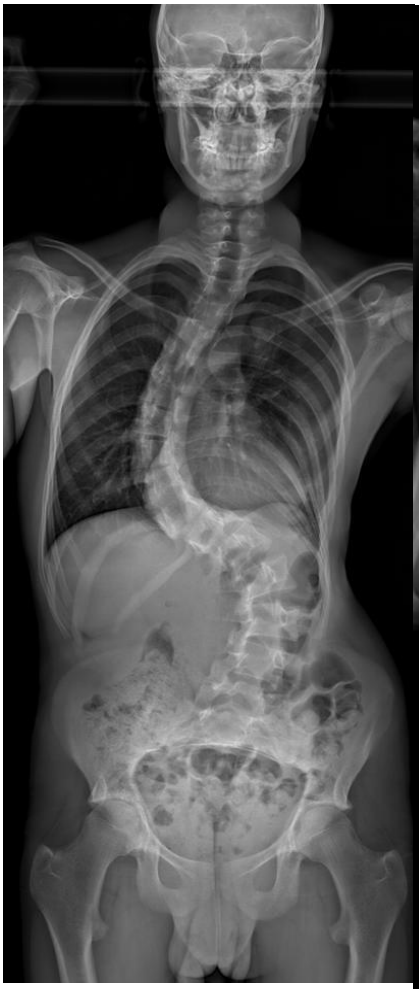
If, during this reduction, a Jazz implant has to be repositioned along the length of the rod, taking angle variations into account, this is very easy to carry out.



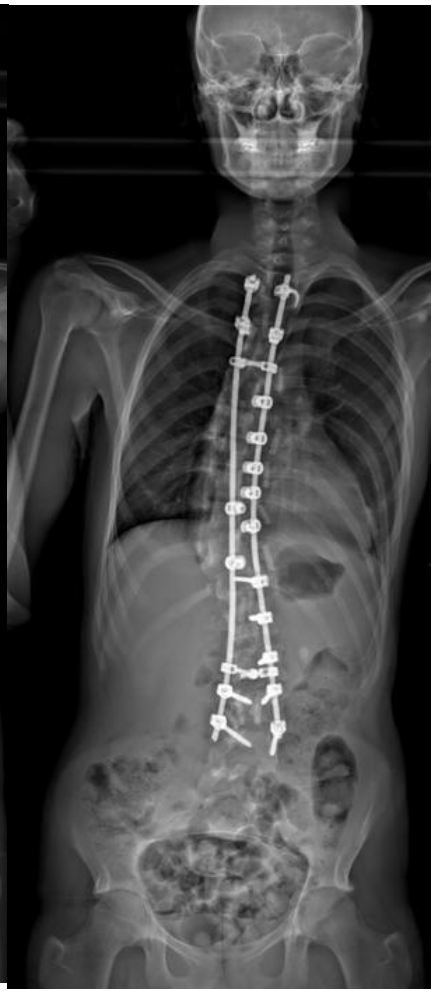


Compared with the complex instrumentation required to fit a hybrid “screw and hook” system, fitting Jazz implants requires simple, relatively cheap instrumentation (compared with the €50,000 cited above) costing between €4,500 and €5,500.

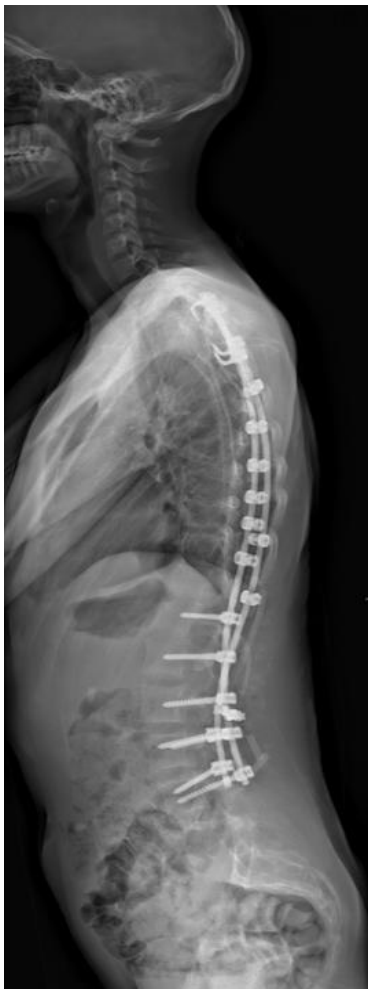
An example of scoliosis correction performed using Jazz.



Pre-surgical image showing severe thoracic scoliosis.

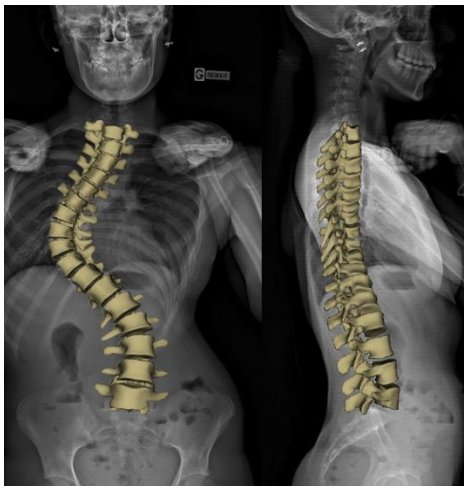
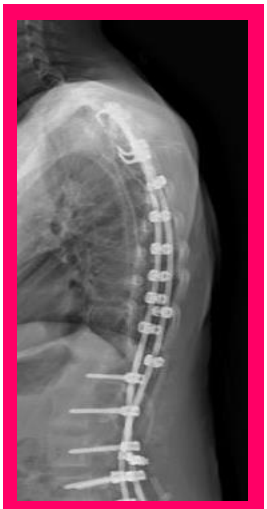
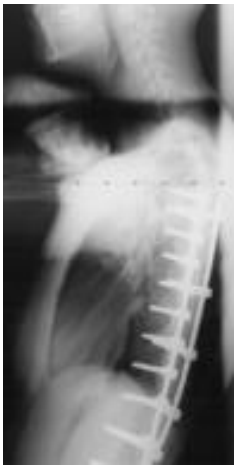
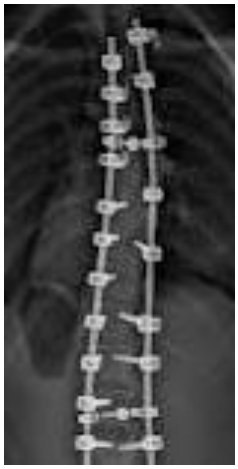


As is the case for a screw and hook system, the rod is held by screws at the base and four hooks at the top. The reduction is then carried out.



6.5.5. Jazz compared to conventional techniques: proven benefits for patients and 13% less costly[14]

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

Patient suffering from scoliosis	Screw + hook + **braided implant**[15]	"Screw only"[16]	"Screw + hook"[17]
			
Surgery time reduced	**3 hours 20 minutes**	5 hours 20 minutes	5 hours 42 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%**[18]	70%	42%
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.	**+27%**[19] **Sagittal balance**	-44% Flat back	-5% Very limited correction

[14] Sources Health Advances: retrospective medico-economic study on the use of Jazz braided implants for the correction of major deformities and scoliosis.

[15] 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.

[16] 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.

[17] 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.

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

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

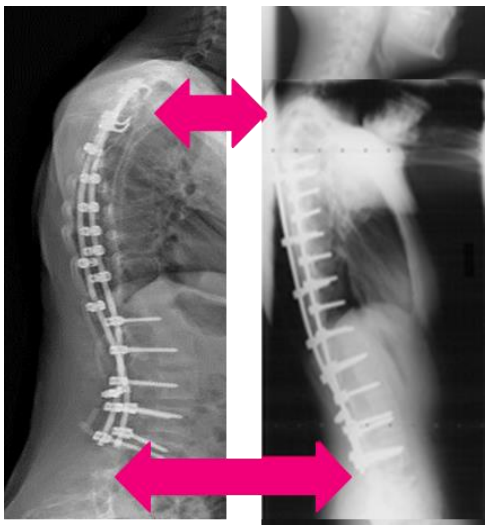
The above results demonstrate the proven **benefits**[20] **for patients with the use of braided implants** in the treatment of major deformities and scoliosis:

- **Surgery time reduced by more than two hours**, thereby:
  - reducing blood loss and avoiding the need for transfusions[21]; and
  - reducing the length of hospital stays (2-3 days instead of 4-5 days).

- Similar corrections in the frontal plane and much **better restoration of natural sagittal curvature than** with conventional correction techniques.

  The transition zones above and below the assembly (see arrows in images) 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.

Jazz type braided implant "Screw only" system



13 implants 20 implants

- **Fewer implants used,** as shown in the diagram above, thereby:
  - reducing complications due to incorrect screw positions, particularly in the thoracic region; and
  - reducing patient exposure (from around 3 minutes to less than 10 seconds) to radiation from screw verification X-rays during operations[22].

[20] Sources Health Advances: retrospective medico-economic study on the use of Jazz braided implants for the correction of major deformities and scoliosis.

[21] Sources Health Advances analysis, Mayo clinic, Mao et al 2014 PLOSOne: during operations to correct major deformities or scoliosis using "screw only" systems, nearly 30% of patients require blood transfusions, while none of the 32 patients in whom the Jazz implant was used required a blood transfusion during surgery.

[22] Sources Health Advances: retrospective medico-economic study on the use of Jazz braided implants for the correction of major deformities and scoliosis.

A study published by the American consultancy firm Health Advances specializing in economic studies in the field of healthcare demonstrated that **the financial benefit of the use of Jazz**[23] compared with conventional techniques **is considerable**, as simulations comparing the cost of the implants, combined with operating-room costs, revealed an overall cost reduction of 13% for an assembly using Jazz.

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

	Screw + hook + braided implant	Conventional technique
Cost of implants	$21,823	$21,811
Of which Jazz	*$10,150*	$-
Transfusion cost	$-	$252
Operating cost	$5,160	$7,891
Cost of post-op stay	$4,200	$6,000
Total cost	**$31,183**	**$35,954**

In addition to the savings made in surgical procedures, Health Advances' medico-economic analysis showed that, given the shorter operating time, the hospital could optimize the use of its operating room by performing additional operations, generating additional revenue estimated at $6,966.

6.5.6. 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[24] surgical procedures for this pathology, a potential of 480,000 implants per year.

Potential annual global market for Jazz for severe deformities: USD 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 USD 480 million for manufacturers and distributors of braided implants, based on an average sale price of USD 1,000 per implant.

[23] Sources Health Advances: retrospective medico-economic study on the use of Jazz braided implants for the correction of major deformities and scoliosis.

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

6.6. USING JAZZ IN DEGENERATIVE SPINAL DISORDER SURGERY

Annually, around 700,000[25] procedures are carried out worldwide on degenerative spines. With its Jazz implant, the Company is targeting three opportunities in particular.

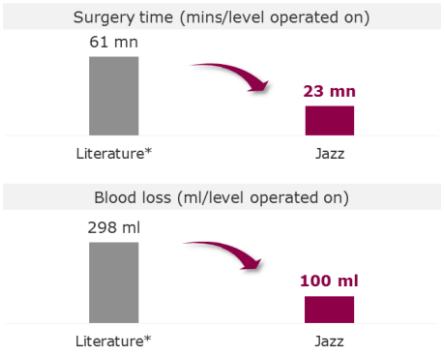
6.6.1. Degenerative spinal deformity (scoliosis-kyphosis)

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. The rate of complications for this surgery is high. The incidence of idiopathic scoliosis in children is around 3%, whilst studies estimate that the incidence of idiopathic and degenerative scoliosis in adults is between 30% and 60%[26]. With an aging population, adult degenerative scoliosis is a real public health issue.

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 groups of 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[27]. In addition to its economic benefit, this reduction has a certain advantage because the duration of surgery and preoperative blood loss are, in fact, known to be the sources of a significant rate of later complications.



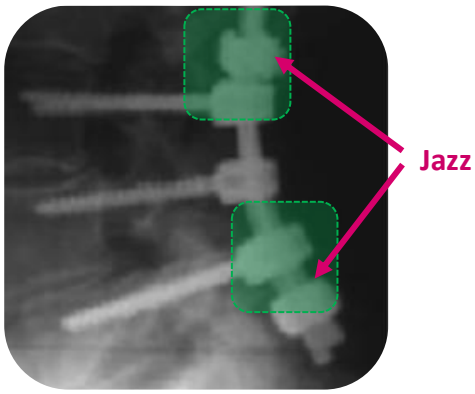
[25] Source i-Data for 2010: 702,761 procedures worldwide.

[26] 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.

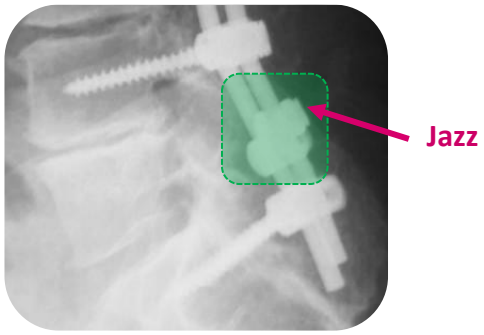
[27] Comparative studies: Cho K-J et al, Spine. 2007 / Daubs MD et al, Spine. 2007 Sep 15 / Wu C-H et al, J Spinal Disord Tech. 2008 Jul / Tang H et al, J Orthop Surg Res. 2014 (patients with complications) / Tang H et al, J Orthop Surg Res. 2014 (patients without complications) / Pellisé F et al, European 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 for the treatment of degenerative spine disorders, Jazz has two additional applications in short lumbar assemblies:

Use of Jazz to secure screws



Use of Jazz to replace screws



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

More than 33% of patients undergoing spinal surgery have osteoporotic bones[28]. The bones' fragility means that the assemblies are not very reliable and lead to a failure rate of more than 40%[29]. In this case, the rate of repeat surgery can rise as far as 60%[30]. 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:

- lengthen the 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; and
- develop expansion screws.

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

The Biomechanical Laboratory of the Mayo Clinic (Rochester, Minnesota, USA) conducted a study on the Jazz technology in 2014 to validate and quantify the potential benefits of its use on osteoporotic patients having undergone spine surgery.

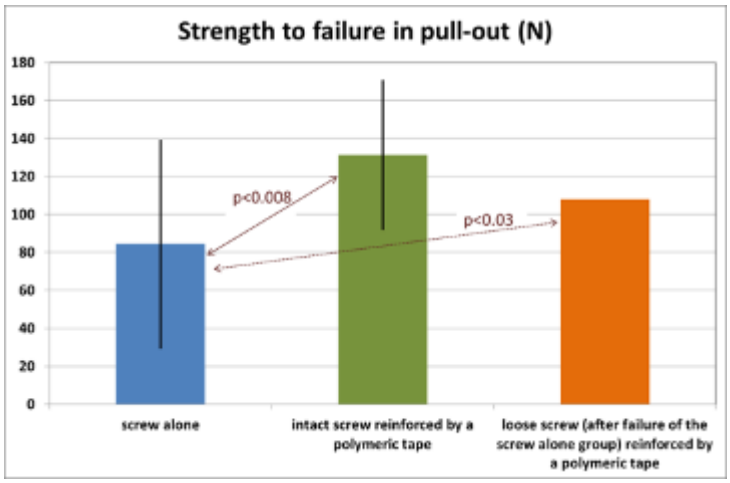
[28] D. K. Chin *et al*. Osteoporos Int (2007) 18:1219–1224.

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

[30] 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.

The study, which was conducted under highly stringent conditions by the world's best biomechanical research teams, demonstrated that:

- Jazz has a proven protective effect on screws implanted in osteoporotic vertebrae;
- adding Jazz prevents the complete deterioration of the assembly and subsequent migration of the screws;
- a totally loose screw subsequently protected by a Jazz implant retrieves a rupture value similar to that of an intact screw; and
- the energy required to rupture the assembly is considerably increased when a Jazz implant is added.



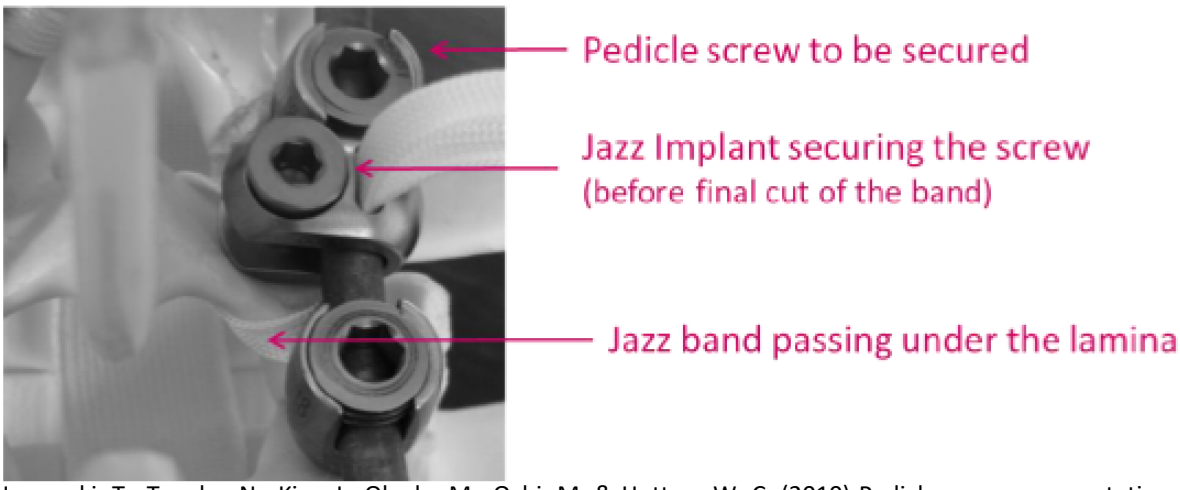
On the graph opposite, the left-hand column shows the force needed to pull out a screw. The center column shows that a force more than 60% greater is needed to pull out a screw secured by a knotted braid.

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.

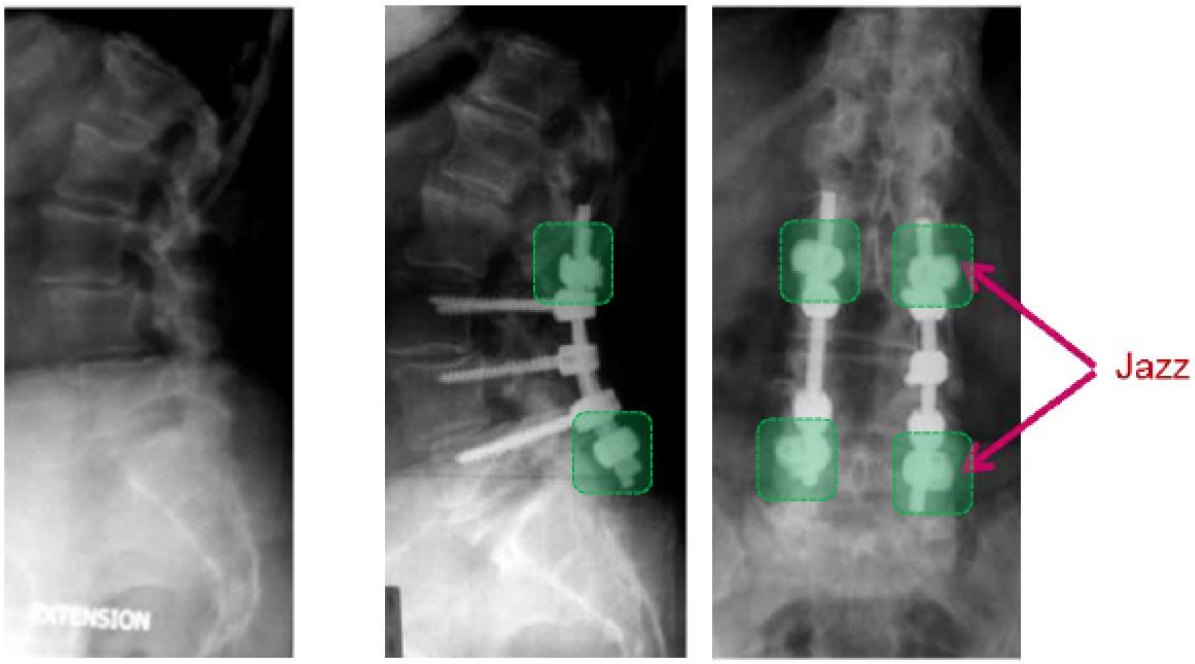
These results are consistent with and corroborate the results of other studies, in particular the study published in 2010 by the Hamasaki[31] team after similar tests involving the addition of knotted braids to a conventional assembly.

This major study thus demonstrated the product's advantages in conferring stability to an assembly implanted in vertebrae of only moderate mechanical quality.

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



[31] Hamasaki, T., Tanaka, N., Kim, J., Okada, M., Ochi, M. & Hutton, W. C. (2010) Pedicle screw augmentation with polyethylene tape: a biomechanical study in the osteoporotic thoracolumbar spine, J Spinal Disord Tech. 23, 127-32.



Preoperative **Postoperative**

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

Moreover, an observational clinical study conducted on a group of 14 osteoporotic patients operated between 2011 and 2012 by Dr. Rémi Cavagna (*Clinique mutualiste de la Porte de L'Orient*, Lorient, France) produced extremely satisfactory preliminary results. However, these results cannot be considered as highly significant due to the small number of patients involved and the relatively short follow-up period. The preliminary conclusions were published in a white paper in mid-2014, while the patients are still being followed up by this center.

To supplement and enhance this follow-up data, the Company has set up a prospective, multicenter clinical trial. The Jazz implants are positioned at the level of the last fused vertebra, at the top of the assembly, with the braid attached to the lamina of the vertebra immediately above it. The protocol, adopted by ten centers in France by the end of 2016, provides for the enrollment of 250 patients, aged over 40 and suffering from osteopenia. Enrollment will continue until December 2018 and each patient will be monitored for at least two years.

Potential annual global market for Jazz in securing screws in degenerative assemblies with fragile, osteoporotic type bones: USD 924 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[32]	**231,000** (33%[33])	**4**	**924,000**

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

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

This potential market amounts to USD 924 million for manufacturers and distributors of braided implants, based on an average sale price of USD 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.

6.6.3. 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: $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[34]	**200,000** (29%[35])	**2**	**400,000**

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

6.6.4. 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. Despite the technological progress which now enables spinal deformation surgery to correct serious sagittal alignment defects, wear pathologies of adjacent segments such as proximal junctional kyphosis (PJK) and proximal junctional failure (PJF) still cause problems.

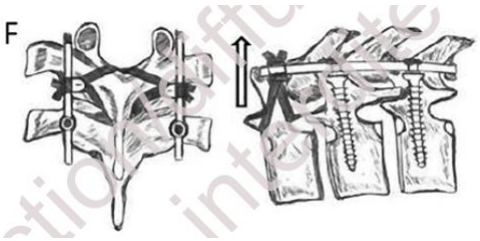
[34] Source i-Data for 2010: 702,761 procedures worldwide.

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

In this context, surgeons use a large number of strategies to attempt to resolve this problem: around 65% of surgeons use PJK prevention strategies for over 40% of their patients[36]. These figures illustrate the lack of effective options made available to them and JAZZ seems to be a promising alternative.

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.

Illustration of assemblies from the JNS Spine review of February 2018 – Professor Farhadi – Ohio State University



Jazz's potential in this segment is thought to be very high because, in practice, it would involve adding two Jazz implants on these assemblies. 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 protection to adjacent discs in degenerative systems: $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[37]	**200,000** (26%)[38]	**2**	**400,000**

This potential market amounts to USD 400 million for manufacturers and distributors of braided implants, based on an average sale price of USD 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.

[36] The results of the 2014 SRS survey on Proximal Junctional Kyphosis (PJK) and Proximal Junctional Failure (PJF), published in Number 11, Volume 40 of SPINE review, pages 829 to 840 are a precious source of knowledge enabling progress in the treatment of PJK and PJF.

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

[38] Health Advance study and Company data.

6.7. 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 available tools as possible 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 and in particular the Jazz technology, have the following advantages:

- a multipurpose implant which:
  - 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,
  - 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[39];
- 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[40] situation.

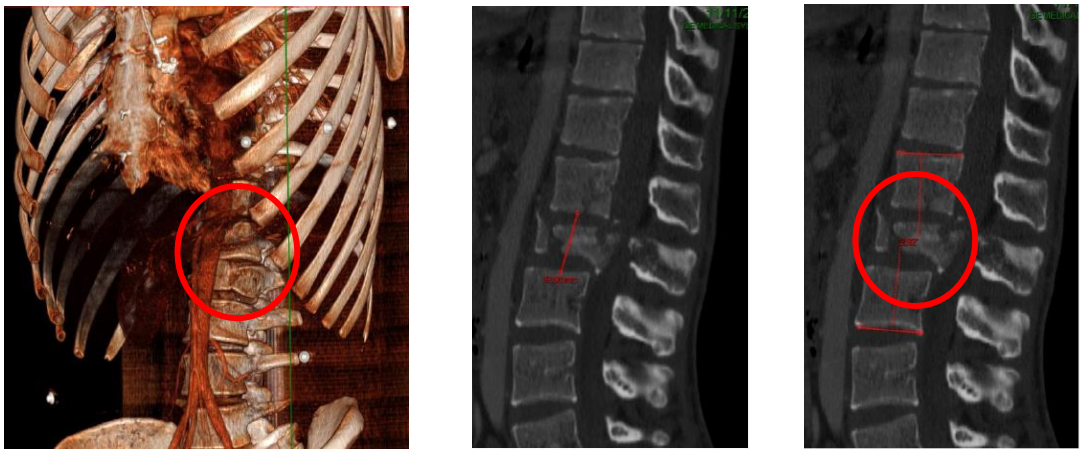
The use of the Jazz Band in these situations has a significant clinical advantage for patients, as it reduces the length of the assembly by two levels, thereby preserving two vertebrae and two discs. The preliminary post-operative results are positive and confirm Jazz's interest and the potential it may represent for the treatment of this type of disorder.

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

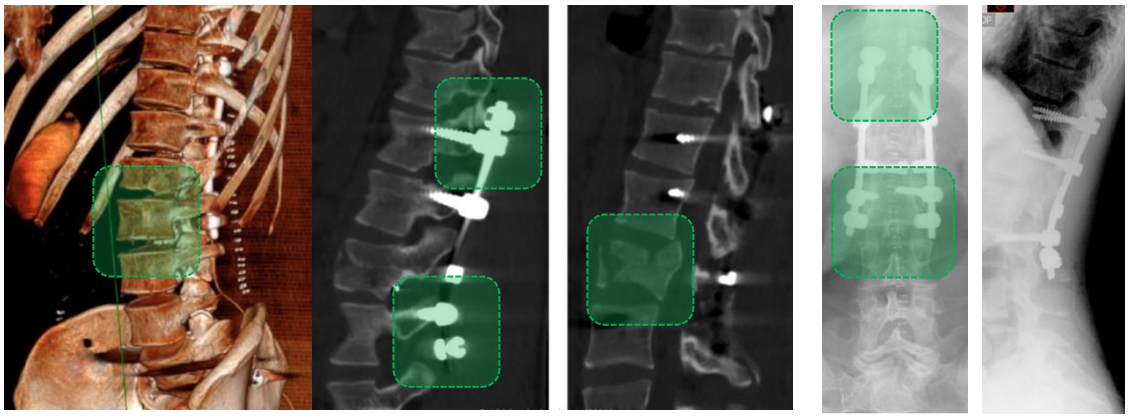
[40] Gazzeri *R et al*. Acta Neurochir (2009) 151:1673–1680.

Illustration of a complex case of spinal injury treated with a Jazz Band reducing the length of the posterior assembly by two levels in a 25 year-old patient having fallen from a height of 15 meters and suffered sensorimotor neurological damage.

Pre-op imagery (3D reconstruction)



Post-op imagery (3D reconstruction)



Potential annual global market for Jazz in traumatology and tumors: $320 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
80,000[41]	**80,000** (100%)[42]	**4**	**320,000**

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

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

[42] Company estimate of the number of procedures.

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.

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; and
- 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 six 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.[43] The initial development manager for the Universal Clamp ("UC"), 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 development of this product by Medicrea confirms the potential of braided implants. Approved in the United States and in Europe, an initial launch seems to have taken place in 2010.

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 solution for blocking the braid and implant with a single tensioning instrument, as is the case on the Jazz implant and on Zimmer Spine's UC.

In 2015, **K2M**, a company specializing in the treatment of spinal deformity, launched a braided implant called NILE which also uses a polyester braid. However, its designers did not manage to find a solution for blocking the braid and implant with a single tensioning instrument, as is the case on Jazz and on Zimmer Spine's UC.

In 2017, **Orthopaediactrics**, specializing in pediatric surgery, launched Bandloc, an implant including a polyester braid for the treatment of deformities in children. Once again, the designers were required to make compromises due to the constraints on intellectual property for the locking mechanism with a direct application of the tightening screws, which considerably increases the risks of braid rupture. As the design of Bandloc comes under the scope of its patent application, Orthopaediactrics must pay royalties to Zimmer Spine.

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

Cousin Biotech, specializing in medical application textiles also launched its own solution with a polyester braid in 2017, Naja, that the company offers in OEM (*original equipment manufacturer*); the company was initially an industry supplier but now wants to directly position itself as an industrialist in direct contact with surgeons. In addition to a limited range, the connector design is also a compromise in order to slip through the existing intellectual property net, both in terms of implementation of the implant, tensioning and locking.

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.

	Implanet JAZZ	**Zimmer UC** 	**Medicrea Ligapass** 	**K2M Nile** 	**Advantages**
Connector Concept	- Open - Clips onto rod - Low profile	- 1st generation - Open Hinge design - No primary stability	- Open or Closed – pre-loaded onto rod - Auto-stable Large profile on rod	- Open - Auto-stable - Large profile on rod	**JAZZ:** + Clips to rod, no screw needed for stability + User friendly & time saving + Lower profile
Band Tightening	- 2-in-1 (Braid + Connector) - Screw compresses Braid to rod	- 2-in-1 (Braid + Connector) - Small screw - - compresses braid to rod	- Independent, resulting in 2 tightening steps (to rod and band) - Tightening of the screw directly onto the Braid	- Independent, resulting in 2 tightening steps - Tightening of the screw directly onto the Braid	**JAZZ :** + Time saving – single step + Atraumatic for the Braid + Compression between smooth surfaces
Tensioner Design	Strong, progressive tensioning Easy disassembly Angulation choices for optimal visibility	- Slips under high tension - Cannot be disassembled - Generates wear debris - No angulation choices	- Complex design - Additional steps to lock to rod and lock band - No angulation choices	- Complex design - Additional steps to lock to rod and lock band - No angulation choices	**JAZZ**: + Simple & User friendly + Enhanced surgical field visibility + Able to quickly add or subtract tension
Sizes Offered	3.5mm 4.5mm 4.75mm 5.5mm 6.0mm 6.35mm	4,5mm 5.5mm 6.0mm 6.35mm	5.5mm 6.0mm	5.5mm 6.0mm	**JAZZ :** + Largest Range + Band product development focus

	Implanet JAZZ	**Globus** 	**Orthopediatrics BANDLOC** 	**Cousin Biotech NAJA** 	**Advantage**
Connector Concept	- Open - Clips onto rod - Low profile	- Open - Autostable - Large Profile on Rod - Non-Sterile implant Delivered in the tray. (large Container)	- Open - Autostable - Sterile Implant	• Open • Auto-stable • Large Profile on Rod • Jaws System • Right & Left Connectors • Only 5,5 union rod	**JAZZ:** + Clips to rod, no screw needed for stability + User friendly & time saving + Lower profile
Band Tightening	- 2-in-1 (Braid + Connector) - Screw compresses Braid to rod	- Independent. In consequence of thightening the screw has a direct compressing contact	- 2-in-1 (Braid + Connector) - Screw compresses Braid to rod	• Independent. • In consequence of thightening the screw has a direct compressing contact	**JAZZ :** + Time saving – single step + Atraumatic for the Braid + Compression between smooth surfaces
Tensioner Design	Strong, progressive tensioning Easy disassembly Angulation choices for optimal visibility	- Based on a screw Sytem - No compensation of the traction with the tensioner - No angulation choices	- No compensation of the traction with the tensioner - No angulation choices	• Based on a screw Sytem • No compensation of the traction with the tensioner • No angulation choices	**JAZZ**: + Simple & User friendly + Enhanced surgical field visibility + Able to quickly add or subtract tension
Sizes Offered	3.5mm 4.5mm 4.75mm 5.5mm 6.0mm	4.5mm 4,75mm 5.5mm 6.0mm 6.35mm	5.5mm 6.0mm	5.5mm	**JAZZ :** + Largest Range + Band product development focus

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, most of the executives have 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 26 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.

David Dieumegard – Chief *Financial Officer*

David has 24 years' experience in Finance in a variety of industries. In particular, he was Chief Financial Officer of the KOT laboratory (adult dieting) and of Musiwave (a company dedicated to the download of musical content on mobiles, sold to Microsoft e-live), and Corporate Controller at ActivIdentity (a Nasdaq-listed company focused on Internet security and authentication).

David is a graduate of the University of Poitiers (1993) with a master's degree in Business Administration (MSG) and a post-graduate diploma in Accounting and Finance (DESS).

Régis Le Couëdic – *Research & Development (R&D) and Regulatory Affairs and Quality Assurance (RAQA) Director*

Régis has 27 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.

Laurent Penisson - *Sales Director Out of US (OUS)*

Laurent has 23 years' experience in regional sales management in the medical field and 17 years' experience in the sale of orthopedic equipment and implants (J&J, Stryker, Arthrex).

Nicolas Marin – *Marketing Director*

Nicolas has 19 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.

Shane Doyle – *VP US Sales & Marketing*

Shane has 19 years' experience in marketing and international product development in spinal, orthopedic and arthroscopic surgery.

He occupied different Sales and Marketing positions over eight years at Stryker then six years at Etex Corporation.

Franck Laporte - *Operations Director*

Franck has 18 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.

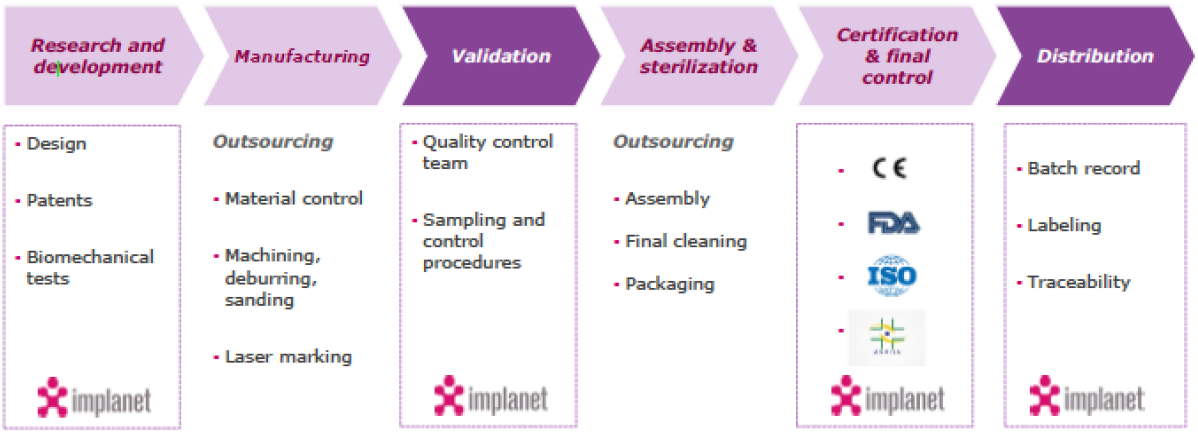
6.10.2. A first-rate operational organization

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.

In 2016, the Company decided to extend the logistics building in order to bring its activities together under one roof. These new, more functional and more cost-effective premises were built in accordance with French HEQ (High Environmental Quality) standards, i.e. by taking the location, orientation and proportions of the project into consideration so as to optimize natural resources, views and all-season use. Choosing the HEQ approach saved on costs (design and organization of spaces into functional areas) and site facilities (waste, deadlines, etc.).

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 five or six 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.

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 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 these 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.

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, the United States and Brazil 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);

- in Brazil, marketing authorizations are delivered by the national health authority ANVISA, based on the product registration files submitted and production site audits.

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. This activity involves a certain number of standard products in its arthroscopy range.

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; and
- 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.

Implanet has ISO 13485 certification for its activities: 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.

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 quality system renewal audit and its application to the products is conducted by the notified body. In November 2016, IMPLANET was successfully audited by LNE-GMED, enabling it to renew its certifications.

Since it entered the market in 2007, Implanet has been audited ten 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 and October 2016, Implanet was also audited by the FDA without any remark or non-conformity being noted.

Implanet complies with the requirements of RDC 16, referred to by ANVISA (Brazil) to conduct its quality audits, in parallel with the review of the registration files submitted. In 2015, the Brazilian organization, ANVISA, audited the Company's facilities and procedures, with no non-compliance raised to date.

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 is 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) Submission", 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.

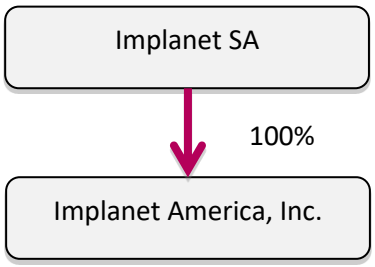
	Registered countries	Countries in the process of registration
Spinal ranges: Jazz and traditional range	Australia, South Africa, Brazil, Europe, United States, India, Iran, Turkey, Israel	Mexico, Russia
Madison knee prosthesis	Brazil, Europe, Iran, Russia, Turkey	

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 David Dieumegard 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, 2018 and is tacitly renewable for periods of one year.

Other agreements are being drawn up concerning:

- **Rebilling of services**

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

The transactions realized during 2017 between Implanet SA and Implanet America are as follows:

- product sales from Implanet SA to Implanet America: €689 thousand;
- management fees from Implanet SA to Implanet America: €60 thousand;
- other charges invoiced by Implanet SA: €66 thousand.

The Implanet America related intercompany current account amounts in Implanet SA social accounts to €586 thousand as of December 31, 2017.

8. PROPERTY, PLANT AND EQUIPMENT

8.1. PROPERTY AND EQUIPMENT

8.1.1. Leased property

The Company wanted to group together its administrative and logistics activities and entered into a lease in February 2016 for this real estate complex:

Address	Technopole Montesquieu - Allée François Magendie, 33650 Martillac, France
Area	1,587 sq.m. exclusive space including 34 fitted offices, storage space, sanitary facilities, and a 72 sq.m. terrace
Term	October 1, 2016 – September 30, 2026
Annual rent excl. VAT and charges	€212 thousand

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	60 State Street, Suite 700 Boston, Massachusetts, 02109, United States
Area	Variable depending on the number of offices used
2017 Annual rent (excl. VAT and charges)	€79 thousand

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

8.1.2. Other property, plant and equipment

The main property, plant and equipment owned by the Company are described in Note 3 to the IFRS financial statements shown in Section 20.1 of the Document de référence.

8.1.3. Encumbrances on the Company's intangible fixed assets

None.

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".

9. REVIEW OF THE 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, 2017. 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 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 design and manufacture innovative implants with uncompromisingly high standards of quality and meeting the most stringent clinical performance requirements, for the most lucrative orthopedic surgery markets (knee and spine). The Company intends to turn its technological platform, aimed at improving the treatment of spinal pathologies requiring vertebral fusion, into the global reference in the braided implants market, for which it will help improve the selection by surgeons through its ease of use.

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, notably within the context of its listing on the Paris Euronext stock market (Compartment C) in 2013 and successive fund raisings on that market between 2015 and 2016, and more recently in 2017 on the Euronext Growth market (following the Company's transfer in July 2017);
- bond issues redeemable, or convertible, in shares;
- bank loans;
- OSEO innovation grants in the form of repayable advances and an interest-free innovation loan;
- COFACE market prospection insurance covering the United States geographical region;
- a FEDER grant from the Aquitaine Regional Council; and
- the French research tax credit.

9.1.2. Research and development - Subcontracting

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

The Company estimates that, in 2017, it devoted almost €3,894 thousand to the development of the Jazz range, its promotion, its quality, and related regulatory affairs. Jazz is a system for posterior fixation and reduction of spinal deformation by means of a polymer sub-laminar band and a metal 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 *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 Implanet'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 2017. Capital expenditure has been concentrated on:

- research and development for the design and registration of its product range, mainly Jazz (a system for posterior fixation and reduction of spinal deformation) and Madison (full knee prosthesis for first-line treatment and revision);
- marketing expenses;
- the establishment of industrial, logistics and sales infrastructures; and
- the development of the Beep N Track business (disposed of 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 and 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, knee and arthroscopy) and breaks down as follows:

REVENUE (Amounts in € thousands)	**12/31/2017**	**12/31/2016**
Spinal	4,715	4,102
Knee + Arthroscopy	3,126	3,723
Total revenue	**7,841**	**7,825**

Revenue amounted to €7,841 thousand at December 31, 2017. Jazz® sales (up 30% in volume terms with 9,117 units and up 15% in value terms) rose sharply to €4,715 thousand at December 31, 2017. Thanks to this increase, Jazz®, Implanet's core business, now accounts for 60% of total revenue (52% in 2016).
Although sales of the total knee prosthesis were stable, the Knee business recorded a 16% decline following the planned discontinuation of arthroscopy implant distribution in early 2017.

Revenue by geographic region for the two years presented:

REVENUE (Amounts in € thousands)	**12/31/2017**	**12/31/2016**
France	3,794	3,871
United States	2,001	2,048
Brazil	550	865
Rest of the World	1,496	1,042
Total revenue	**7,841**	**7,825**

In France, the Group sold 4,101 Jazz® units, generating €1.5 million in revenue (up 16%). A total of 3,479 Jazz® units (up 74%) were sold in the rest of the world, generating €1.2 million in revenue (up 58%). These performances reflect the Group's fast pace of international expansion, with the establishment of a commercial presence in new countries such as Germany (Europe's #1 spinal surgery market), Australia and South America.

In the United States, 1,537 Jazz® units were sold (up 6%) generating €2.0 million in revenue, stable compared to 2016.

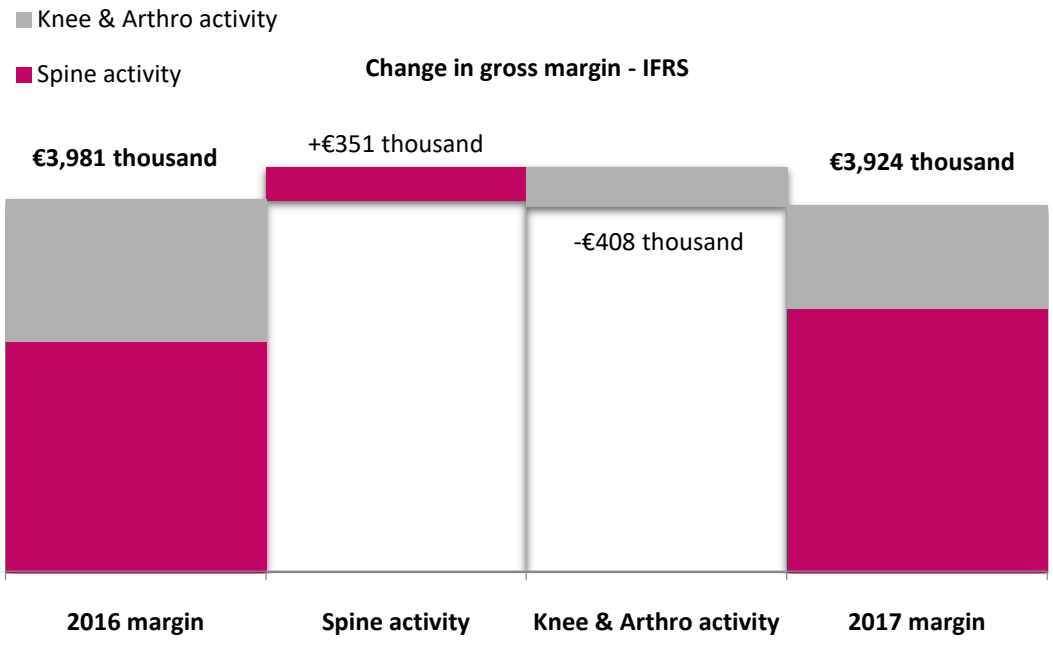
In accordance with the provisions of IAS 18, the Company recognizes revenue when the amount can be measured reliably, it is probable that future economic benefits will flow to the Company, and specific criteria are met for the Company's business.

9.2.1.2. Operating expenses by intended use

Cost of products sold

COST OF SALES (Amounts in € thousands)	12/31/2017	12/31/2016
Purchases of raw materials and goods	(3,303)	(3,197)
Depreciation and amortization of ancillary devices	(614)	(647)
Cost of products sold	**(3,916)**	**(3,844)**

The Group's gross margin stood at 50% at December 31, 2017, relatively unchanged from the previous year.



Current operating expenses

Current operating expenses were down €1,155 thousand in 2017 compared to 2016 (-11 %)

Research and Development expenses

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

Research costs are systematically recognized as expenses unless the Company believes that projects fulfill capitalization criteria under IAS 38. The Company has, therefore, decided to recognize the development costs under intangible fixed assets.
The development costs included in assets are depreciated on a straight-line basis over a period of five years.

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

RESEARCH AND DEVELOPMENT (Amounts in € thousands)	**12/31/2017**	**12/31/2016**
Studies and research	(77)	(102)
Intellectual property fees	(418)	(290)
Payroll expenses (including share-based payments)	(725)	(603)
Capitalization of R&D expenses	255	52
Depreciation and amortization of capitalized R&D expense	(98)	(125)
Miscellaneous	(66)	(88)
Research and Development costs	**(1,129)**	**(1,156)**
Research tax credit	251	199
Advances and Bpifrance loan	-	88
Subsidies	**251**	**287**
Research and Development costs, net	**(878)**	**(870)**

Research and Development expenses essentially comprise:

- payroll expenses for engineers and the R&D Director (up €122 thousand compared to 2016), given the payment of special compensation for invention patents);
- patent and brand protection costs (up €128 thousand, due to a stringent proactive policy aimed at strengthening intellectual property rights on Jazz®);
- study, test and prototype costs (down €25 thousand compared to 2016);
- the impact of the capitalization of R&D expenses (given the capitalization of the "Jazz Cap", "Madison Evolution Instrumentation" and "Jazz Génération 2") projects and the amortization of capitalized expenses.

Close to half of the Group's Research and Development expenses (incurred and/or capitalized) were devoted to Jazz (approximately €388 thousand in 2017 and €433 thousand in 2016, according to its estimates).

The French research tax credit amounted to €251 thousand in 2017, compared with €199 thousand in 2016.

In addition, pursuant to IAS 20, the Group had recognized an €88 thousand subsidy over the course of 2016 in the form of an interest-free loan for innovation obtained for the "development and clinical assessment of the Jazz type braided implant for degenerative spinal surgery (particularly the securing or replacement of pedicle screws)".

Cost of Regulatory Affairs and Quality Assurance

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

COST OF REGULATORY AFFAIRS AND QUALITY ASSURANCE (Amounts in € thousands)	**12/31/2017**	**12/31/2016**
Studies and research	(111)	(144)
Intermediary compensation Fees	(87)	(127)
Payroll expenses (including share-based payments)	(523)	(507)
Capitalization of R&D expenses	104	19
Depreciation and amortization of capitalized R&D expense	(50)	(68)
Miscellaneous	(114)	(93)
Cost of Regulatory Affairs and Quality Assurance	**(781)**	**(920)**
Research tax credit	13	4
Subsidies	**13**	**4**
Cost of Regulatory Affairs and Quality Assurance, net	**(767)**	**(916)**

Regulatory affairs and quality assurance costs primarily comprise:

- payroll expenses for quality control officers (dimension inspection), in line with those of the previous year;
- product accreditation costs in different countries;
- quality system costs in the Company (procedures, quality audit, etc.);
- the impact of the capitalization of product development costs (including the capitalization of the "Madison Evolution Instrumentation" and "Jazz Band" projects) and the amortization of capitalized costs.

Jazz accounted for almost €87 thousand of the Group's total expenditure on regulatory affairs and quality assurance in 2017 (incurred and capitalized expenses), compared with €201 thousand in 2016.

Sales and marketing expenses

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

SALES, DISTRIBUTION AND MARKETING (Amounts in € thousands)	12/31/2017	12/31/2016
Materials and supplies	(118)	(92)
Insurance premiums	(105)	(123)
Intermediary compensation Fees	(264)	(318)
Advertising	(172)	(139)
Travel, assignments and entertaining	(574)	(786)
Payroll expenses (including share-based payments)	(1,970)	(2,117)
Royalties	(214)	(202)
Sales commission	(1,028)	(1,143)
Allocations/reversals of provisions for impairment of trade receivables	(40)	440
Loss on bad debts	-	(517)
Miscellaneous	(112)	(108)
Sales, Distribution and Marketing expenses	**(4,597)**	**(5,105)**

Sales and marketing expenses primarily comprise:

- sales force costs (down €147 thousand compared to 2016 following the restructuring of the sales team in the United States);
- commissions paid to sales agents (down €115 thousand compared to the previous year due to the recruitment of higher-profile partners and the rationalization of the commissions paid);
- travel costs (down €212 thousand on 2016, in line with the commercial restructuring in the United States;
- fees (particularly relating to the cost of seminars and national and international conferences);
- marketing and communication expenses: advertising inserts, brochures, demonstration kits, website, etc.

Total sales and marketing expenditure for Jazz in 2017 amounted to €3,088 thousand, compared with €3,619 thousand during the previous fiscal year.

Operating costs

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

OPERATING COSTS (Amounts in € thousands)	12/31/2017	12/31/2016
Hardware, equipment and works	(37)	(40)
Equipment and real estate leases	(127)	(135)
Transport	(22)	(50)
Payroll expenses (including share-based payments)	(502)	(499)
Depreciation and amortization of fixed assets	(71)	(75)
Allocation/reversal of provision for impairment of inventories	40	27
Product scrapping and stock adjustments	20	(268)
Miscellaneous	(60)	(49)
Operating costs	**(759)**	**(1,089)**

"Operating" costs primarily comprise:

- lease and maintenance of the logistics building;
- sales administration and logistics personnel (relatively unchanged from the previous year);
- depreciation of dedicated assets (stackers, etc.);
- management of procurement, logistics and inventories;
- product scrapping and invertory adjustments (in 2016, the Company had recognized an expense of €268 thousand to this effect).

Operating costs for Jazz amounted to €77 thousand in 2017, compared with €133 thousand for the previous fiscal year.

General costs

GENERAL AND ADMINISTRATIVE EXPENSES (Amounts in € thousands)	**12/31/2017**	**12/31/2016**
Leases	(198)	(226)
Hardware, equipment and works	(106)	(135)
Insurance policies	(205)	(227)
Intermediary compensation Fees	(836)	(819)
Travel, assignments and entertaining	(170)	(150)
Banking services	(29)	(98)
Payroll expenses (including share-based payments)	(981)	(965)
Depreciation and amortization of fixed assets	(42)	(39)
Gain on lapsed trade payable	58	-
Miscellaneous	(197)	(224)
General costs	**(2,706)**	**(2,883)**

General and administrative expenses primarily comprise:

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

Non-recurring operating expenses

Upon the sale of its Hip business in 2014, the Company transferred its distribution contracts to the purchaser, involving the modification of certain sales terms.

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

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

While the Company is contesting the allegations, it cannot be sure of the outcome of this dispute, nor give any guarantees in this regard, nor predict the cost it may have to bear due to these legal proceedings.

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

9.2.1.3. Net financial income

FINANCIAL INCOME AND EXPENSES (Amounts in € thousands)	12/31/2017	12/31/2016
Amortized cost of the loan	(540)	(653)
Changes in the fair value of derivative liabilities	242	211
Other financial expenses	(44)	(29)
Financial income	(1)	15
Foreign exchange gains and (losses)	(30)	48
Total financial income and expenses	**(374)**	**(407)**

Net financial income mainly breaks down as follows:

- the cost of the KREOS bond issue (amortized cost and change in the fair value of derivative liabilities) amounting to -€203 thousand in 2017 compared with -€252 thousand in 2016;
- the cost of the convertible bonds coupled with share warrants, issued in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND) amounting to -€93 thousand in 2017 (amortized cost of the bond and change in the fair value of derivative liabilities) compared with -€189 thousand in 2016;
- foreign exchange gains and losses mainly due to the euro/dollar exchange rate.

9.2.1.4. Corporate tax

The Group has not recognized any corporate tax expense.

At December 31, 2017, the Group had tax losses amounting to:

- €64,638 thousand in France;
  Allocation of fiscal deficits in France is capped at 50% of the taxable income for the period. This limit is applicable to the fraction of profit that exceeds €1 million. The unused portion of the deficit may be carried forward to subsequent fiscal years and allocated under the same conditions for an indefinite period.
  The current corporation tax rate applicable to Implanet SA is the current rate in force in France, namely 33.33%. This rate will gradually go down as from 2018, to 25% by 2022;

- USD 7,282 thousand (approximately €6,072 thousand) for the US subsidiary, including:
  - USD 1,355 thousand constituted in 2017, with expiry in 2037,
  - USD 1,901 thousand constituted in 2016, with expiry in 2036,
  - USD 2,293 thousand constituted in 2015, expiring in 2035,
  - USD 1,631 thousand constituted in 2014, with expiry in 2034,
  - USD 102 thousand constituted in 2013, expiring in 2033.

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

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

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

BASIC EARNINGS PER SHARE	12/31/2017	12/31/2016
Net income (loss) for the year (€ thousands)	(6,612)	(7,288)
Weighted average number of shares in circulation	23,261,380	18,542,024
Basic earnings per share (€/share)	**(0.28)**	**(0.39)**
Diluted earnings per share (€/share)	**(0.28)**	**(0.39)**

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

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

9.2.2. Balance sheet

9.2.2.1. Non-current assets

NON-CURRENT ASSETS (Amounts in € thousands)	12/31/2017	12/31/2016
Intangible fixed assets	705	494
Property, plant and equipment	817	1,233
Other non-current assets	429	1,443
Total non-current assets	**1,950**	**3,169**

Intangible fixed assets consist of the capitalization of development costs for a net value of €705 thousand at December 31, 2017, compared with €494 thousand at December 31, 2016.

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

Non-current financial assets mainly comprise term deposits totaling €350 thousand. On the reporting date, €350 thousand was pledged to banks under lease-back agreements or bank loans.

9.2.2.2. Current assets

CURRENT ASSETS (Amounts in € thousands)	12/31/2017	12/31/2016
Inventories	3,389	3,555
Trade receivables and related accounts	2,787	2,507
Other receivables	823	968
Current financial assets	1,004	191
Cash and cash equivalents	2,609	6,067
Total current assets	**10,613**	**13,288**

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

Other receivables mainly include:

- the research tax credits recognized for the reference fiscal years (€264 thousand in 2017 and €203 thousand in 2016), which have been repaid or will be repaid during the following fiscal year;
- deductible VAT and VAT credits for a total of €302 thousand in 2017 compared with €478 thousand in 2016;
- prepaid expenses relating to current expenditure.

Current financial assets mainly comprise term deposits and negotiable medium-term notes totaling €1,004 thousand.

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

9.2.2.3. Shareholders' equity

SHAREHOLDERS' EQUITY (Amounts in € thousands)	12/31/2017	12/31/2016
Capital	1,380	14,914
Paid-in capital	17,167	387
Translation reserve	(466)	(398)
Other comprehensive income	(55)	(28)
Reserves - Group share	(5,126)	2,073
Profit/(loss) - Group share	(6,612)	(7,288)
Shareholders' equity attributable to parent company shareholders	**6,288**	**9,660**
Minority interests	-	-
Total shareholders' equity	**6,288**	**9,660**

Share capital as at December 31, 2017 amounted to €1,379,628.10, divided into 27,592,562 fully subscribed and paid up shares with a nominal value of €0.05 each.

The General Shareholders' Meeting of May 22, 2017 resolved to decrease the share capital for reasons other than losses, in the amount of €14,092,039.65, by reducing the nominal value of the shares from €0.70 to €0.05; Said reduction was recognized as issue premium.

Moreover, in 2017, the Company recognized a capital increase of €558 thousand following:

- the raising of funds with American institutional investors in November 2017 through the issue of 3,500,000 shares with share subscription warrants ("ABSAs") at the price of €0.50 each (including the issue premium);
- the exercise of 105,012 BSAs held by the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND) generating the issue of 375,000 shares with a nominal value of €0.70;
- the conversion of 150 bonds held by the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND) generating the issue of 2,412,501 shares with a nominal value of €0.05.

9.2.2.4. Non-current liabilities

NON-CURRENT LIABILITIES (Amounts in € thousands)	12/31/2017	12/31/2016
Amounts due to personnel	144	101
Non-current financial debts	977	866
Non-current liabilities	**1,121**	**967**

Amounts due to personnel consist of provision for retirement benefits.

Non-current financial liabilities include:

- the non-current portion of repayable advances and interest-free loans amounting to €714 thousand at December 31, 2017 (€695 thousand at December 31, 2016);
- financial debts due in > one year under finance leases amounting to €44 thousand at December 31, 2017 (compared with €86 thousand at December 31, 2016);
- the non-current portion of a loan taken out with a credit institution amounting to €219 thousand at December 31, 2017 (€85 thousand at December 31, 2016).

See Section 10.1 for further information on sources of Company financing.

9.2.2.5. Liabilities related to assets held for sale

CURRENT LIABILITIES (Amounts in € thousands)	12/31/2017	12/31/2016
Current financial liabilities	1,274	2,836
Derivatives liabilities	2	2
Provisions	576	55
Trade and other accounts payable	2,422	2,166
Tax and social security liabilities	850	751
Other payables and miscellaneous debt	30	22
Liabilities related to assets held for sale	**5,154**	**5,831**

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

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

While the Company is contesting the allegations, it cannot be sure of the outcome of this dispute, nor give any guarantees in this regard, nor predict the cost it may have to bear due to these legal proceedings.

Independantly of its decision to appeal, the Company decided to book a provision of €498 thousand to cover the sentence (€456 thousand recognized for the period), representing the best estimate of the risk incurred to date.

Current financial liabilities mainly include:

- financial debts associated with factoring contracts amounting to €1,002 thousand at December 31, 2017 (€1,181 thousand at December 31, 2016);
- the balance of the debt linked to the KREOS loan had been paid off at December 31, 2017 (€1,107 thousand at December 31, 2016);
- the debt linked to the bond in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND) (excluding derivatives) amounting to €2 thousand at December 31, 2017 (€2 thousand at December 31, 2016).

They also include the current portion of liabilities under finance leases, loans from financial institutions and repayable advances.

See Section 10.1 for further information on sources of Company financing.

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

9.3.1. Implanet SA's Earnings

IMPLANET SA (Amounts in € thousands)	12/31/2017	12/31/2016
Operating income	7,381	7,845
of which revenue	*6,655*	*6,602*
Operating expenses	(12,322)	(12,965)
Operating net income	(4,941)	(5,119)
Net financial income	(149)	(1,879)
Non-recurring net income	(556)	(998)
Corporate tax	(264)	(203)
Net P/L	**(5,382)**	**(7,793)**

Operating income was down €464 thousand in 2017 to €7,381 thousand from €7,845 thousand in 2016, primarily due to:

- stable revenue. Restated for rebilling of services and costs to the Implanet America subsidiary, revenue stood at €6,529 thousand, up 2% on the previous fiscal year;
- drop of €134 thousand in transfers of expenses compared with 2016, mainly due to the decrease in capitalized ancillary devices;
- a €508 thousand reversal of provisions for impairment for doubtful receivables in 2016.

Operating expenses amounted to €12,322 thousand in 2017, down €643 thousand on 2016.
Other purchases and external expenses amounted to €4,052 thousand at December 31, 2017 compared with €4,193 thousand at December 31, 2016, representing a drop of €141 thousand due to the efficient control of costs such as rents and fees.

Payroll expenses amounted to €3,691 thousand at December 31, 2017 compared with €3,432 thousand at December 31, 2016, representing an increase of €259 thousand, partly due to the payment of special compensation for invention patents under the active innovation policy, and the increase in commissions paid to sales agents.

Operating allocations amounted to €554 thousand at December 31, 2017 versus €510 thousand at December 31, 2016, representing an increase of €44 thousand, mainly due to the allocation of €75 thousand to the provision for legal disputes in 2017.

Financial income amounted to €149 thousand at December 31, 2017, compared to a loss of -€1,879 thousand at December 31, 2016. It mainly consists of charges to and reversals of provisions for impairment of Implanet America's shares and current account, amounting to -€106 thousand in 2017 versus -€1,631 thousand in 2016.

Non-recurring net income stood at -€556 thousand at December 31, 2017. It mainly consists of a €456 provision generated by a trade dispute following the discontinuation of the Hip business in 2014 (see Section 9.2.1.2 for further details). At December 31, 2016, it mainly consisted of the charges incurred within the context of the capital increase carried out in November 2016.

After recognition of a €264 thousand research tax credit, the Group posted a net loss of -€5,382 thousand at December 31, 2017 compared with a net loss of -€7,793 thousand at December 31, 2016.

9.3.2. Activity of the Subsidiaries

Implanet America was the group's only subsidiary at December 31, 2017, and its summary accounts are as follows:

IMPLANET AMERICA INC. (Amounts in € thousands)*	**12/31/2017**	**12/31/2016**
Operating income	2,000	2,048
of which revenue	*2,000*	*2,048*
Operating expenses	(3,301)	(3,854)
Operating net income	(1,301)	(1,806)
Net financial income	(2)	-
Non-recurring net income	-	-
Corporate tax	222	(721)
Net P/L	**(1,525)**	**(1,085)**

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

Operating income stood at €2,001 thousand in 2017 compared with €2,048 thousand in 2016, a slight decrease of 2%. On a constant currency basis, revenue remained consistent with that of 2016.

Operating expenses stood at -€3,301 thousand at December 31, 2017 compared with -€3,854 thousand at December 31, 2016, or a decrease of €553 thousand (-14%). This drop was mainly due to:

- payroll expenses (-€228 thousand) and travel costs (-€194 thousand) following the restructuring of the sales force;
- commissions paid to sales agents (-€184 thousand) due to the recruitment of higher-profile partners and the rationalization of the commissions paid).

After recognition of a deferred tax expense of €222 thousand (in connection with the US decision to lower tax rates), net income (loss) stood at -€1,525 thousand at December 31, 2017, compared with -€1,085 thousand at December 31, 2016.

10. NET CASH AND SHAREHOLDERS' EQUITY

See Notes 8 and 10 to the IFRS annual financial statements which can be found in Section 20.1 of *Document de référence*.

10.1. SHAREHOLDER EQUITY, CASH AND FINANCING SOLUTIONS

As at December 31, 2017, the Company held net cash and cash equivalents (cash and cash equivalents less bank overdrafts) of €2,609 thousand compared to €6,067 thousand as at December 31, 2016.

10.1.1. Equity financing

The Company received a total of €76,108 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 2017.

The table below summarizes the largest capital increases by value to the date of this *Document de référence*:

Period	Gross amounts raised in € thousands	Operations
2006-2012	34,380	Founders' contribution and rounds of financing
November 2013	(1) 4,458	Conversion of convertible bonds and redemption of bonds redeemable in shares upon the Company's listing on the Euronext Paris stock market
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
October 2015–September 2016	1,590	Conversion of 159 convertible bonds, EUROPEAN SELECT GROWTH OPPORTUNITIES FUND
November 2016	(4) 6,883	Capital increase with preferential subscription rights for shareholders
January–March 2017	263	Exercise of 105,012 share subscription warrants
May-September 2017	1,500	Conversion of 150 convertible bonds, EUROPEAN SELECT GROWTH OPPORTUNITIES FUND
November 2017	(5) 1,750	Capital increase aimed at American institutional investors
January–March 2018	300	Conversion of 30 convertible bonds, EUROPEAN SELECT GROWTH OPPORTUNITIES FUND
Total	**76,408**	

(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.
(4) The capital increase in November 2016 entailed costs of €0.9 million.
(5) The capital increase in November 2017 entailed costs of €0.3 million.

10.1.2. Repayable advances, subsidies and innovation loan

Over the course of its life, the Company has arranged:

- three conditional advances (two repayable innovation loans from French innovation financing agency OSEO; one "prospecting insurance" reimbursable advance from COFACE to support sales prospecting in the United States region); and
- an interest-free innovation loan from Bpifrance.

The first reimbursable 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, 2009 and the balance paid upon completion of the work on April 28, 2009. Following the project's technical and commercial success, this advance was repaid between 2011 and 2014. The final installment was paid off in March 2014.

The second reimbursable advance was granted by OSEO on February 25, 2010. This was a €350 thousand interest-free, reimbursable 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, this advance was repaid between 2013 and 2017. The final installment was paid off in December 2017.

The third reimbursable advance was agreed with COFACE on December 28, 2009 under what is known as a "market prospection insurance policy" covering the United States region. On February 10, 2011, Implanet received a €194 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.

An interest-free loan for innovation was arranged with Bpifrance in June 2016. The €800 thousand loan was obtained for the "development and clinical assessment of the Jazz-type braided implant for degenerative spinal surgery (particularly the securing or replacement of pedicle screws)". The funds were received by the Company on August 19, 2016, after deduction of the processing costs of €24 thousand. The loan will be repaid through quarterly installments of €40 thousand from 2019 to 2024.

CHANGES IN REPAYABLE ADVANCES AND INTEREST-FREE LOANS (Amounts in € thousands)	OSEO Knee	BPI - Interest-free innovation loan - JAZZ Braid	Total
At December 31, 2015	**163**	**-**	**163**
(+) Subscription	-	776	776
(-) Redemption	(80)	-	(80)
Subsidies	-	(88)	(88)
Financial expenses	4	7	11
At December 31, 2016	**88**	**695**	**783**
(+) Subscription	-	-	-
(-) Redemption	(90)	-	(90)
Subsidies	-	-	-
Financial expenses	2	19	21
At December 31, 2017	**-**	**714**	**714**

10.1.3. Research tax credits

RESEARCH TAX CREDIT (Amounts in € thousands)	12/31/2017	12/31/2016
Research tax credit	264	203

The Company has received research tax credits since it was first created. The Research tax credit (CIR) for 2016 was repaid in 2017.

Repayment of the 2017 CIR is expected in 2018.

10.1.4. Borrowings

10.1.4.1. Non-convertible bond issued by 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 share subscription warrants in favor of KREOS and the pledge of the Company's goodwill in favor of KREOS.

These transactions were implemented as follows:

- the €5,000,000 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;
- the Company's business (i.e. fonds de commerce) 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 abovementioned bond issue as follows:

- the term of the bond is increased from 36 to 54 months;
- the fixed monthly installment (capital and interest) is reduced from €190,735.43 to €94,160.22;
- the annual interest rate remains at 11.5%.

In consideration for the rescheduling of the bond, on June 24, 2015, the Company's Board of Directors, acting under the authority granted to it on the same day by the Company's Combined General Meeting of Shareholders, resolved to issue 18,473 share subscription warrants in favor of KREOS CAPITAL IV (Expert Fund) LTD.

This loan gave rise to the payment of fixed monthly installments of €191 thousand from January 2015 to March 2015, then €94 thousand from April 2015 to December 2017. At December 31, 2017, this loan had been fully repaid and the Company was released from the pledge of its business assets and intellectual property.

10.1.4.2. Issue of convertible bond in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND)

On October 14, 2015, the Company entered into a financing agreement with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND allowing potential funding of €5 million, at the Company's discretion, through the issue of OCABSA share subscription warrants.

The OCAs have the following characteristics:

- nominal value: €10,000;
- subscription price: 99% of par value;
- no interest;
- conversion terms: N = Vn/P where
    - N is the number of shares that can be subscribed,
    - Vn is the value of the bond receivable,
    - P is 92% of the lowest of the 10 average daily prices quoted weighted by the volumes of the Company's share immediately preceding the conversion application date, and as a minimum equal to the nominal value of the share (€0.05).

The Board of Directors decided the issue of:

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

On March 7, 2018, the Company arranged a new convertible bond issue (OCA) of €5 million with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND. This new financing line cancels and replaces the remaining €1.9 million balance on the previous financing agreement dated October 14, 2015.

The OCAs have the following characteristics:

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

On March 7, 2018, the Board of Directors issued the first tranche of €1.0 million. The subsequent tranches of €0.5 million can be called upon, at the Company's discretion, subject to the following conditions:

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

The OCAs thus issued are convertible at any time and have a maturity of 12 months. The Company is required to redeem any bonds which have not been converted into shares by their maturity date, except for the last tranche of OCAs that may be issued. For this last tranche, if certain OCAs are still outstanding at the end of 12 months, their maturity will automatically be extended for an additional 6 months, at the end of which any outstanding OCAs will automatically be converted into shares. The conversion price will then be the higher of the following: (i) 80% of the Implanet share's weighted average low over the ten (10) trading days preceding the conversion date or (ii) 75% of the weighted average share price over the five (5) trading days preceding the automatic conversion date.

On the date of the *Document de référence*, 71 bonds convertible into shares were still outstanding.

(refer to Section 21.1.4.5 of the *Document de référence* for further details on the characteristics of this instrument).

10.1.4.3. Financial debts under lease-financing contracts

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 debts".

Changes in financial debt relating to finance leases break down as follows:

CHANGES IN FINANCIAL LIABILITIES - LEASE-FINANCING (Amounts in € thousands)	Financial liabilities – Lease-financing contracts
At December 31, 2015	**593**
(+) Subscription	95
(-) Redemption	(310)
At December 31, 2016	**378**
(+) Subscription	-
(-) Redemption	(292)
At December 31, 2017	**86**

10.1.4.4. Approved overdraft facility

As of the date of the *Document de référence*, the Company has no overdraft facility.

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, 2017 were as follows:

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

10.1.5.2. Real estate leases

Future rents payable on leases for the administrative and logistics buildings at Martillac, France, and the Boston, USA, offices until the next termination period are as follows:

REAL ESTATE LEASING CONTRACTS Commitments at 12/31/2017 (Amounts in € thousands)		Effective start date of lease	Expiry date of lease	Leasing expenses excluding charges at 12/31/2017	Commitment until the next termination date		
					Due in less than 1 year	From one to five years	Due in more than five years
Martillac	Real estate complex (administrative & logistics buildings)	10/01/2016	09/30/2026	212	212	795	-
Boston	Administration building	04/01/2017	03/31/2018	79	15	-	-

10.2. CASH FLOW

10.2.1. Cash flows from operating activities

Cash burn related to operating activities for the fiscal years ended December 31, 2017 and December 31, 2016 was €4.5 million and €5.9 million respectively, a drop of €1.4 million due to a €1 million increase in free cash flow and a €0.4 million improvement in the working capital requirement.

The improvement in the working capital requirement in 2017 was mainly due to: a reduction in inventories and VAT receivables.

10.2.2. Cash flows from investing activities

Cash flows from investing activities amounted to -€0.7 million at December 31, 2017, versus +€4.1 million at December 31, 2016.

Cash burn from investing activities in 2017 relates to the acquisition of fixed assets for €385 thousand and the capitalization of development costs for €359 thousand.

Cash generated in 2016 by investing activities came mainly from a combination of the following:

- withdrawals, net of subscriptions, +€4.6 million;
- acquisition of property, plant and equipment and intangible fixed assets -€0.5 million. 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.

10.2.3. Cash flows from financing activities

Cash flows from financing activities were as follows for the fiscal years shown:

CASH FLOW FROM FINANCING ACTIVITIES (Amounts in € thousands)	12/31/2017	12/31/2016
Capital increase, net of conversion of bonds into shares	2,013	6,883
Expenses relating to capital increase	(181)	(812)
Share subscription warrants (BSA)	3	14
Repayment of the KREOS bonds	(1,041)	(948)
Issue of convertible bonds, net of expenses	1,485	564
Bank borrowings	410	-
Receipt of advances and innovations loans, net of costs	-	776
Repayment of conditional advances	(90)	(80)
Repayment of finance leases	(292)	(310)
Repayment of bank loans	(224)	(165)
Gross financial interest paid	(88)	(223)
Other financing flows (factoring)	(178)	1,116
Cash flows related to financing activities	**1,815**	**6,815**

Cash generated by financing activities was primarily from funds raised in the fiscal years shown, as well as from the issue of convertible bonds with warrants attached (OCABSA) under the contract with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND).

10.3. LOAN TERMS AND FINANCING STRUCTURE

Details of the Group's financing activities are given in Section 10.1 "Shareholder equity, cash and financing sources" of the *Document de référence*.

10.4. RESTRICTIONS ON THE USE OF SHAREHOLDERS' EQUITY

None.

10.5. EXPECTED SOURCES OF FINANCING FOR FUTURE INVESTMENTS

To finance its development and future capital expenditures, the Company may resort to equity financing and/or borrowing.

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 the ISO 13485 quality standard, in which the Company is certified: projects aim to:

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

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

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

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

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

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

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

	2016	2017
R&D costs (€ thousands)	1,156	1,129
Gross capitalized R&D costs (€ thousands)	52	255

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) protecting the Company's new technologies and (ii) maintaining 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, Implanet patent applications have been filed for inventions covering 14 distinct product families. Implanet's portfolio is thus made up of 60 patents and patent applications belonging to the Company, half of which 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	Priority 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	FR 2 957 518
				PCT	PCT/FR2011/000148	WO 2011/114024 A1	
				Europe	11716284.2	EP 2547291	2547291
				South Africa	2012/06423		2012/06423

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 filings resulted in the issue of six French invention patents (10/00040, 10/04786, 11/02072, 11/03319, 13/60195 and 15/50441). Patents and patent applications covering this product range are as follows:

[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 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.

Product range	Priority date	Title	Patent holder	Extensions			
				Country	Filing No.	Publication	Grant of patent
Jazz	01/06/2010	Vertebral attachment device	IMPLANET	France	FR 10/00040	FR 2 954 905	FR 10 00040
				PCT	PCT/FR2011/000005	WO 2011/083261 A1	
				Europe	11703720.0	EP 2 521 500	EP 2 521 500
				USA	13/541.271	US 20120271354	US 9 492 207
				USA	15/278 272	US 20170014163	US 9 861 396B2
				USA	15/278 406	US 20170014164	US 9 861 397B2
				South Africa	2012/04047		2012/04047
				Australia	2011204541	AU 2011204541	2011204541
				China	201180005413.3	CN102695467A	2011820005413.3
				South Korea	10-2012-7017518	10-2012-0107984	
				India	5247/DELNP/2012		
				Japan	2012-547528		5856075
	12/08/2010	Flexible band tensioning device	IMPLANET	France	FR 10/04786	FR 2968739	FR 10 04786
				PCT	PCT/FR2011/000639	WO 2012/076771 A1	
				Europe	11807713.0		EP 2 648 635
				USA	13/906 550	US 20130261680 A1	US 8,728,083
				USA	14/275,236		US 9 113 963US 9 113 963
	06/30/2011	Vertebral attachment device (looped implant)	IMPLANET	France	FR 11/02072	FR 2977138	FR 11 02072
				PCT	PCT/FR2012/000259	WO 2013/001180 A1	
				Europe	12738485.7	EP 2725993	EP 2725993
				USA	14/128214	US 20140114356 A1	US 9 295 496
				South Africa	2013/08615		
				Australia	2012277658		2012277658
				South Korea	10-2013-7034261		
				India	10048/DELNP/2013		
				Japan	2014-517867		
	10/28/2011	Disc tensioner	IMPLANET	France	FR 1103319	FR 2981841	FR 11 03319
				PCT	PCT/FR2012/052454	WO 2013/06990 A1	
				Europe	12794370.2		EP 2 770 925
				USA	14/350387	US 20140277207 A1	US 9 393 051
				China	201280053640.8		CN103917182

Product range	Priority date	Title	Patent holder	Extensions			
				Country	Filing No.	Publication	Grant of patent
				South Korea	10-2014-7010814		
				Japan	2014-537697	2014-534857 A	
	10/18/2013	Vertebral attachment device and system for maintaining a vertebra on a rod, Method for blocking the loop with this type of system (linear Jazz)	IMPLANET	France	FR 13/60195		FR 13 60195
				Europe	14003529.6		EP 2 862 529
				USA	14/514764		
	12/19/2013	Vertebral double hook attachment system, System and method for blocking the loop with this type of system (Jazz Hooks)	IMPLANET	France	FR 13/63093		
				PCT	PCT/FR2014/053429		
	01/20/2014	Device and method for attaching a flat band to a piece of bone (Jazz Autostable)	IMPLANET	France	FR 15/50441	FR 3 031 666	FR 15 50441
				PCT	PCT/FR2016/050096		
	04/17/2015	Device and system for fixing a spinal vertebra to a rod			FR 15/53428		
					PCT/FR2016/050867		
	04/17/2015	Vertebral fixation device			FR 15/53424		
					PCT/FR2016/050799		

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:

Product range	Priority date	Title	Patent holder	Extensions			
				Country	Filing No.	Publication	Grant of patent
Other Spinal implants	04/08/2010	Transverse connection system and device for spinal column	IMPLANET	France	FR 10/01489	FR 2 958 532	FR 10 01489
				PCT	PCT/FR2011/000200	WO 2011/124789	
				Europe	11719595.8	EP 2 555 697	
				India	8615/DELNP/2012		
				Japan	2013-503151	2013-523300	5837042
	02/08/2012	Intersomatic implant and tool for installing such an implant (TLIF cage)	IMPLANET	France	FR 12/00385	FR 2 986 416	FR 12 00385
				PCT	PCT/FR2013/050254	WO 2013/117861	
				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:

Product range	Priority date	Title	Patent holder	Extensions			
				Country	Filing No.	Publication	Grant of patent
Arthroscopy	12/21/2007	Ancillary device for anchoring tissue	IMPLANET	France	FR 07/09089	FR 2 925 286	FR 07 09089
	12/21/2007	Device for anchoring tissue in a bone	IMPLANET	France	FR 07/09090	FR 2 925 287	FR 07 09090
				PCT	PCT/FR2008/001814	WO 2009/106741	

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, 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 for five-year periods up to a maximum of 25 years, 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, Great Britain
11/14/2007	IMPLANET (Logo)	France	9, 10, 42	07/3537412	Italy, Germany, Spain, Great Britain, United States
11/14/2007	IMPLANET (verbal)	France	9, 10, 42	07/3537413	Italy, Germany, Spain, Great Britain, United States
11/14/2007	IMPLANET SMART SYSTEM	France	9, 10, 42	07/3543997	Italy, Germany, Spain, Great Britain
02/05/2009	IMPLANET + Logo + "Gold Standards For Everybody"	France	9, 10, 42	09/3627623	Italy, Germany, Spain, Great Britain, United States
02/05/2009	Combination of colors: Pink 5rubine Rouge 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, Great Britain, United States, Japan

Implanet owns the following drawings and models:

Priority date	Title	Patent holder	Country	Filing No.	Registration date	Status
05/26/2009	Digital Assistant	IMPLANET	United States	D626550	11/02/2010	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-spine.biz	06/12/2007	06/11/2018	06/12/2017
implanet-spine.us	06/12/2007	06/11/2018	06/12/2017
implanet-spine.info	06/12/2007	06/12/2018	06/12/2017
implanet-spine.org	06/12/2007	06/12/2018	06/12/2017
implanet-spine. com	06/12/2007	06/12/2017	03/14/2017
implanet-spine.net	06/12/2007	06/12/2018	06/12/2017
implanet-spine.biz	06/12/2007	06/11/2017	06/12/2017
Implanet-invest.com	09/12/2013	09/12/2018	08/29/2017

Domain names	Creation date	Expiry date	Date of last update
implanet-institute.org	09/23/2008	09/23/2018	08/29/2017
jazz-lock.com	09/26/2016	09/26/2018	08/29/2017
jazzlock.com	09/26/2016	09/26/2018	08/29/2017
jazz-lock.fr	09/26/2016	09/26/2018	08/29/2017
jazz-claw.com	09/28/2016	09/28/2018	08/29/2017
jazz-claw.fr	09/28/2016	09/28/2018	08/29/2017
jazz-frame.com	09/28/2016	09/28/2018	08/29/2017
jazz-platform.com	09/28/2016	09/28/2018	08/29/2017
jazz-plateforme.com	09/28/2016	09/28/2018	08/29/2017
jazz-frame.fr	09/28/2016	09/28/2018	08/29/2017
jazz-mis.com	09/28/2016	09/28/2018	08/29/2017
jazz-passer.com	09/28/2016	09/28/2018	08/29/2016
jazz-platform.fr	09/28/2016	09/28/2018	08/29/2017
jazz-autostable.com	09/28/2016	09/28/2018	08/29/2017
jazz-trauma.com	09/28/2016	09/28/2018	08/29/2017
jazz-plateforme.fr	09/28/2016	09/28/2018	08/29/2017
jazz-tumor.com	09/28/2016	09/28/2018	08/29/2017
jazz-anterior.com	09/28/2016	09/28/2017	08/29/2017
jazz-mis.fr	09/28/2016	09/28/2018	08/29/2017
jazz-evo.com	09/28/2016	09/28/2018	08/29/2017
jazzclaw.com	09/28/2016	09/28/2018	08/29/2017
jazz-passer.fr	09/28/2016	09/28/2018	08/29/2017
jazzplatform.com	09/28/2016	09/28/2018	08/29/2017
jazzplateforme.com	09/28/2016	09/28/2018	08/29/2017
jazz-autostable.fr	09/28/2016	09/28/2018	08/29/2017
jazzmis.com	09/28/2016	09/28/2018	08/29/2017
jazzpasser.com	09/28/2016	09/28/2018	08/29/2017
jazz-trauma.fr	09/28/2016	09/28/2018	08/29/2017
jazzautostable.com	09/28/2016	09/28/2018	08/29/2017
jazztrauma.com	09/28/2016	09/28/2018	08/29/2017
jazz-tumor.fr	09/28/2016	09/28/2018	08/29/2017
jazztumor.com	09/28/2016	09/28/2018	08/29/2017
jazzanterior.com	09/28/2016	09/28/2018	08/29/2017
jazz-anterior.fr	09/28/2016	09/28/2018	08/29/2017
jazzevo.com	09/28/2016	09/28/2018	08/29/2017
jazz-evo.fr	09/28/2016	09/28/2018	08/29/2017
jazzclaw.fr	09/28/2016	09/28/2018	08/29/2017
jazzframe.fr	09/28/2016	09/28/2018	08/29/2017
jazzplatform.fr	09/28/2016	09/28/2018	08/29/2017
jazzplateforme.fr	09/28/2016	09/28/2018	08/29/2017
jazzmis.fr	09/28/2016	09/28/2018	08/29/2017
jazzpasser.fr	09/28/2016	09/28/2018	08/29/2017
jazzautostable.fr	09/28/2016	09/28/2018	08/29/2017
implanet-spine.biz	06/12/2007	06/11/2018	06/12/2017
jazztrauma.fr	09/28/2016	09/28/2018	08/29/2017

Domain names	Creation date	Expiry date	Date of last update
Jazztumor.fr	09/28/2016	09/28/2018	08/29/2017
jazzanterior.fr	09/28/2016	09/28/2018	08/29/2017
jazzevo.fr	09/28/2016	09/28/2018	08/29/2017
myscoliosis.us	12/03/2015	12/02/2018	12/06/2017
myscoliosis.org	12/03/2015	12/03/2018	12/06/2017
myscoliosis.info	12/03/2015	12/03/2018	12/06/2017
myscoliosis.fr	12/03/2015	12/03/2018	12/06/2017
implanet.fr	02/20/2007	01/05/2019	01/04/2018
implanet.org	02/19/2007	02/19/2019	01/04/2018
implanet.name	02/19/2007	02/19/2019	01/04/2018
implanet.biz	02/20/2007	02/19/2019	01/04/2018
implanet.com	08/09/2007	04/24/2019	03/29/2017

Domain names are indefinitely renewable annually or biannually.

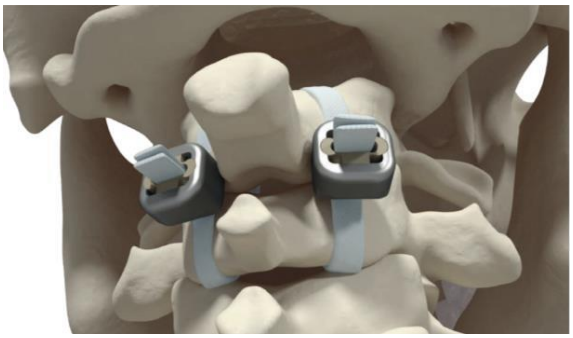
12. INFORMATION ON TRENDS

12.1. MAIN TRENDS SINCE THE END OF THE PREVIOUS FISCAL YEAR

12.1.1. Press release of January 17, 2018: Successful first surgical procedures with Jazz Lock® in Brazil

The first JAZZ Lock® procedures follow ANVISA clearance in November 2017. The initial surgeries in Latin America confirm Implanet's global strategy to carry out the international launch of JAZZ Lock® initiated in 2017.

JAZZ Lock® fixation is the first component of an innovative range of band products designed for degenerative spine disorder surgery. JAZZ Lock® broadens the JAZZ technological platform, allowing Implanet to expand its reach in a spine market estimated to be worth over $200 million worldwide and $3.1 million in Brazil. Implanet offers surgeons a new implant with an optimized and reproducible surgical technique. Based on the polyester band platform, JAZZ Lock® simplifies the surgical procedure by replacing the locking screw and connecting rod with an innovative locking system.



Dr. Alexandre Elias, member of the Pain and Functional Neurosurgery Department at Hospital 9 de Julho in São Paulo and former Chief of the Spine Department at University UNIFESP said: *"As a Neuro surgeon, I have been using Implanet's band implants, with excellent post-operative clinical results. The arrival of JAZZ Lock® as part of the Implanet band range in Brazil is a major breakthrough. This new implant, easy to use during the first surgery in Sao Paulo, as well as the highly encouraging initial post-operative clinical results, validates our choice. We will now follow these patients to confirm the long term results. In my opinion, JAZZ Lock® will quickly become an essential spine implant to surgeons."*

Alvaro Tadeu dos Santos Jr, CEO of Importek, added: *"Completing the ANVISA registration of the JAZZ Technology platform by end-2017 was our major goal. JAZZ Lock® is now part of the enhanced JAZZ Range, now available in Brazil. This will drive the deployment of the technology platform in our domestic market via our direct sales force organization."*

Implanet CEO Ludovic Lastennet concluded with the following: *"As announced we are moving forward with our commercial deployment plan. Following the regulatory clearance in Europe (CE) and the US (FDA), JAZZ Lock® is now cleared for use in Brazil (ANVISA). The positive results obtained in the first surgeries in multiple regions of the world illustrate this product's potential for patients and surgeons alike."*

12.1.2. Press release of January 23, 2018: The Company announces 2017 revenue of €7.8 million

+15% growth in JAZZ® revenue
+30% increase in JAZZ® units sold

Implanet CEO Ludovic Lastennet made the following statement: *"The increase in JAZZ® sales in 2017 confirmed the success of the international roll-out of our JAZZ® technology, as we moved into new markets such as Germany, Australia and New Zealand. The acceleration of our commercial development is also reflected by the talks we are currently holding with L&K BIOMED Co. which will enable us, among other things, to have direct access to additional surgeons in North America. Market recognition of the technological benefits of the JAZZ® Platform grows quarter after quarter. This, together with the tight management of our expenses, will have a positive impact on our performance. As a result, we remain confident in our growth prospects in all regions*."

Revenue (in thousands of euros - IFRS)	**2017**	2016	**Change**
First-quarter revenue	**2,048**	1,988	**+3%**
Second-quarter revenue	**2,071**	2,107	**-2%**
Third-quarter revenue	**1,774**	1,481	**+20%**
Spine (JAZZ®)	**1,208**	1,241	**-3%**
Knee + Arthroscopy	**739**	1,008	**-27%**
Total fourth-quarter revenue	**1,947**	2,249	**-13%**
Spine (JAZZ®)	**4,715**	4,102	**+15%**
Knee + Arthroscopy	**3,126**	3,723	**-16%**
Total full-year revenue	**7,841**	7,825	**-**

Fourth-quarter 2017 revenue came to €1.9 million including the anticipated 27% decline in the Knee business to €0.7 million, pursuant to closure of arthroscopy implant distribution, first announced in early 2017. Although revenue from the JAZZ® business remained stable at €1.2 million, volumes showed a significant increase due to the country mix (number of units sold up 16% to 2,821 in the fourth quarter of 2017 compared to 2,437 last year).

Over 2017 as a whole, IMPLANET's revenue totaled €7.8 million, on the back of strong JAZZ® sales growth (up 30% in volume to 9,117 units and up 15% in value) to €4.7 million.
Thanks to this increase, JAZZ® sales, IMPLANET's core business, now contributes 60% of total revenue (52% in 2016).

In France, IMPLANET sold 4,101 JAZZ® units, generating €1.5 million in revenue (up 16%). A total of 3,479 units (up 74%) were sold in the rest of the world, generating €1.2 million in revenue (up 58%). These performances reflect the fast pace of international expansion, with the establishment of a commercial presence in new countries such as Germany, Europe's #1 spinal surgery market, Australia and South America.

In the United States, 1,537 JAZZ® units were sold (up 6%) generating €2.0 million in revenue, stable compared to 2016. As announced in December 2017, following the preliminary agreement with South Korean company L&K BIOMED Co., Ltd, talks continue about pooling the resources of both companies in the United States. This agreement should enable IMPLANET to accelerate its US growth by significantly increasing direct surgeon access.

Although sales of our total knee prosthesis, a proprietary product, were stable, the Knee business recorded a 16% decline following the planned closure of arthroscopy distribution.

12.1.3. Press release of January 30, 2018: Update by the Company on the L&K BIOMED partnership

United States distribution agreement signed
Initial operational synergies realized

On December 6, IMPLANET announced it had entered into a preliminary agreement concerning the implementation of a worldwide partnership with L&K BIOMED in order to accelerate its expansion, especially in the United States and in Asia.

The distribution agreement with AEGIS SPINE, L&K BIOMED's US subsidiary, has now been completed, in line with previous announcements. IMPLANET will capitalize on the expertise of Aegis Spine to complement the existing commercialization efforts in the United States, the company's priority market. The first surgeries with AEGIS SPINE's KOLs are scheduled for early February.

In conjunction, both companies' Asian and European teams are working on regulatory, marketing and commercial aspects of the two product line launches in their respective markets. L&K BIOMED's technical and sales teams will undergo training at IMPLANET's headquarters in early February. Cross-distribution agreements covering these geographical territories are due to be signed in the next few weeks.

12.1.4. Press release of February 27, 2018: The Company and L&K BIOMED have finalized their partnership with cross-distribution agreements covering Asia and Europe

In January, IMPLANET entered into a distribution agreement with Aegis Spine, L&K BIOMED's US subsidiary, under which it can harness the expertise of Aegis Spine's team for the commercialization of its products in the United States, a priority market for the Company. In line with the previous announcement, the strategic alliance between IMPLANET and L&K BIOMED has now been finalized, with cross-distribution agreements covering their respective products in Asia and Europe.

- **In the United States**: IMPLANET America will pool its resources with those of Aegis Spine to accelerate the commercialization of its JAZZ® platform. The development of existing and complementary solutions incorporating both companies' technologies will be a key lever for this.

- **In Asia and Oceania**: L&K BIOMED will distribute the JAZZ® platform alongside its product range. Initially, in addition to the South Korean market, the aim is to expand jointly into the Japanese market, the world's second-largest market for medical technologies. Subsequently, they will target the Chinese market.

- **In Europe**: IMPLANET will distribute L&K BIOMED's products, which complement the JAZZ® platform, in France, the United Kingdom and Germany, with a view to establishing itself as a major player in these markets**.**

"L&K BIOMED is delighted about this partnership with IMPLANET, which will help us expand into key regions, such as Europe. What's more, the introduction of the JAZZ® technology platform, which has been very warmly welcomed by orthopedic surgeons in Japan and China, together with our various existing product ranges, will give us a major competitive advantage in these markets", commented Seung Joo Lee, CEO of L&K BIOMED.

Ludovic Lastennet, CEO of Implanet, concluded with the following: *"We are delighted to have finalized this agreement with L&K BIOMED, as it represents a key milestone in IMPLANET's international development. We can now step up the combined efforts, launched by our teams in January, across all the geographical territories covered by this partnership. The regulatory approvals for commercialization should be granted before the end of 2018."*

12.1.5. Press release of March 8, 2018: Implementation of a new convertible bond financing of €5 million to support the commercial development of JAZZ® internationally and issuance of the first tranche in the amount of €1 million

The Company announced the implementation of a bond financing program to raise up to €5 million, at the Company's discretion, subject to the usual conditions.
This new financing, provided by the European Select Growth Opportunities Fund ("ESGO", formerly "L1 European Healthcare Opportunities Fund"), is aimed at accelerating global sales of JAZZ®, particularly within the framework of the distribution agreements signed with L&K BIOMED in view of the opening of new markets in Asia (Korea, Japan, etc.). This new financing line cancels and replaces the €1.9 million balance of the previous financing agreement signed in October 2015 with ESGO.

A first tranche of 100 convertible bonds ("OCAs"), representing a nominal amount of €1 million, was subscribed by ESGO today through the exercise of 100 OCA warrants (the "Issuance Warrants").
Ludovic Lastennet, CEO of Implanet, made the following statement*: "This new financing available to the Company at its own discretion via the European Select Growth Opportunities Fund is providing us with a new source of funding for the ongoing acceleration of our development in the United States and in Asia, particularly with L&K BIOMED. We have the resources to move forward with our ambitious conquest strategy, supported by convincing clinical results and the rapidly-growing adoption of JAZZ®".*

Legal framework of the operation

Under its 24th resolution, pursuant to Article L. 225-138 of the French Commercial Code, the Company's General Shareholders' Meeting of May 22, 2017 authorized the Board of Directors to issue securities giving access to the share capital with cancellation of shareholders' preferential subscription rights in favor of a certain category of persons, within the scope of an equity financing line.

At its meeting of March 7, 2017, the Board of Directors made use of this delegation of power and decided on the issuance of 500 free Issuance Warrants which may give rise to the issue of a maximum of 500 OCAs representing convertible bond financing of a maximum of €5 million, with cancellation of shareholders' preferential subscription rights in favor of ESGO within the framework of an issue reserved for a particular category of persons.

At the same meeting, the Board of Directors asked ESGO to immediately exercise 100 of these Issuance Warrants.

In keeping with the provisions of the AMF General Regulation, this operation was not and will not be subject to a prospectus requiring AMF approval.

Main characteristics of the convertible bonds ("OCAs")

On the same date, 100 OCAs were issued following ESGO's exercise of 100 Issuance Warrants as requested by the Company.

The OCAs issued to date, and those that may be issued at a later date upon exercise of the 400 remaining Warrants issued free of charge in favor of ESGO, all have the same characteristics.

They have a nominal value of €10,000 each and are subscribed at par. They bear no interest and have a maturity of 12 months as from their issue date. Any OCAs which have not been converted into shares by their maturity date will have to be redeemed, except for the last tranche of OCAs that may be issued. For this last tranche, if certain OCAs are still outstanding at the end of 12 months, their maturity will automatically be extended by 6 additional months, at the end of which any OCA still outstanding will automatically be converted into shares[1]).

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

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

N = Vn/P

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

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

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

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

New shares stemming from the conversion of OCAs

The new shares issued on conversion of the OCAs will carry current dividends rights. They will have the same rights as those attached to the Company's existing ordinary shares and will be admitted to trading on the Paris Euronext Growth stock exchange under the same code (ISIN code FR0010458729).

The Company will keep an up-to-date record of its Issuance Warrants, OCAs and number of outstanding shares on its website.

Theoretical impact of the issue of OCAs (based on the lowest Implanet share price out of the weighted daily average prices over the 10 days preceding March 8, 2018, i.e. €0.4873)

As an indication, the impact of the total issue of the 500 OCAs and that of the sole issue of the tranche of 100 OCAs issued on March 8, 2018 would be as follows:

- the impact of the issue on net assets per share (based on consolidated net assets, Group share) as presented in the interim financial statements as at June 30, 2017, adjusted to take account of the capital increases that took place from July 1, 2017 to this day (*) and excluding interim losses, with 27,592,562 shares making up the Company's share capital to date, taking account of the capital increase resulting from the conversion of convertible bonds into shares recorded by the Board of Directors at its meeting of September 19, 2017 and the private placement recorded in the CEO's decision of November 6, 2017, but excluding the deduction of treasury shares) would be the following:

	Net assets per share (in euros)			
	Non-diluted basis		Diluted basis[1]	
	Tranche of March 2018	Total for all Tranches	Tranche of March 2018	Total for all Tranches
Before the issue	0.34	0.34	0.44	0.44
After the issue of a maximum of 2,272,727 new shares subsequent to the conversion of the 100 OCAs ("Tranche of March 2018") or 11,363,636 new shares resulting from the conversion of the 500 OCAs ("Total of all Tranches")	0.35	0.37	0.44	0.44

(*) The adjusted net asset value amounts to €9,479,269.

(1) In the event of the exercise of all BSAs, BSPCEs, stock options and convertible bonds outstanding, whether exercisable or not, i.e., 1,204,263 BSPCEs, 45,000 options, 4,851,926 BSAs and 1 OCA, the exercise of which would result in the creation of 6,210,019 new shares.

- Impact of the issue on the stake of a shareholder currently holding 1% of the Company's share capital:

	Shareholder's stake (%)			
	Non-diluted basis		Diluted basis[1]	
	Tranche of March 2018	Total for all Tranches	Tranche of March 2018	Total for all Tranches
Before the issue	1	1	0.816	0.816
After the issue of a maximum of 2,272,727 new shares subsequent to the conversion of the 100 OCAs ("Tranche of March 2018") or 11,363,636 new shares resulting from the conversion of the 500 OCAs ("Total of all Tranches")	0.924	0.708	0.765	0.611

(1) In the event of the exercise of all BSAs, BSPCEs, stock options and convertible bonds outstanding, whether exercisable or not, i.e., 1,204,263 BSPCEs, 45,000 options, 4,851,926 BSAs and 1 OCA, the exercise of which would result in the creation of 6,210,019 new shares.

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 of the *Document de référence.*

Ludovic Lastennet heads the Company as 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.

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 six members:

Name	Corporate office	Main position in the Company	Main position outside the Company	Start and end date of term of office	Audit committee	Compensation Committee
Jean-Gérard Galvez 375 avenue du pilon de St clair, 83980 Le Lavandou (France)	Director	Chairman of the Board of Directors	General Manager of HM Conseils	Appointed as Director at the General Shareholders' Meeting of March 31, 2010 and reappointed at the Meetings of April 30, 2013 and then May 24, 2016, for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018 Appointed as Chairman of the Board of Directors on April 6, 2011 and reappointed by Board meetings on January 8, 2014 and then March 24, 2016 for the term of his appointment as Director	Member	Member
Ludovic Lastennet 15, route de Bordeaux 33360 Latresne	Director	Chief Executive Officer and Marketing Director	N/A	Appointed as Director at the General Shareholders' Meeting of January 22, 2013 and reappointed at the General Shareholders' Meeting of May 24, 2016 for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018	-	-

Name	Corporate office	Main position in the Company	Main position outside the Company	Start and end date of term of office	Audit committee	Compensation Committee
Jan Egberts Koninginneweg 4 2243 Hb Wassenaar (Netherlands)	Independent Director*	-	Chief Executive Officer of Veritas Investment	Appointed as Director on March 31, 2010 and reappointed at the General Shareholders' Meetings of April 30, 2013 and then May 24, 2016, for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018	Chairman	-
Paula Ness Speers 187 Grove Street, Wellesley, Massachusetts 02482	Independent Director*	-	Partner of Health Advances	Appointed as Director at the General Shareholders' Meeting of June 10, 2014 and reappointed at the General Shareholders' Meeting of May 5, 2017 for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2019	-	Chairman
Mary Shaughnessy 777 Bay Road, Duxbury, Massachussetts 02332 (USA)	Independent Director*	-	Senior Vice President of Finance, Partners Continuing Care (PCC)	Appointed as Director at the General Shareholders' Meeting of May 24, 2016 for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018	Member	Member

*Refer to Section 16.3.1 for the criteria description for Independent Directors as defined by the MiddleNext Corporate Governance Code for Small and Medium Capitalization as published in September 2016 and approved as code of practice by the AMF (the "MiddleNext Code").

KREOS CAPITAL V (UK) Limited, represented by Maurizio Petitbon, appointed as non-voting member by the General Shareholders' Meeting of November 19, 2013 and reappointed by the General Shareholders' Meeting of May 24, 2016, for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018.

14.1.2. Other corporate offices

Other current corporate offices

Name	Office	Company*
Jean-Gérard Galvez	Director Director Director Director General Manager	Echosens SA Biophytis SA(1) Polaris SA Exotec Solutions SAS HM Conseils
Ludovic Lastennet	None	None
Jan Egberts	Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Chief Executive Officer Chief Executive Officer Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board	CHDR Lead Pharma PhotoCure Pharming Mellon Medical SigmaScreening Viroclinics NLC Investments VaccinateZorg Veritas Investment Rodger TensHealth Pelvitec
Paula Ness Speers	Partner Director Member of the Finance Committee and the Patient Care and Quality Monitoring Committee Member of the Audit Committee	Health Advances EOS Imaging(1) Partners Continuing Care Partners Healthcare
Mary Shaughnessy	Treasurer Treasurer	Partners Continuing Care Board Health Services Board
KREOS CAPITAL IV (UK) Limited, represented by Maurizio Petitbon	Director Director Director Director Director Director Director	KREOS CAPITAL Management (UK) Ltd. KREOS CAPITAL III (UK) Ltd. KREOS CAPITAL Management Ltd. KREOS CAPITAL Services Ltd KREOS CAPITAL Services IV Limited KREOS CAPITAL V (UK) Limited KREOS CAPITAL Services V Limited

* The companies listed are independent from one another (i.e. they do not belong to the same group of companies).
(1) Company listed in France.
(2) Company listed in Amsterdam.

Expired corporate offices held in the last five years:

Name	Office	Company*
Jean-Gérard Galvez	Chairman of the Supervisory Board Director Chairman of the Board of Directors	Ceprodi SA Wagram Finances Fastbooking SA
Ludovic Lastennet	Director	Lagae SA
Jan Egberts	Chief Executive Officer Chairman of the Board of Directors Director Chairman of the Board of Directors Partner/Senior Consultant Industry Chief Executive Officer Director Member of the Supervisory Board Member of the Supervisory Board	OctoPlus Acertys EndoSense Skyline Diagnostics 3i NovaDel(1) Bmeye Entrepreneur Fund(2) Agendia
Paula Ness Speers	Director Member of the Supervisory Board	Friends of Korea For His Children
KREOS CAPITAL IV (UK) Limited, represented by Maurizio Petitbon	Non-voting member Non-voting member	Poxel(2) ASK(2)

* The companies listed are independent from one another (i.e. they do not belong to the same group of companies).
(1) Companies listed in the United States of America.
(2) Companies listed in France.

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 $300 million with a $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 directors 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 26 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.

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 & Johnson's surgical non-wovens business and its subsequent merger with Mölnlycke Health Care. The merged business was subsequently sold to Regent Medical for USD 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 was 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.

Mary Shaughnessy – ***Independent Director***

Drawing on 21 years of experience working for Partners Healthcare System in Boston, Mary brings a wealth of specific expertise in the healthcare finance and reimbursement sector. In her capacity as Senior Vice President of Finance, Partners Continuing Care (PCC), Mary Shaughnessy has played an integral role in the strategic planning process and in optimizing financial performance. She has also helped to maximize revenue and has improved payment rates from public and private sector organizations across all of the Group's Partner hospitals.

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 (including by designated professional organisms).

14.2. CONFLICTS OF INTEREST IN ADMINISTRATIVE AND MANAGEMENT BODIES AND GENERAL MANAGEMENT

The Chairman of the Board of Directors, the 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 21.1.4).

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 Section 14.1 above.

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 listed in Section 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 (BSAs) and founders' warrants (BSPCEs) allocated to each executive corporate officer

Summary table of the compensation, options and shares granted to each executive corporate officer		
	2016 fiscal year	**2017 fiscal year**
Ludovic Lastennet – CEO[1]		
Compensation due in respect of the fiscal *year (detailed in table 2)*	€251,114	€274,494
Valuation of the multi-year variable compensation granted during the year.	€-	€-
Valuation of the options granted during the year *(detailed in table 4)*	€86,432	€-
Valuation of the free shares granted during the year *(detailed in table 6)*	€-	€-
Total	**€337,546**	**€274,494**
Jean-Gérard Galvez – Chairman of the Board of Directors[2]		
Compensation due in respect of the fiscal *year (detailed in table 2)*[3]	€108,000	€108,000
Valuation of the multi-year variable compensation granted during the year.	€-	€-
Valuation of the options granted during the year *(detailed in table 4)*	€28,470	
Valuation of the free shares granted during the year *(detailed in table 6)*	€-	€-
Total	**136,470**	**108,000**

(1) Appointed as Chief Executive Officer by the Board of Directors' meeting of November 27, 2012 and reappointed on March 24, 2016.

(2) Appointed as Chairman of the Board of Directors by the Board of Directors' meeting of April 6, 2011 and reappointed on March 24, 2016.

(3) Fees paid to HM Conseils, whose General Manager is Jean-Gérard Galvez.

Table 2: Compensation 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, 2016 and 2017.

Summary table of the compensation of each executive corporate officer				
	2016 fiscal year		2017 fiscal year	
	amount owed[1]	amount paid[2]	amount owed[1]	amount paid[2]
Ludovic Lastennet – CEO[3]				
Fixed compensation	€201,300	€201,300	€212,300	€212,300
Annual variable compensation	€35,000	€-	€35,000	€35,000
Multi-year variable compensation	€-	€-	€-	€-
Exceptional compensation	€-	€-	€-	€-
Attendance fee	€-	€-	€-	€-
Benefits in kind	€14,814	€14,814	€27,194	€27,194
TOTAL	**€251,114**	**€216,114**	**€274,494**	**€274,494**
Jean-Gérard Galvez – Chairman of the Board of Directors[4]				
Fixed compensation[5]	€108,000	€108,000	€108,000	€108,000
Annual variable compensation	€-	€-	€-	€-
Multi-year variable compensation	€-	€-	€-	€-
Exceptional compensation	€-	€-	€-	€-
Attendance fee	€-	€-	€-	€-
Benefits in kind	€-	€-	€-	€-
TOTAL	**€108,000**	**€108,000**	**€108,000**	**€108,000**

(1) in respect of the fiscal year.

(2) in the course of the year.

(3) Appointed as Chief Executive Officer by the Board of Directors' meeting of November 27, 2012 and reappointed on March 24, 2016.

(4) Appointed as Chairman of the Board of Directors by the Board of Directors' meeting of April 6, 2011 and reappointed on March 24, 2016.

(5) Fees paid to HM Conseils, whose General Manager is Jean-Gérard Galvez. See Section 19.2 of this Document de référence.

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, creation of an advisory board, 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

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 2016 fiscal year**	**Amounts paid during the 2017 fiscal year**
Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski[(1)]	Attendance fee	€-	N/A
	Other compensation	€-	N/A
Rainer Strohmenger[(1bis)]	Attendance fee	€-	N/A
	Other compensation	€-	N/A
Jan Egberts	Attendance fee	€1,400	€8,600
	Other compensation	€-	€-
Brian Ennis	Attendance fee	€-	€-
	Other compensation[(2)]	$300,000	$300,000
Paula Ness Speers	Attendance fee	€-	€10,500
	Other compensation	€-	€-
KREOS CAPITAL IV (UK) LTD, represented by Maurizio Petitbon (non-voting member)	Attendance fee	€-	€-
	Other compensation	€-	€-
Mary Shaughnessy[(3)]	Attendance fee	€2,240	€760
	Other compensation	€-	€-

(1) Resignation accepted at the Board of Directors' meeting of April 28, 2016.

(1bis) Resignation accepted at the Board of Directors' meeting of March 24, 2016.

(2) In 2016, other compensation paid relates to the employment contract signed with Implanet America Inc. on January 1, 2016, for his duties as Executive Manager of the subsidiary.

(3) Appointed by the General Shareholders' Meeting of May 24, 2016.

Table 4: Share subscription warrants (BSAs) or founders' warrants (BSPCEs) granted to each executive corporate officer by the Company or other Group companies in the fiscal years ended December 31, 2016 and 2017

Share subscription warrants (BSAs) and founders' warrants (BSPCEs) granted to each executive corporate officer by the issuer or other Group companies in 2017						
Executive corporate officers	**No. and date of plan**	**Type of warrants (BSA or BSPCE)**	**Black & Scholes valuation of warrants (in €)**	**Number of warrants granted**	**Exercise price**	**Exercise period**
NONE						

Share subscription warrants (BSAs) and founders' warrants (BSPCEs) granted to each executive corporate officer by the issuer or other Group companies in 2016						
Executive corporate officers	**No. and date of plan**	**Type of warrants (BSA or BSPCE)**	**Black & Scholes valuation of warrants (in €)**	**Number of warrants granted**	**Exercise price***	**Exercise period**
Ludovic Lastennet – CEO	BSPCE March 2016 03/24/2016	Founders' warrants (BSPCEs)	€50,400	140,000	€1.43	Until March 2026
	BCE July 2016 T1 07/11/2016	Founders' warrants (BSPCEs)	€36,032	112,601	€1.27	Until July 2026
Jean-Gérard Galvez – Chairman of the Board of Directors	BCE July 2016 T1 07/11/2016	Founders' warrants (BSPCEs)	€10,470	32,719	€1.27	Until July 2026
	BCE July 2016 T2 07/11/2016	Founders' warrants (BSPCEs)	€18,000	50,000	€1.27	Until July 2026
TOTAL			**€114,902**	**335,320**		

** After changing the exercise price for the BSAs and BSPCEs after the capital increase with preferential subscription rights for shareholders in November 2016, in accordance with Article L. 228-99 of the French Commercial Code.*

Table 5: Share subscription warrants (BSAs) or founders' warrants (BSPCEs) exercised by each executive corporate officer in the fiscal years ended December 31, 2016 and 2017

None

Table 6: Free shares granted to each executive corporate officer in the fiscal years ended December 31, 2016 and 2017

None

Table 7: Free shares granted to each executive corporate officer that have become available in the fiscal years ended December 31, 2016 and 2017

None

Table 8: History of previous allocations of share subscription warrants (BSAs) or founders' warrants (BSPCEs) 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 options or founders' warrants (BSPCEs) granted to or exercised by the top ten employees who are not corporate officers, and warrants exercised by them

OPTIONS GRANTED TO OR EXERCISED BY THE TOP TEN EMPLOYEES WHO ARE NOT CORPORATE OFFICERS IN 2017	Total number of options allocated / shares subscribed or purchased	Weighted average share subscription price	No. and date of plan	Total number of options granted / shares subscribed or purchased
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)	-	-	-	-
Options held in the issuer and the companies referred to previously, exercised during the 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)	-	-	-	-

OPTIONS GRANTED TO OR EXERCISED BY THE TOP TEN EMPLOYEES WHO ARE NOT CORPORATE OFFICERS IN 2016	Total number of options allocated / shares subscribed or purchased	Weighted average share subscription price	No. and date of plan	Total number of options granted / shares subscribed or purchased
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)	286,703	€1.40	BSPCE March 2016 03/24/2016	227,000
			BSPCE July 2016 T1 07/11/2016	49,703
			Options March 2016 03/24/2016	10,000
Options held in the issuer and the companies referred to previously, exercised during the 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:

Executive corporate officers	Employment contract		Supplementary pension scheme		Compensation of benefits payable or likely to be payable for termination or change of function		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Ludovic Lastennet – CEO	X			X	X[(1)]		X[(2)]	
Appointment start date: *Appointment end date:*	First appointment: November 27, 2012, reappointment: March 24, 2016 At the end of the General Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2018							
Jean-Gérard Galvez – Chairman of the Board of Directors		X		X		X		X
Appointment start date: *Appointment end date:*	First appointment: April 6, 2011, re-appointed: March 24, 2016 At the end of the General Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2018							

(1) The Company took out a GSC unemployment insurance policy for the Company's senior members beginning on October 1, 2014. This contract includes a daily compensation indemnity of 70% of tranches A and B of the net fiscal income and 55% of the tranche C of the net fiscal income. Based on the 2017 net fiscal income and a maximum duration of 24 months, the amount of this compensation indemnity is estimated at approximately €307 thousand.
(2) Non-compete compensation is 60% of the total compensation earned in the 12 months preceding the departure. The Company's commitments were assessed on December 31, 2017 at €165 thousand.

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.

15.2. SUMS SET ASIDE OR RECORDED BY THE COMPANY OR ITS SUBSIDIARIES FOR PAYMENT OF PENSIONS, RETIREMENT BENEFITS OR OTHER BENEFITS TO EXECUTIVES AND DIRECTORS

Except for the mandatory legal retirement obligations set out in Note 11 to the IFRS financial statements on December 31, 2017 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 corporate officers.

The Company paid no arrival or departure bonuses to any of its corporate officers.

15.3. SHARE SUBSCRIPTION AND PURCHASE OPTIONS SHARE SUBSCRIPTION WARRANTS AND FOUNDER'S 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.

	$BSA_{09/2012}$*	$BSA_{01/2013}$*	$BSA_{07/2015}$	$BSA_{01/2018}$	$BSA_{07/2016\text{-}T1}$	$BSPCE_{03/2016}$	$BSPCE_{07/2016\text{-}T1}$	$BSPCE_{07/2016\text{-}T2}$	$BSPCE_{01/2018}$	Number of potential shares issuable as a result of these rights**
Jean-Gérard Galvez	50,000	25,000	-	-	-	-	32,719	50,000	20,000	115,990
Ludovic Lastennet	-	-	-	-	-	140,000	112,601	-	70,000	335,231
Jan Egberts	50,000	-	-	20,000	10,000	-	-	-	-	36,590
Paula Ness Speers	-	-	16,199	20,000	-	-	-	-	-	37,009
Mary Shaughnessy	-	-	-	20,000	16,000	-	-	-	-	36,800

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 €0.05.*
*** Taking into account the reverse share split and after adjusting the number of shares that may be subscribed upon exercise of share subscription warrants (BSAs) and founders' warrants (BSPCEs) following the capital increase while maintaining the shareholders' preferential subscription right in March 2015 and November 2016, in accordance with Article L. 228-99 of the French Commercial Code.*

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, as Chief Executive Officer, is responsible for the Company's general management. The Chief Executive Officer represents the Company with regard to third parties.

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. Moreover, no limits were placed by the Board of Directors on the Chief Executive Officer's powers.

16.2. INFORMATION ON THE CONTRACTS BETWEEN THE GROUP AND ITS CORPORATE OFFICERS

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 Corporate Officers and the Group

Ludovic Lastennet entered into a permanent employment contract with the Company on April 2, 2007.

16.2.2. Services agreements entered into between corporate officers and the Group

16.2.2.1. Service provider agreement between the Company and HM Conseils

The Company has entered into an unwritten and undetermined service provider agreement with HM Conseils, a limited liability company with Jean-Gérard Galvez as its Managing Director. This agreement was ratified by the Company's General Shareholders' Meetings on July 19, 2013, on May 24, 2016 and on May 5, 2017 and was subject to a special report by the Company's Statutory auditors (see Section 19.3 of the *Document de référence*).

Under this agreement, HM Conseils provides the Company with support and consulting services including, for example, the preparation and the definition of the Company's various budgets, definition and implementation of the Company's development strategy in preparation for its operations in the United States, the identification and selection of investment banks in preparation of the Company's stock market listing and its capital increases carried out in March 2015, November 2016 and November 2017 and the preparation of documentation relating to these plans.

HM Conseils provides these services for a monthly flat rate of €9,000 excl. VAT since October 2015.

As of the date of the *Document de référence* and since January 1, 2016, the Company paid HM Conseils under this contract:

- €108,000 excl. VAT in fees for the year 2016;
- €108,000 excl. VAT in fees for the year 2017;
- €27,000 excl. VAT for fees for the period January 1 to March 31, 2018.

16.3. BOARD OF DIRECTORS AND SPECIAL COMMITTEES – CORPORATE GOVERNANCE

16.3.1. Board of Directors

The number of Board of Directors meetings takes into account the different events over the Company's life. Thus, the Board of Directors meets as frequently as required in the Company's interests.

For the fiscal year ended December 31, 2016, the Company's Board of Directors met 11 times with an average attendance rate of 95.5%. For the fiscal year ended December 31, 2017, the Company's Board of Directors also met 10 times with an average attendance rate of 96.7%.

Director	Attendance rate to the 2017 Board meetings
Jean-Gérard Galvez	100.0%
Ludovic Lastennet	100.0%
Paula Ness Speers	90.0%
Brian Ennis*	90.0%
Jan Egberts	100.0%
Mary Shaughnessy	100.0%

**The Board of Directors took note of the resignation of Brian Ennis on January 23, 2018*

The composition of the Board of Directors and the information about its Members can be found in the developments described in Chapters 14 "Administrative, Management, Supervisory and Executive Bodies" and 21.2 "Articles of incorporation 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 and on January 31, 2017 to define the role and composition of the Board of Directors, the rules of conduct and the obligations of the members of the Company's Board of Directors. All members of the Board of Directors commit to maintaining independence of reasoning, judgment and action and to actively participate in the Board's work. They will inform the Board should they come up against any conflicts of interest. All Board members must declare all direct or indirect transactions on the Company's shares transacted to the Company and the French Financial Markets Authority (AMF).

The Company believes that Paula Ness Speers, Jan Egberts and Mary Shaughnessy meet the criteria for 3 Independent Directors as defined by the MiddleNext Code published in September 2016 inasmuch as Paula Ness Speers, Jan Egberts and Mary Shaughnessy:

- are not, and over the last five years have not been, employees or Executive Directors of the Company or of a Group company;
- do not have and have not had over the last two years significant business relations with the Company or the Group (clients, suppliers, competitors, service providers, creditors, banker, etc.);
- are not reference shareholders of the Company or hold a significant percentage of voting rights;
- do not have any close relationship or close family relationship with a Corporate Officer or reference shareholder; and
- have not been Company auditors in the course of the last six years.

16.3.2. Special Committees

16.3.2.1. Audit committee

COMPOSITION

On January 8, 2014, the Board of Directors decided to set up a permanent Audit Committee and to cease fulfilling the role of audit committee itself, in accordance with the French Commercial Code.

The main terms of the Audit Committee's rules of procedure are set out below.

According to these rules of procedure, the Audit Committee is composed of at least two members appointed by the Board of Directors, based on a recommendation of the Compensation Committee. The members of the Audit Committee are selected from among the members of the Board of Directors and, if possible, two of them are independent members, one of which having particular financial or accounting expertise, it being specified that they cannot be Directors who hold management positions.

As of the date of the *Document de référence*, the members of the Audit Committee are:

- Jean-Gérard Galvez, Chairman of the Board of Directors;
- Mary Shaughnessy, Director; and
- Jan Egberts, Director.

16.3.2.1.1. Responsibilities

The Audit Committee's responsibility is to assist the Board of Directors and to ensure that the financial statements are accurate, the internal audit is properly conducted, the information provided is relevant and that the Statutory auditors correctly fulfill their mission vis-à-vis the Company, independently of the Group's management.

The main responsibilities of the Audit Committee include:

- to monitor the preparation and treatment of the financial information;
- to monitor the effectiveness of the internal audit and risk management systems;
- to monitor the audit of the annual accounts and consolidated accounts by the Statutory auditors;
- to recommend Statutory auditors to be put forward for appointment at the General Shareholders' Meeting and to review the terms of their compensation;
- to monitor the independence of the Statutory auditors;
- to check the progress of any major disputes on a regular basis; and
- in general, to offer any relevant advice and recommendations on the points listed above.

16.3.2.1.2. Operation

The Audit Committee meets at least twice a year, according to a schedule fixed by its Chairman, to examine the consolidated annual and half-yearly financial statements and, where appropriate, quarterly accounts, following an agenda decided by its Chairman and sent to the Audit Committee members at least seven days in advance of the meeting. A meeting can also be called by its Chairman, or two of its members, or by the Chairman of the Company's Board of Directors.

The Audit Committee can hear any member of the Company's Board of Directors and carry out any internal or external audits on any topic it deems to be part of its remit. The Chairman of the Audit Committee will notify the Board of Directors in advance. Specifically, the Audit Committee has the power to hear any person who is involved in preparing or auditing the accounts (Chief Financial Officer or the main Finance Division managers).

The Audit Committee hears the Statutory auditors. No Company representatives are required to be present at the auditors' hearing.

16.3.2.1.3. Report

The Chairman of the Audit Committee ensures that its operating reports provide the committee submits to the Board of Directors with complete information to facilitate its deliberations.

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;
- Mary Shaughnessy, Director; and
- Paula Ness Speers, Director.

16.3.2.2.2. Responsibilities

The main duties of the Compensation Committee are:

- to examine the main objectives put forward by general management for the compensation of the Company's executives that are not members of the Board of Directors, including free share plans and share subscription and purchase options;
- to examine the compensation of executives that are not members of the Board of Directors, including free share plans and share subscription and purchase options, retirement and benefit plans, and benefits in kind; to make recommendations and proposals to the Board of Directors concerning:
  - the compensation, retirement and benefit scheme, benefits in kind, and the other cash entitlements of the corporate officers, including those leaving their position. The Committee proposes compensation structures and amounts, specifically, the rules for determining variable compensation that take into account the Company's strategy, objectives and results and earning as well as market practices, and
  - the free shares plans, share subscription or purchase options and all other similar profit-sharing mechanisms, and in particular, personal allocations to qualifying corporate officers;
- to examine the total value of the attendance fees and their allocation system among Members of the Board of Directors, and also the terms and conditions of reimbursement of any expenses incurred by Members of the Board of Directors;
- to prepare and submit any reports required under the Board of Directors' rules of procedure;
- to prepare any other compensation-based recommendations requested by the Board of Directors; and
- in general, to provide advice and makes appropriate recommendations in any of the above areas.

16.3.2.2.3. Operation 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 2016 and once during fiscal year 2017.

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 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 as of the date of the *Document de référence*:

MiddleNext Code recommendations	Compliance	Non-compliant
I. Supervisory Power		
R 1: Director ethics	X	
R 2: Conflicts of Interest	X	
R 3: Composition of the Board – Presence of Independent Directors	X	
R 4: Board member information	X	
R 5: Organization of Board and committee meetings	X	
R 6: Creation of committees	X	
R 7: Introduction of Board Rules of Procedure	X	
R 8: Choice of each Director	X	
R 9: Term of office of Board members	X	
R 10: Directors' compensation	X	
R 11: Introduction of Board evaluation	X	
R12: "Shareholder" Relations	X	
I. Executive Power		
R 13: Definition and transparency of the compensation of executive corporate officers	X	
R 14: Preparation of "Executives" succession	X	
R 15: Combination of an employment contract with a Director position	X(1)	
R 16: Golden handshakes	X	
R 17: Supplementary pension schemes	X	
R 18: Stock options and free shares		X(2)
R 19: Review of vigilance points	X	

(1) The Board of Directors has authorized the 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 this individual in accordance with his employment contract.

(2) To date, the Company has not attached any performance conditions to the exercise of the founders' warrants (BSPCEs) granted to some of its executives since its stock market listing.

16.5. INFORMATION REQUIRED BY ARTICLE L. 225-100-3 OF THE FRENCH COMMERCIAL CODE

16.5.1. Structure of the Company's share capital

Refer to Chapter 18 of this *Document de référence*.

16.5.2. 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.

16.5.3. 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*.

16.5.4. List of holders of all securities bearing special control rights and description

The Company is not aware of any special control rights.

16.5.5. 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.

16.5.6. 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.

16.5.7. 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*.

16.5.8. 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”.

16.5.9. 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*.

16.5.10. 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

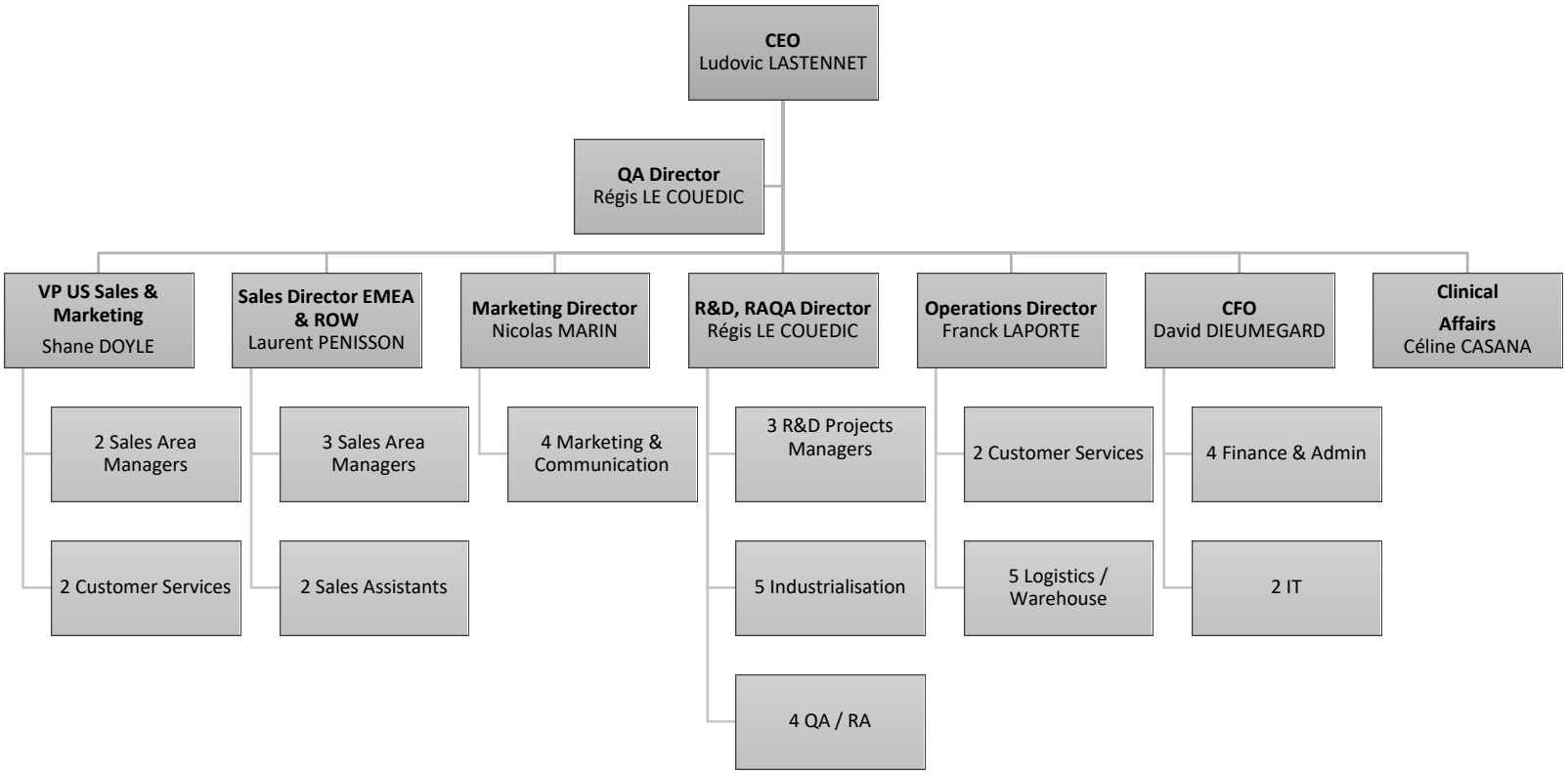
Except for the information set out in table 11 of Section 15.1 of this *Document de référence*, the Company has signed no agreement on severance pay for Board members or employees in the event of resignation without due cause or dismissal or if their employment were to be terminated following a takeover.

17. EMPLOYEES

17.1. NUMBER OF EMPLOYEES AND BREAKDOWN BY FUNCTION

17.1.1. Organizational chart

At the date of the *Document de référence*, the operational structure of the Company was as follows:



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	12/31/2017	12/31/2016
Administrative	8	8
Sales & Marketing "General orthopedics"	3	3
Sales & Marketing "Jazz"	14	16
Operational	8	8
Regulatory & Quality	10	9
Research & Development	5	6
TOTAL	**48**	**50**

As at December 31, 2017, Implanet had 42 employees in France and 6 in the United States.

17.2. MANAGEMENT SHAREHOLDINGS AND STOCK OPTIONS

See Chapter 14 – management 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), share subscription and purchase option and founders' warrant (BSPCE) allocations, from which some Group employees benefited (see Section 21.1.4 of the *Document de référence*).

At December 31, 2017, 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. BREAKDOWN OF CAPITAL AND VOTING RIGHTS

The shareholder structure table below shows the breakdown of the Company's share capital and voting rights as of the date of the *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 capital and voting rights***	Number of shares likely to result from the exercise of BSAs [(1)]	Number of shares likely to result from the exercise of BSPCEs[(1)]	Number of shares likely to result from the exercise of options[(1)]	Number of shares likely to result from the exercise of OCAs[(2)]	**Number of shares after exercise of BSAs, BSPCEs, options and OCAs[(1)]**	**% of the share capital and voting rights after exercise of BSAs, BSPCEs, options and OCAs***
Founders and historical investors	**251,867**	**0.89%**	**787**				**252,654**	**0.70%**
Seventure Partners	132,948	0.47%					132,948	0.37%
KREOS CAPITAL IV (Expert Fund) Limited			98,567				98,567	0.27%
European Select Growth Opportunities Fund			2,674,645			1,651,162	4,325,807	12.04%
Other financial investors**	1	0.00%	1,750,000				1,750,001	4.87%
Financial investors	**132,949**	**0.47%**	**4,523,212**			**1,651,162**	**6,307,323**	**17.55%**
Corporate officers, Employees and consultants	**74,607**	**0.26%**	**344,830**	**1,095,065**	**46,125**		**1,560,627**	**4.34%**
Other individual shareholders	**18,539**	**0.07%**					**18,539**	**0.05%**
Free Float* **	**27,640,417**	**97.76%**					**27,640,417**	**76.92%**
Treasury shares	156,000	0.55%					156,000	0.44%
Total	**28,274,379**	**100%**	**4,868,829**	**1,095,065**	**46,125**	**1,651,162**	**35,935,560**	**100%**

** The percentage of voting rights is equal to the percentage of share capital held.*
***Share subscription warrants (BSAs) held by American institutional investors after the issue of 3,500,000 shares with share subscription warrants attached as part of a fund-raising operation in November 2017*
(1) After adjusting the number of shares that may be subscribed upon exercise of share subscription warrants (BSAs) and founders' warrants (BSPCEs) following the increase in capital while maintaining the shareholders' preferential subscription rights, in accordance with Article L. 228-99 of the French Commercial Code.
(2) Theoretical impact based on the lowest of the 10 average volume weighted daily prices of Implanet shares prior to the date of the Document de référence, i.e. €0.468.

18.2. MAJOR 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. The Combined General Shareholders' Meeting of June 24, 2015 decided not to institute double voting rights and confirmed the rule whereby one Company share entitles the holder to one vote at the General Shareholders' Meeting.

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-PARTIES 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 7.3 "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. Service provider agreement between the Company and HM Conseils

The Company has entered into an unwritten and undetermined service provider agreement with HM Conseils, a limited liability company with Jean-Gérard Galvez as its Managing Director. This agreement was ratified by the Company's General Shareholders' Meetings on July 19, 2013 and May 24, 2016 and was subject to a special report by the Company's Statutory auditors (see Section 19.3 of the *Document de référence*).

Under this agreement, HM Conseils provides the Company with support and consulting services including, for example, the preparation and the definition of the Company's various budgets, definition and implementation of the Company's development strategy in preparation for its operations in the United States, the identification and selection of investment banks in preparation of the Company's stock market listing and its capital increases carried out in March 2015 and November 2016 and the preparation of documentation relating to these plans.

HM Conseils provides these services for a monthly flat rate of €9,000 excl. VAT since October 2015. This rate was previously €5,000 excl. VAT.

As of the date of the *Document de référence* and since January 1, 2016, the Company paid HM Conseils under this contract:

- €108,000 excl. VAT in fees for the year 2016;
- €108,000 excl. VAT in fees for the year 2017;
- €27.000 excl. VAT for fees for the period January 1 to March 31, 2018.

This agreement was subject to an annual review by the Board of Directors which, with regard to its terms and conditions, particularly financial, maintained the previously granted authorization. This agreement will continue during the 2018 fiscal year. This agreement does not provide for financial condition adjustments or indexation rules.

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, 2017

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IMPLANET
French Limited Company (*Société Anonyme*)
Registered office: Technopole Bordeaux Montesquieu
Allée François Magendie
33650 – Martillac (France)

BORDEAUX Trade & Companies Register 493 845 341

STATUTORY AUDITORS' SPECIAL REPORT
ON REGULATED AGREEMENTS

General Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2017

To the attention of the General Shareholders' Meeting of Implanet,

In our capacity as Statutory auditors of your Company, we hereby report on the regulated agreements.

We are required to inform you, on the basis of the information provided to us, of the key terms and conditions of those agreements as well as the grounds for the Company's interest therein as indicated to us or that we have identified in the course of our work. We are not required to comment as to whether they are beneficial or appropriate or to establish whether any other agreements exist. It is your responsibility under Article R. 225-31 of the French Commercial Code, to assess the benefits resulting from these agreements and decide whether to approve them.

In addition, we are required by Article R. 225-31 of the French Commercial Code to inform you, where applicable, of the implementation during the fiscal year of any agreements previously approved at the General Shareholders' Meeting.

We carried out the procedures that we considered necessary for this mission to comply with the applicable professional guidance issued by the French auditors' association (*Compagnie Nationale des Commissaires aux Comptes*). This consisted of verifying that the information provided to us is consistent with the documentation from which it has been taken.

AGREEMENTS SUBMITTED FOR APPROVAL BY THE GENERAL SHAREHOLDERS' MEETING

Agreements authorized and signed during the past fiscal year

We hereby inform you that we have not been notified of any agreements authorized and signed during the fiscal year just ended to be submitted to the General Shareholders' Meeting for approval in accordance with Article L. 225-38 of the French Commercial Code.

AGREEMENTS ALREADY APPROVED BY THE GENERAL SHAREHOLDERS' MEETING

In accordance with Article R. 225-30 of the French Commercial Code, we were informed that the following agreement, previously approved at the General Shareholders' Meeting in previous fiscal years, remained in force during the past fiscal year.

Agreement with HM Conseils

Person concerned: Mr. Jean-Gérard Galvez, Chairman of the Board of Directors of Implanet and Managing Director of HM Conseils.

Nature and purpose: Consultancy agreement entered into on March 31, 2010 between Implanet and HM Conseils. The monthly flat-rate fee was raised to €9,000 excl. VAT from October 1, 2015.

Terms and conditions: For consulting services during the fiscal year ended December 31, 2017, Implanet incurred fees of €108,000 excl. VAT.

Lyon and Bordeaux, March 30, 2018

The Statutory auditors

Inkipio audit **ERNST & YOUNG Audit**

Clément Albrieux Jean-Pierre Caton Laurent Chapoulaud

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19.3.2. Statutory auditors' special report on regulated agreements for the fiscal year ended December 31, 2016

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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, as well as the grounds for the Company's interest therein as indicated to us or that we have identified in the course of our work. We are not required to comment as to whether they are beneficial or appropriate or to establish whether any other agreements and commitments exist. It is your responsibility under Article R. 225-31 of the French Commercial Code (*Code commercial*), to assess the benefits resulting from these agreements and commitments, and to decide whether to approve them.

In addition, we are required under Article R. 225-31 du Code de commerce 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 in verifying that the information provided to us is consistent with the documentation from which it was taken.

Agreements and commitments submitted for approval by the General Shareholders' Meeting

We hereby inform you that we have not been notified of any agreements or commitments authorized during the year ended December 31, 2016 to be submitted to the General Shareholders' Meeting for approval in accordance with Article L. 225-38 of the French Commercial Code.

Agreements and commitments already approved by 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

Amendment to the consultancy agreement entered into on March 31, 2010 between Implanet and HM Conseils. The monthly flat-rate fee was raised to €9,000 excl. VAT as from October 1, 2015 (compared to €5,000 excl. VAT until September 30, 2015) given the increase in the number of days dedicated to Implanet.

Terms and conditions

For consulting services during the fiscal year ended December 31, 2016, Implanet incurred fees of €108,000 excl. VAT.

Lyon and Bordeaux, March 31, 2017

The Statutory auditors

INKIPIO AUDIT	ERNST & YOUNG Audit	
Clément Albrieux	Laurent Chapoulaud	Jean-Pierre Caton

20. FINANCIAL INFORMATION ON THE COMPANY'S ASSETS, FINANCIAL POSITION AND RESULTS

20.1. CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

STATEMENT OF FINANCIAL POSITION

IMPLANET	Notes	12/31/2017	12/31/2016
CONSOLIDATED STATEMENT OF FINANCIAL POSITION		**€'000**	**€'000**
ASSETS			
Intangible fixed assets	3.1	705	494
Property, plant and equipment	3.2	817	1,233
Other non-current assets	4	429	1,443
Total non-current assets		**1,950**	**3,169**
Inventories	5	3,389	3,555
Trade receivables and related accounts	6.1	2,787	2,507
Other receivables	6.2	823	968
Current financial assets	4	1,004	191
Cash and cash equivalents	7	2,609	6,067
Total current assets		**10,613**	**13,288**
TOTAL ASSETS		**12,563**	**16,458**
LIABILITIES			
Shareholders' equity			
Capital	8	1,380	14,914
Paid-in capital		17,167	387
Translation reserve		(466)	(398)
Other comprehensive income		(55)	(28)
Reserves - Group share		(5,126)	2,073
Profit/(loss) - Group share		(6,612)	(7,288)
Shareholders' equity attributable to parent company shareholders		**6,288**	**9,660**
Minority interests		-	-
Total shareholders' equity		**6,288**	**9,660**
Non-current liabilities			
Amounts due to personnel	11	144	101
Non-current financial debts	10	977	866
Non-current liabilities		**1,121**	**967**
Liabilities related to assets held for sale			
Current financial liabilities	10	1,274	2,836
Derivative instrument liability	10.3	2	2
Provisions	12	576	55
Trade and other accounts payable		2,422	2,166
Tax and social security liabilities	13.1	850	751
Other payables and miscellaneous debt	13.2	30	22
Liabilities related to assets held for sale		**5,154**	**5,831**
TOTAL LIABILITIES AND EQUITY		**12,563**	**16,458**

INCOME STATEMENT

IMPLANET CONSOLIDATED INCOME STATEMENT	Notes	12/31/2017 12 months €'000	12/31/2016 12 months €'000
Revenue	15	7,841	7,825
Cost of sales	16.1	(3,916)	(3,844)
Gross margin		**3,924**	**3,981**
Research and Development expenses			
Research and Development expenses	16.3	(1,120)	(1,141)
Share-based payments	16.3	(9)	(15)
Subsidy	16.3	251	287
Cost of regulatory affairs and quality assurance			
Cost of regulatory affairs and quality assurance	16.4	(780)	(919)
Share-based payments	16.4	(0)	(1)
Subsidy	16.4	13	4
Sales and marketing expenses			
Sales and marketing expenses	16.2	(4,541)	(5,007)
Share-based payments	16.2	(56)	(98)
Operating costs			
Operating costs	16.5	(753)	(1,080)
Share-based payments	16.5	(5)	(9)
General costs			
General costs	16.6	(2,683)	(2,849)
Share-based payments	16.6	(22)	(34)
Current operating income		**(5,782)**	**(6,881)**
Non-recurring operating income and expenses	17	(456)	-
Net operating income		**(6,238)**	**(6,881)**
Financial expenses	18	(584)	(682)
Financial income	18	(1)	15
Change in the fair value of the derivative	18	242	211
Foreign exchange gains and losses	18	(30)	48
Net income before taxes		**(6,612)**	**(7,288)**
Tax expense	19	-	-
Net P/L		**(6,612)**	**(7,288)**
Share attributable to parent company shareholders		*(6,612)*	*(7,288)*
Minority interests		-	-
Weighted average number of shares in circulation		23,261,380	18,542,024
Basic earnings per share (€/share)	20	**(0.28)**	**(0.39)**
Diluted earnings per share (€/share)	20	**(0.28)**	**(0.39)**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

IMPLANET STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME	12/31/2017 12 months €'000	12/31/2016 12 months €'000
Net income/(loss) for the period	**(6,612)**	**(7,288)**
Actuarial differences	(27)	(5)
Items non-recyclable in profit/(loss)	**(27)**	**(5)**
Translation differences	(68)	(59)
Items recyclable in profit/(loss)	**(68)**	**(59)**
Other comprehensive income (net of taxes)	**(95)**	**(64)**
Comprehensive income	**(6,706)**	**(7,352)**
Group share	*(6,706)*	*(7,352)*
Minority interests	-	-

CHANGES IN SHAREHOLDERS' EQUITY

IMPLANET CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY	Note	Capital *Number of shares*	Capital in €'000	Additional paid-in capital in €'000	Reserves and net income in €'000	Translation differences in €'000	Actuarial differences in €'000	Shareholders' equity - Group share in €'000	Interest Minority interests in €'000	Shareholders' equity in €'000
At December 31, 2015		*10,591,599*	**15,887**	**15,056**	**(20,856)**	**(339)**	**(23)**	**9,726**	**-**	**9,726**
Total net income/(loss)					(7,288)			(7,288)		(7,288)
Other comprehensive income						(59)	(5)	(64)		(64)
Comprehensive income			**-**	**-**	**(7,288)**	**(59)**	**(5)**	**(7,352)**	**-**	**(7,352)**
Issue of shares		*9,833,105*	6,883					6,883		6,883
Conversion of bonds		*880,357*	732	398				1,130		1,130
Share subscription warrants (BSA)				14				14		14
Allocation of retained earnings on issue premiums				(15,074)	15,074			-		-
Capital decrease			(8,589)		8,589			-		-
Change in treasury shares					(52)			(52)		(52)
Share-based payments					156			156		156
Share issue costs				(7)	(943)			(950)		(950)
Issue of BSAs on bonds					104			104		104
At December 31, 2016		*21,305,061*	**14,914**	**387**	**(5,214)**	**(398)**	**(28)**	**9,660**	**-**	**9,660**
Total net income/(loss)					(6,612)			(6,612)		(6,612)
Other comprehensive income						(68)	(27)	(95)		(95)
Comprehensive income			**-**	**-**	**(6,612)**	**(68)**	**(27)**	**(6,706)**	**-**	**(6,706)**
Conversion of bonds	8.1	*2,412,501*	121	1,379				1,500		1,500
Exercise of warrants (BSA)	8.1	*375,000*	263	0				263		263
Issue of shares	8.1	*3,500,000*	175	1,575				1,750		1,750
Capital decrease			(14,092)	14,092				-		-
Share subscription warrants (BSA)				3				3		3
Change in treasury shares					(4)			(4)		(4)
Share-based payments					93			93		93
Share issue costs				(269)				(269)		(269)
At December 31, 2017		*27,592,562*	**1,380**	**17,167**	**(11,737)**	**(466)**	**(55)**	**6,288**	**-**	**6,288**

CASH FLOW STATEMENT

IMPLANET CONSOLIDATED STATEMENT OF CASH FLOWS	Notes	12/31/2017 12 months €'000	12/31/2016 12 months €'000
CASH FLOWS GENERATED FROM OPERATIONS			
Total net income/(loss)		**(6,612)**	**(7,288)**
(-) Elimination of depreciation, amortization and impairment on intangible fixed assets	3.1	(153)	(213)
(-) Elimination of depreciation and amortization on property, plant and equipment	3.2	(765)	(791)
(-) Allocations to provisions	11, 12	(536)	(13)
(-) Expense related to share-based payments	9	(93)	(156)
(-) Gross financial interest paid		(185)	(223)
(-) Capitalized financial interest		2	15
(-) Change in the fair value of the derivative	10.3	242	211
(-) Capital gains or losses on disposals of fixed assets		(30)	5
(-) Other (accretion of advances, impact of amortized cost, etc.)		(317)	(387)
Free cash flow before cost of net financial indebtedness and taxes		**(4,777)**	**(5,736)**
(-) Change in the working capital requirement (net of impairment of trade receivables and inventories)		**(312)**	**155**
Cash flow generated from operations		**(4,465)**	**(5,892)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of intangible fixed assets	3.1	(5)	(1)
Capitalization of development expenses	3.1	(359)	(71)
Acquisition of property, plant and equipment	3.2	(380)	(513)
Demobilization of term accounts classed as other current and non-current financial assets		-	5,800
Subscription of term accounts classed as other current and non-current financial assets		-	(1,200)
Disposals of fixed assets		-	15
Financial interests		2	23
Cash flows from investing activities		**(742)**	**4,054**
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital increase, net of conversion of bonds into shares	8	2,013	6,883
Expenses relating to capital increase		(181)	(812)
Share subscription warrants (BSA)	9	3	14
Redemption of Kreos bond	10.3	(1,041)	(948)
Issue of convertible bonds, net of expenses	10.3	1,485	564
Bank borrowings	10.4	410	-
Receipt of advances and innovations loans, net of costs	10.2	-	776
Repayment of conditional advances	10.2	(90)	(80)
Repayment of finance leases	10.1	(292)	(310)
Repayment of bank loans	10.4	(224)	(165)
Gross financial interest paid		(88)	(223)
Other financing flows (factoring)	10	(178)	1,116
Cash flows related to financing activities		**1,815**	**6,815**
Impact of variations in exchange rates		(67)	(60)
Increase (reduction) in cash		**(3,458)**	**4,917**
Cash and cash equivalents at the start of the year (including overdraft facilities)	7	6,067	1,150
Cash and cash equivalents at the year end (including overdraft facilities)	7	2,609	6,067
Increase (reduction) in cash		**(3,458)**	**4,917**

DETAILED ANALYSIS OF CHANGES IN WORKING CAPITAL REQUIREMENT (WCR)

Details of the change in the working capital requirement (Amounts in €'000)	**12/31/2017** **12 months**	**12/31/2016** **12 months**
Other non-current assets	(1,009)	(193)
Inventories (net of inventory impairment)	(166)	87
Trade receivables and related accounts (net of impairment of trade receivables)	280	(31)
Other receivables	(144)	191
Other current financial assets	1,004	191
Trade and other accounts payable	(168)	106
Tax and social security liabilities	(99)	(191)
Other payables and miscellaneous debt	(8)	(4)
Total variations	**(312)**	**155**

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

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

Note 1: Presentation of the business and significant events

The information set out below constitutes the Notes to the consolidated IFRS financial statements which form an integral part of the financial statements presented for the fiscal year ended December 31, 2017.

The consolidated financial statements of Implanet were approved by the Board of Directors on March 13, 2018 and authorized for publication.

1.1 Information relating to the Company and its business

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

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

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

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

Address of the registered office:

Technopole Bordeaux Montesquieu - Allées François Magendie - 33650 Martillac, France

Registry number: RCS 493 845 341 - Bordeaux, France

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

1.2 Significant events

Fiscal year ended December 31, 2017

<u>January 2017:</u>

- European patent granted by the European Patent Office (EPO) for the universal tensioning system for the JAZZ® implant;

- FDA 510(k) and European (CE) regulatory marketing authorization obtained for the new Jazz Frame® implant.

March 2017:

- patent for Jazz Lock® obtained in France;

- signature of an exclusive distribution partnership in Australia and New Zealand.

May 2017:

- capital decrease of €14,092,039.65 by reducing the nominal value of the shares from €0.70 to €0.05;

- renegotiation of the financing terms implemented in October 2015 with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND) with the aim of canceling the share subscription warrants (the "warrants") attached to the remaining 340 OCAs to be issued. The warrants attached to all new tranches of bonds convertible into shares (OCAs) will be immediately sold to the Company at an overall price of €0.01, for their cancelation by the Company;

- issue of an additional tranche of OCABSAs for a nominal amount of €1,500,000.

June 2017:

- American FDA 510(k) and European (CE) authorizations obtained for the marketing of the new Jazz™ braid.

July 2017:

- transfer of listing from the Euronext regulated market in Paris (compartment C) to the Euronext Growth continuous multilateral trading facility. This admission was carried out as part of an admission to trading procedure for existing shares, without admission of new shares.

September 2017:

- publication of a White Paper and presentation to the SRS Conference (Scoliosis Research Society) of the results of an independent radiological analysis on the use of the Jazz implant, showing the perfect axial derotation whilst maintaining saggital balance;

- FDA approval obtained in the United States for the new JAZZTM Passer solution, dedicated to posterior fixation spinal treatments, compatible with all JAZZTM platform connector implants;

- signature of a loan for €210 thousand for the purpose of "surgical instrument financing". This 3-year loan was guaranteed by a pledge of a long term deposit account for €200 thousand;

- two new patents obtained for the JAZZ™ platform from the US Patent and Trademark Office - USPTO).

October 2017:

- European (CE) marking obtained for the marketing of the JAZZ® Passer solution.

November 2017:

- completion of a 1.75 million fund raising with American institutional investors through the issue of 3,500,000 shares with share subscription warrants ("ABSAs") at the price of €0.50 each (including the issue premium). This fund raising generated a capital increase of €175 thousand and an issue premium of €1,575 thousand.

December 2017:

- signature of a Memorandum of Understanding for the purpose of implementing a strategic partnership with the Korean company, L&K BIOMED;

- end of the redemption of the bond issue signed in 2013 with KREOS CAPITAL IV (UK) LTD. In guarantee of this loan, this contract stipulated the pledge of goodwill and intellectual property (IP).

The Company also carried out a capital increase of €383 thousand during the 2017 fiscal year following the conversion of 150 OCAs and the exercise of 105,012 warrants held by the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND).

1.3 Post balance sheet events

January 2018:

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

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

February 2018:

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

March 2018:

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

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

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

Change in the presentation of the financial statements

Due to the occurrence of a significant event of a new type in 2017, the presentation of the consolidated income statement was modified compared with that used for the fiscal year ended December 31, 2016.

The changes concern the creation of the line item "Non-recurring operating income and expenses" preceded by a sub-total for "Current operating income". "Non-recurring operating income and expenses" are defined in Note 17.

In accordance with IAS 8, these modifications do not amount to a change of accounting methods.

Principle for the preparation of the financial statements

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

Going concern principle

The going concern assumption was used by the Board of Directors, in view of the following:

- available cash and cash equivalents of €2.6 million at December 31, 2017;
- cash investments that can be made available during the 2018 fiscal year for €1.0 million;
- the issue of the first €1 million tranche of convertible bonds under a financing arrangement with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND set up in March 2018 (see Note 1.3 Post balance sheet events);
- the possible use of this financing line could generate additional financing of €4.0 million, subject to the following conditions:
    - both the closing price and the weighted average price over the five (5) previous trading days must be at least €0.40,
    - after subscription of the tranche concerned, the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND must not hold more than 8.5% of the number of shares

making up the Company's capital, whether directly or via convertible bonds and shares,

- the Company's authorized and available shares must amount to at least 2.5 times the number of shares to be delivered upon conversion of the bonds, shares to be issued and outstanding shares.

The Company is also examining possible additional financing to fund new developments, which could involve a capital increase, particularly if the Company is no longer able to use the financing line with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND.

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

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

Accounting methods

The accounting principles used are identical to those used for the preparation of the annual IFRS consolidated financial statements for the fiscal year ended December 31, 2016, 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, 2017:

Standards, amendments to standards and interpretations applicable with effect from the fiscal year commencing on January 1, 2017

- Amendments to IAS 12 - Recognition of deferred tax assets for unrealized losses
- Amendments to IAS 7 - Disclosures

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

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

Standards, amendments to standards and interpretations adopted by the European Union but not yet mandatory for the 2017 financial statements

- IFRS 9 - Financial instruments
- IFRS 15 - Revenue from contracts with customers
- Clarifications to IFRS 15
- IFRS 16 - Leases
- Amendments to IFRS 4 - Applying IFRS 9 with IFRS 4

Standards and interpretations published by the IAB and not yet adopted by the European Union as at December 31, 2017

- IFRS 14 - Regulatory deferral accounts
- IFRS 17 - Insurance Contracts
- IFRIC 22 - Foreign currency transactions and advance consideration
- IFRIC 23 - Uncertainty over income tax treatments
- Amendments to IFRS 2 - Classification and measurement of share-based payment transactions
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IAS 40 - Transfers of investment property
- Improvements to IFRS (2014 - 2016 cycle)

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

Application of IFRS 16 will be mandatory from January 1, 2019 or with early application from January 1, 2018 along with IFRS 15. The Group does not intend to apply the standard in advance. IFRS 16 removes the distinction between operating leases and finance leases and stipulates that all lease contracts will be recognized in the lessee's balance sheet, as an asset (representing the right of use of the asset leased during the contract period) and a liability (in respect of the lease payment obligation). The standard will also affect the presentation of the income statement (net operating income and financial expenses) and the cash flow statement (flows from operating activities and flows from financing activities).

Therefore, real estate leasing contracts (see Note 24.2) and operating leases (see Note 24.3) will be subject to restatement in respect of the application of IFRS 16.

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, 2017.

2.3 Use of judgments and estimates

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

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

results may differ significantly from these estimates, depending on different assumptions or conditions.

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

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

- determination of the fair value of the derivative liability:
    - the determination of the fair value of the derivative liability is based on the Black & Scholes option valuation model, which takes into account assumptions about complex and subjective variables. In particular, these variables include the value of the Company's shares and the expected volatility of the share price over the lifetime of the instrument. There exists a high inherent subjectivity risk arising from the use of an option valuation model for the determination of the fair value of the derivative liability in accordance with IAS 39,
    - the valuation assumptions used are presented in Note 10.3;

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

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

- impairment of trade receivables
    - 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 Note 6.1;

- 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 whether 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 15;

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

2.4. Consolidation scope and methods

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.

Implanet America Inc.	12/31/2017	12/31/2016
Percentage of control	100%	100%
Percentage of interest	100%	100%

2.5 Functional reporting currency

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

2.6 Conversion method

2.6.1 Recognition of transactions in foreign currencies

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

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

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

The translation differences relating to the loan granted to the subsidiary Implanet America Inc. and capitalized in 2017 are recognized directly in equity as they are considered a long-term net investment.

2.6.2 Conversion of the financial statements of foreign subsidiaries

The assets and liabilities of foreign subsidiaries are converted at the exchange rate in effect at closing. The income statement items are converted using the average exchange rates for the period.

The resulting exchange gains and losses are directly recognized in shareholders' equity under “Foreign currency translation reserve”.

The following exchange rates were used during the 2017 and 2016 fiscal years:

USD – US Dollar	**12/31/2017**	**12/31/2016**
Closing rate	1.1993	1.0541
Average rate	1.1217	1.1116

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

3.1 Intangible fixed assets

Accounting principles

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

Research and Development expenses

Research costs are charged to expenses.

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

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

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

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

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

Software

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

Other intangible fixed assets

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

Lease-financing

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

Depreciation term and expense

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

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

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

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

INTANGIBLE FIXED ASSETS (Amounts in €'000)	Software (lease-financing)	Software	Development expenses	Total
GROSS VALUES				
Statement of financial position at December 31, 2015	**26**	**374**	**1,203**	**1,602**
Capitalization of development expenses	-	-	71	71
Acquisition	-	1	-	1
Disposal	-	-	-	-
Statement of financial position at December 31, 2016	**26**	**375**	**1,274**	**1,674**
Capitalization of development expenses	-	-	359	359
Acquisition	-	5	-	5
Disposal	-	-	-	-
Statement of financial position at December 31, 2017	**26**	**379**	**1,633**	**2,038**
DEPRECIATION AND AMORTIZATION				
Statement of financial position at December 31, 2015	**26**	**354**	**588**	**967**
Increase	-	20	192	213
Decrease	-	-	-	-
Statement of financial position at December 31, 2016	**26**	**374**	**780**	**1,180**
Increase	-	5	148	153
Decrease	-	-	-	-
Statement of financial position at December 31, 2017	**26**	**379**	**928**	**1,333**
NET CARRYING AMOUNT				
At December 31, 2015	**-**	**20**	**615**	**635**
At December 31, 2016	**-**	**1**	**494**	**494**
At December 31, 2017	**-**	**0**	**705**	**705**

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

The expenses capitalized in 2017 mainly relate to the following projects: *Jazz Cap* (€120 thousand), *Madison Evolution Instrumentation* (€74 thousand) and *Jazz Generation 2* (€67 thousand).

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

3.2 Property, plant and equipment

Accounting principles

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

Ancillary devices

Ancillary devices refers to specific surgical instruments for the fitting of implants. The latter are recognized under technical installations, equipment and tooling when they are delivered to healthcare facilities.

Where this is not the case, they are presented under inventories and are considered to be available for sale.

Lease-financing

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

Depreciation term and expense

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

The depreciation terms and methods used are principally the following:

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

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

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

PROPERTY, PLANT AND EQUIPMENT (Amounts in €'000)	**Equipment and tooling**	**Equipment and tooling (lease-financing)**	**Fixtures and fittings**	**Fixtures and fittings (lease-financing)**	**Office and IT equipment and furniture**	**Office and IT equipment and furniture (lease-financing)**	**Transport equipment (lease-financing)**	**Total**
GROSS VALUES								
Statement of financial position at December 31, 2015	**3,593**	**2,021**	**100**	**278**	**265**	**188**	**8**	**6,453**
Acquisition	494	37	-	-	18	57	-	607
Disposal	(379)	-	(2)	-	-	-	-	(381)
Foreign exchange impact	-	-	-	-	1	-	-	1
Statement of financial position at December 31, 2016	**3,708**	**2,058**	**98**	**278**	**284**	**246**	**8**	**6,680**
Acquisition	356	-	-	-	24	-	-	380
Disposal	(613)	(732)	-	(53)	(11)	-	-	(1,409)
Foreign exchange impact	-	-	-	-	(3)	-	-	(3)
Statement of financial position at December 31, 2017	**3,451**	**1,326**	**98**	**225**	**294**	**246**	**8**	**5,647**
DEPRECIATION AND AMORTIZATION								
Statement of financial position at December 31, 2015	**3,031**	**1,252**	**85**	**278**	**226**	**150**	**5**	**5,027**
Increase	404	327	1	-	23	35	2	791
Decrease	(371)	-	-	-	-	-	-	(371)
Foreign exchange impact	-	-	-	-	0	-	-	0
Statement of financial position at December 31, 2016	**3,063**	**1,579**	**86**	**278**	**250**	**185**	**7**	**5,448**
Increase	399	304	-	-	25	36	1	765
Decrease	(594)	(732)	-	(53)	-	-	-	(1,380)
Foreign exchange impact	-	-	-	-	(2)	-	-	(2)
Statement of financial position at December 31, 2017	**2,868**	**1,150**	**86**	**225**	**272**	**222**	**8**	**4,831**
NET CARRYING AMOUNT								
At December 31, 2015	**562**	**769**	**15**	**-**	**39**	**38**	**3**	**1,426**
At December 31, 2016	**644**	**480**	**12**	**-**	**35**	**61**	**1**	**1,233**
At December 31, 2017	**582**	**176**	**12**	**-**	**22**	**24**	**-**	**817**

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

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

Accounting principles

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

The depreciated assets are subject to an impairment test every time that there is any internal or external indication that an asset may have lost some of its value.

The impairment test consists of comparing the carrying amount of the tested asset with its recoverable value. The test is carried out at the level of the Cash Generating Unit (CGU), which is the smallest group of assets that includes the asset and whose continued use generates cash inflows largely independent of those generated by other assets or groups of assets.

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

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

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

Note 4: Other financial assets

Accounting principles

The Group's financial assets comprise:

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

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

OTHER FINANCIAL ASSETS (Amounts in €'000)	**12/31/2017**	**12/31/2016**
Term accounts	350	1,050
Medium-term notes (MTN)	-	306
Liquidity contract	36	40
Guarantees	43	46
Total other non-current financial assets	**429**	**1,443**
Medium-term notes (MTN)	304	-
Term accounts	700	-
Deposit - Kreos loan	-	191
Total other current financial assets	**1,004**	**191**

Non-current financial assets comprise:

- term deposits with a total value of €350 thousand, of which:
  - a €150 thousand term deposit, renewed every six months and pledged in favor of HSBC as security for the loans and lease-back agreements in force with this bank,
  - a €200 thousand term deposit, pledged in favor of Banque Courtois as security for the €210 thousand loan taken out in 2017 and maturing in 2020 (see Note 10.4);
- the cash reserve related to the liquidity contract;
- sureties in respect of the commercial leases for its French and US premises.

Current financial assets comprise:

- a €700 thousand term deposit maturing in 2021 with early redemption possible;
- a €304 thousand term deposit maturing in 2019 with early redemption possible;

Note 5: Inventories

Accounting principles

Inventories are measured using the weighted average unit cost method.

Inventories are recognized at the lower of their purchase cost or net realizable value. In the latter case, the loss in value is recognized in profit or loss.

Impairment

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

INVENTORIES (Amounts in €'000)	**12/31/2017**	**12/31/2016**
Inventories of raw materials	59	65
Inventories of goods for resale	3,067	3,480
Inventories of semi-finished products	5	9
Inventories of ancillary devices and instruments	748	531
Gross total inventories	**3,880**	**4,085**
Impairment of inventories of goods for resale	(405)	(469)
Impairment of stocks of ancillary devices and instruments	(85)	(61)
Total impairment of inventories	**(490)**	**(530)**
Net total inventories	**3,389**	**3,555**

Inventories of raw materials essentially comprise polymer components, reels of wire (manufacture of the Jazz braid), product manuals and packaging.

The inventory of goods for sale principally comprises the various categories of implants for arthroscopy, spines and knees.

The inventory of ancillary devices and instruments comprises new equipment available for sale and not made available to healthcare facilities.

Accounting principles

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

6.1 Trade receivables

Accounting principles

Factoring

Trade receivables are partially the subject of transfers under the terms of factoring contracts. In accordance with the provisions of IAS 39, this transfer does not give rise to derecognition since the Company retains substantially all the risks and benefits of the transferred assets. Consequently, the entirety of the transferred asset appears at the level of trade receivables and a current financial liability is recognized for the amount of the cash received.

Impairment

The Company's products are sold to public and private hospitals and to distributors.

The provision for impairment of customer receivables has been established on a case-by-case basis based on the estimated risk of non-recovery. It is presented under the "Sales, distribution and marketing" category in the income statement.

TRADE RECEIVABLES AND RELATED ACCOUNTS (Amounts in €'000)	**12/31/2017**	**12/31/2016**
Trade receivables and related accounts	3,235	2,927
Impairment of trade receivables and related accounts	(448)	(420)
Net total of trade receivables and related accounts	**2,787**	**2,507**

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

TRADE RECEIVABLES AND RELATED ACCOUNTS (Amounts in €'000)	**12/31/2017**	**12/31/2016**
Not yet due	1,309	1,548
Due for less than 90 days	1,157	821
Due for between 90 days and 6 months	158	22
Due for between 6 and 12 months	126	37
Due for more than 12 months	485	499
Gross total trade receivables and related accounts	**3,235**	**2,927**

6.2 Other receivables

Accounting principles

Research tax credit

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

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

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

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

Business competitiveness tax credit

The Business competitiveness tax credit ("CICE") is a French tax scheme. The Company used this tax credit in Research and Development.

Considering the Company's European Union SME status, the CICE may be repaid in the year following that of its recognition.

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

OTHER RECEIVABLES (Amounts in €'000)	**12/31/2017**	**12/31/2016**
Research tax credit (1)	264	203
Value added tax (2)	302	478
Employees and related accounts	24	20
Trade payable debit balances	-	15
Business competitiveness tax credit (4)	48	42
Prepaid expenses (3)	150	198
Miscellaneous	35	12
Total other receivables	**823**	**968**

(1) Research tax credit (CIR)

- CIR 2017: €264 thousand, due to be repaid in 2018
- CIR 2016: €203 thousand, repaid in November 2017

(2) VAT receivables mainly relate 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 €'000)	12/31/2017	12/31/2016
Leases	74	74
Insurance policies	17	17
IT Maintenance	13	8
Fees	30	69
Conferences	9	18
Miscellaneous	7	11
Total prepaid expenses	**150**	**198**

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

- CICE 2017: €48 thousand, due to be repaid in 2018
- CICE 2016: €42 thousand, repaid in June 2017

Note 7: Cash and cash equivalents

Accounting principles

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

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

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

CASH AND CASH EQUIVALENTS (Amounts in €'000)	12/31/2017	12/31/2016
Bank accounts	2,609	5,767
Term accounts	-	300
Total cash and cash equivalents	**2,609**	**6,067**

Note 8: Capital

Accounting principles

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

Liquidity contract

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

8.1 Issued capital

COMPOSITION OF THE SHARE CAPITAL	12/31/2017	12/31/2016
Capital (in €'000)	1,380	14,914
Number of shares	27,592,562	21,305,061
of which ordinary shares	27,592,562	21,305,061
Nominal value (in euros)	$ 0.05	$ 0.70

At December 31, 2017, the Company's share capital amounted to €1,379,628.10. It is divided into 27,592,562 ordinary shares which are fully subscribed and paid up with a nominal value of €0.05.

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

The General Shareholders' Meeting of May 22, 2017 resolved to decrease the share capital for reasons other than losses, in the amount of €14,092,039.65, by reducing the nominal value of the shares from €0.70 to €0.05; Said reduction was recognized as issue premium.

Moreover, in 2017, the Company recognized a capital increase of €558 thousand following:

- the raising of funds with American institutional investors in November 2017 through the issue of 3,500,000 shares with share subscription warrants ("ABSAs") at the price of €0.50 each (including the issue premium);
- the exercise of 105,012 BSAs held by the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND) generating the issue of 375,000 shares with a nominal value of €0.70;
- the conversion of 150 bonds held by the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND) generating the issue of 2,412,501 shares with a nominal value of €0.05.

8.2 Management of capital

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

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

At December 31, 2017, 156,000 treasury shares were recognized as a deduction from shareholders' equity.

8.3 Distribution of dividends

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

Note 9: Share-based payments

Accounting principles

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

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

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

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

Share subscription warrants (BSAs)

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

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

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

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

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

The vesting period for the plans issued is as follows:

Type	Vesting period			12/31/2017	
				Number of exercisable warrants	Number of warrants in the process of being vested
BSA 09/11				60,000	-
BSA 05/12				10,245	-
BSA 2012		All options on award date		40,000	-
BSA 09/2012				100,000	-
BSA 01/2013				25,000	-
BSA 01/2014	1/3 on 01/08/2015	1/3 on 7/08/2015	1/3 on 1/08/2016	16,199	-
BSA 07/2015	1/3 on 7/01/2016	1/3 on 7/01/2017	1/3 on 7/01/2018	29,799	14,900
BSA 07/2016 T1	1/3 on 7/01/2017	1/3 on 7/01/2018	1/3 on 7/01/2019	18,667	37,333
BSA 07/2016 T2		All options on award date		30,000	-
BSA 09/2017	1/3 on 09/19/2018	1/3 on 09/19/2019	1/3 on 09/19/2020	-	40,000
				329,910	**92,233**

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

Type	Award date	Number of options outstanding					Maximum number of subscribable shares (1) (2) (3)
		12/31/2016	Awarded	Exercised	Void	12/31/2017	
BSA 09/11	AGM of 09/26/2011	60,000				60,000	7,308
BSA 05/12	AGM of 6/29/2012	10,245				10,245	1,248
BSA 2012	AGM of 6/29/2012	40,000				40,000	4,872
BSA 09/2012	AGM of 10/11/2012	100,000				100,000	12,180
BSA 01/2013	AGM of 1/22/2013	25,000				25,000	3,045
BSA 01/2014	Board meeting of 01/08/2014	16,199				16,199	19,730
BSA 07/2015	Board meeting of 7/15/2015	44,699				44,699	46,934 *
BSA 07/2016 T1	Board meeting of 7/11/2016	56,000				56,000	58,800 *
BSA 07/2016 T2	Board meeting of 7/11/2016	30,000				30,000	31,500
BSA 09/2017	Board meeting of 9/19/2017		60,000		(20,000)	40,000	40,000 *
Total		**382,143**	**60,000**	**-**	**(20,000)**	**422,143**	**225,617**

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

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

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

Founders' warrants (BSPCEs)

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

Type	Award date	Features of the plans				Assumptions used		
		Total number of options awarded	Exercise period	Initial exercise price	Adjusted exercise price (1) (2) (3)	Volatility	Risk-free rate	Total initial valuation, IFRS2 (Black&Scholes) (in €'000)
BSPCE 12/2007	Board meeting of 12/29/2007	**100,000**	10 years	€ 1.50	€ 12.31	43.02%	4.17%	**34**
BSPCE 02/2009	Board meeting of 02/05/2009	**106,500**	10 years	€ 1.50	€ 12.31	38.11%	3.20%	**37**
BSPCE 03/2010	Board meeting of 04/22/2010	**167,500**	10 years	€ 1.50	€ 12.31	34.57%	2.54%	**64**
BSPCE 06/2011	Board meeting of 04/06/2011	**269,000**	10 years	€ 1.50	€ 12.31	37.90%	3.12%	**117**
BSPCE 09/2011	Board meeting of 11/18/2011	**103,500**	10 years	€ 1.50	€ 12.31	37.90%	2.24%	**45**
BSPCE 03/2016	Board meeting of 03/24/2016	**370,000**	10 years	€ 1.50	€ 1.43	34.40%	-0.16%	**133**
BSPCE 07/2016 T1	Board meeting of 7/11/2016	**209,488**	10 years	€ 1.33	€ 1.27	34.86%	-0.51%	**68**
BSPCE 07/2016 T2	Board meeting of 7/11/2016	**50,000**	10 years	€ 1.33	€ 1.27	34.86%	-0.51%	**18**

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

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

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

The vesting period for the plans issued is as follows:

Type	Vesting period			12/31/2017	
				Number of exercisable warrants	Number of warrants in the process of being vested
BSPCE 02/2009				13,000	-
BSPCE 03/2010				30,000	-
BSPCE 06/2011				68,000	-
BSPCE 09/2011				49,000	-
BSPCE 03/2016	1/3 on 04/01/2017	1/3 on 04/01/2018	1/3 on 04/01/2019	123,000	246,000
BSPCE 07/2016 T1	1/3 on 07/11/2016	1/3 on 07/01/2017	1/3 on 07/01/2018	138,175	69,088
BSPCE 07/2016 T2	1/3 on 07/01/2017	1/3 on 07/01/2018	1/3 on 07/01/2019	16,667	33,333
				437,842	**348,421**

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

Type	Award date	Number of options outstanding					Maximum number of subscribable shares (1) (2) (3)
		12/31/2016	Awarded	Exercised	Void	12/31/2017	
BSPCE 12/2007	Board meeting of 12/29/2007	20,000			(20,000)	-	-
BSPCE 02/2009	Board meeting of 2/05/2009	13,000				13,000	1,583
BSPCE 03/2010	Board meeting of 4/22/2010	30,000				30,000	3,654
BSPCE 06/2011	Board meeting of 4/06/2011	68,000				68,000	8,283
BSPCE 09/2011	Board meeting of 11/18/2011	49,000				49,000	5,969
BSPCE 03/2016	Board meeting of 03/24/2016	369,000				369,000	387,450 *
BSPCE 07/2016 T1	Board meeting of 07/11/2016	209,488			(2,225)	207,263	217,626 *
BSPCE 07/2016 T2	Board meeting of 7/11/2016	50,000				50,000	52,500 *
Total		**808,488**	-	-	**(22,225)**	**786,263**	**677,065**

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

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

Stock options

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

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

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

The vesting period for the plans issued is as follows:

Type	Vesting period			12/31/2017	
				Number of exercisable warrants	Number of warrants in the process of being vested
Stock option 07/2015	1/3 on 09/01/2016	1/3 on 09/01/2017	1/3 on 09/01/2018	8,333	4,167
Stock option 03/2016	1/3 on 04/01/2017	1/3 on 04/01/2018	1/3 on 04/01/2019	23,333	46,667
				31,667	**50,833**

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

Type	Award date	Number of options outstanding					Maximum number of subscribable shares (1)
		12/31/2016	Awarded	Exercised	Void	12/31/2017	
Stock option 07/2015	Board meeting of 07/15/2015	22,500			(10,000)	12,500	13,125 *
Stock option 03/2016	Board meeting of 03/24/2016	70,000				70,000	73,500 *
Total		**92,500**	**-**	**-**	**(10,000)**	**82,500**	**86,625**

** Note that these warrants are in the process of being vested.*
(1) Following the adjustment to parity as described above.

Details of the expense recognized in accordance with IFRS 2 at December 31, 2016 and December 31, 2017

Type (Amounts in €'000)	12/31/2016				12/31/2017			
	Probable cost of the plan to date	Cumulative expense at the start of the year	Expense for the period	Cumulative expense to date	Probable cost of the plan to date	Cumulative expense at the start of the year	Expense for the period	Cumulative expense to date
BSPCE 01/2014-3	1	1	0	1	1	1	-	1
BSPCE 01/2014-4	591	570	21	591	591	591	-	591
BSPCE 03/2016	133	-	57	57	133	57	45	101
BSPCE 07/2016 T1	68	-	37	37	67	37	22	59
BSPCE 07/2016 T2	18	-	5	5	18	5	8	13
BSA 01/2014	38	38	0	38	38	38	-	38
BSA 07/2015	22	6	9	15	22	15	5	20
BSA 07/2016 T1	12	-	3	3	12	3	5	9
BSA 07/2016 T2	5	-	5	5	5	5	-	5
BSA 09/2017	-	-	-	-	7	-	1	1
Stock option 07/2015	19	5	8	13	14	13	(1)	12
Stock option 03/2016	25	-	11	11	25	11	8	19
Total			**156**				**93**	

Note 10: Loans and financial debts

Accounting principles

Unless otherwise indicated, loans and financial debts are recognized at amortized cost, calculated using the effective interest rate in accordance with IAS 39.

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

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (Amounts in €'000)	**12/31/2017**	**12/31/2016**
Financial debts - finance leases (1)	44	86
Reimbursable advances and interest-free loans	714	695
Loans from financial institutions (2)	219	85
Non-current financial debts	**977**	**866**
Financial debts - finance leases (1)	42	292
Reimbursable advances and interest-free loans	-	88
Bond	9	1,107
Derivatives liabilities, L1 Capital	2	2
Debt under the factoring contract	1,002	1,181
Loans from financial institutions (2)	221	168
Current financial liabilities	**1,277**	**2,837**
Total financial liabilities	**2,254**	**3,704**

(1) The debts relating to the finance leases are guaranteed by a pledge of a term deposit account for €150 thousand (see Notes 4 and 24.5).
(2) One bank loan is guaranteed by a pledge of a term deposit account for €200 thousand (see Notes 4 and 24.5).

Reconciliation redemption value/balance sheet value

RECONCILIATION REDEMPTION VALUE / BALANCE SHEET VALUE (amounts in €'000)	**Redemption value 12/31/2017**	**Amortized cost**	**Fair value**	**Balance sheet value**	
				12/31/2017	**12/31/2016**
Financial debts - lease-financing	86	-	-	86	378
Reimbursable advances and interest-free loans	800	(86)	-	714	783
Bond	10	(1)	-	9	1,107
Derivatives liabilities	-	-	2	2	2
Debt under the factoring contract	1,002	-	-	1,002	1,181
Loans from financial institutions	440	-	-	440	254
Total financial liabilities	**2,338**	**(87)**	**2**	**2,254**	**3,704**

Breakdown of financial debts by maturity, in redemption value

FINANCIAL LIABILITIES BY MATURITY DATE IN REDEMPTION VALUE (amounts in €'000)	12/31/2017			
	Gross amount	Part due in less than one year	From 1 to 5 years	More than five years
Financial debts - lease-financing	86	42	44	-
Reimbursable advances and interest-free loans	800	-	560	240
Bond	10	10	-	-
Debt under the factoring contract	1,002	1,002	-	-
Loans from financial institutions	440	221	219	-
Total financial liabilities	**2,338**	**1,275**	**823**	**240**
Current financial liabilities	*1,275*			
Non-current financial debts	*1,063*			

10.1 Financial debts - lease-financing

CHANGES IN FINANCIAL LIABILITIES - LEASE-FINANCING (Amounts in €'000)	Financial liabilities - Lease-financing contracts	Current part	Non-current part	
			from 1 to 5 years	more than 5 years
At December 31, 2015	**593**	295	298	-
(+) Subscription	95			
(-) Redemption	(310)			
At December 31, 2016	**378**	292	86	-
(+) Subscription	-			
(-) Redemption	(292)			
At December 31, 2017	**86**	42	44	-

10.2 Repayable advances and interest-free loans

Accounting principles

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

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

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

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

CHANGES IN REIMBURSABLE ADVANCES AND INTEREST-FREE LOANS (Amounts in €'000)	OSEO Knees	BPI - Interest-free innovation loan - JAZZ Braid	Total
At December 31, 2015	**163**	**-**	**163**
(+) Subscription	-	776	776
(-) Redemption	(80)	-	(80)
Subsidies	-	(88)	(88)
Financial expenses	4	7	11
At December 31, 2016	**88**	**695**	**783**
(+) Subscription	-	-	-
(-) Redemption	(90)	-	(90)
Subsidies	-	-	-
Financial expenses	2	19	21
At December 31, 2017	**-**	**714**	**714**

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

MATURITY OF REIMBURSABLE ADVANCES AND INTEREST-FREE LOANS, IN REDEMPTION VALUE (Amounts in €'000)	OSEO Knees	BPI - Interest-free innovation loan - JAZZ Braid	Total
At December 31, 2017	**-**	**800**	**800**
Part due in less than one year	-	-	-
Part due between 1 and 5 years	-	560	560
Part due in more than 5 years	-	240	240

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, this innovation subsidy was reimbursed 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.

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

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

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

This loan has the following characteristics:

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

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

10.3 Convertible bond issues

Accounting principles

Financial instruments (BSA and bond conversion options) are subject to specific analysis.

Where these financial instruments provide for the exchange of a fixed number of shares against a fixed number of treasury shares, they are classified as equity instruments under IAS 32.

Where the analysis carried out led to the conclusion that it is impossible to classify these instruments as equity instruments and that the variable is financial, these were classified as derivative liabilities coming under the scope of IAS 39. They are recognized under derivative liabilities at fair value on the issue date, with the fair value being determined using the Black & Scholes valuation model. The variations in this fair value are recognized in financial net income. These liabilities come under category 3 defined by IFRS 7.

CHANGES IN BOND ISSUES (Amounts in €'000)	**Non-convertible KREOS bond issue**	**Convertible bonds with warrants attached L1 Capital**	**Total**
At December 31, 2015	**1,985**	**368**	**2,353**
(+) Subscription	-	594	594
(-) BSA discount	-	(104)	(104)
(-) Derivative liability	-	(92)	(92)
(-) Redemption	(948)	-	(948)
(+/-) Impact of amortized cost	63	370	433
(+/-) Translation	-	(1,130)	(1,130)
At December 31, 2016	**1,100**	**6**	**1,107**
(+) Subscription	-	1,485	1,485
(-) Derivative liability	-	(242)	(242)
(-) Redemption	(1,135)	-	(1,135)
(+/-) Impact of amortized cost	35	260	295
(+/-) Translation	-	(1,500)	(1,500)
At December 31, 2017	**-**	**9**	**9**

Breakdown of bonds by maturity, in redemption value

MATURITY OF BOND ISSUES, IN REDEMPTION VALUE (Amounts in €'000)	Non-convertible KREOS bond issue	Convertible bonds with warrants attached L1 Capital	Total
At December 31, 2017	**-**	**10**	**10**
Part due in less than one year	-	10	10
Part due between 1 and 5 years	-	-	-
Part due in more than 5 years	-	-	-

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

Initial agreement

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 €5.0 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 transactions were implemented 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 (BSAs) have the following characteristics:
  - number of shares to be issued: 65,000,
  - subscription price: €7.20,
  - terms and conditions of exercise: the BSAs are exercisable (and shall expire concomitantly) upon the earlier of the following two events:
    - 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 and intellectual property was pledged on July 19, 2013.

The Company incurred €112,500 in lawyers' and consultants' fees at the time the bond contract was arranged. €72,500 of the costs are payable on the maturity date.

Amendment to the venture loan agreement

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 abovementioned 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;
- the annual interest rate remains at 11.5%.

On April 24, 2015, the Company also entered into an agreement to issue 18,473 share subscription warrants to KREOS, validated by the General Shareholders' Meeting of June 24, 2015. These share subscription warrants (BSAs) have the following characteristics:

- number of shares to be issued: 18,473;
- subscription price: €2.91;
- terms and conditions identical to those for the 2013 KREOS share subscription warrants.

The Company incurred €5,130 in lawyers' fees when the amendment was signed.

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

Valuation

Debt is valued using the amortized cost method. Costs incurred and discounts relating to the 2013 and 2015 warrants were taken into account in the effective interest rate of the bond issue. The effective interest rate of the bond issue thus amounts to 14.87%.

The 2013 warrants (BSAs) are recognized in derivative liabilities at fair value, with variations in this fair value recognized in profit or loss in accordance with IAS 39.

The fair value was determined using the Black & Scholes valuation model under the following assumptions:

BSA 2013 - Valuation assumptions	**12/31/2017**	**12/31/2016**
Number of BSA outstanding	65,000	65,000
Number of subscribable shares	79 170 (1) (2)	79,170 (1) (2)
Exercise price	€ 5.90	€ 5.90
Anticipated term	3 months	1 year
Volatility	58.31%	38.31%
Risk-free rate	-0.78%	-0.82%
Value of derivative (in €'000)	-	-

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

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

After analysis with regard to IAS 32, the 2015 warrants were recognized as equity instruments at fair value on the issue date.

The fair value was determined using the Black & Scholes valuation model under the following assumptions:

BSA 2015 - valuation assumptions	On issue
Number of BSA	18,473
Exercise price	€ 2.91
Anticipated term	2.5 years
Volatility	30.58%
Risk-free rate	-0.16%
Value of equity instrument (in €'000)	**11**

10.3.2 Issue of Convertible bonds with share warrants attached ("OCABSAs") in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 European Healthcare Opportunities Fund)

On October 12, 2015, the Company entered into an OCABSA contract with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND), enabling the Company potentially raise €5 million, at its own discretion.

The OCAs have the following characteristics:

- nominal value: €10,000;
- subscription price: 99% of par value;
- maturity: 12 months;
- no interest;
- conversion terms: N = Vn/P where
    - N is the number of shares that can be subscribed,
    - Vn is the value of the bond receivable,
    - P is 92% of the lowest of the 10 average daily prices quoted weighted by the volumes of the Company's share immediately preceding the conversion application date, and as a minimum equal to the nominal value of the share (€0.70).

The Board of Directors decided the issue of:

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

In accordance with IAS 39, debt is valued using the amortized cost method.

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

Conversion option	Tranche 3		Tranche 4	
	12/31/2017	12/31/2016	12/31/2017	On issue (05/29/2017)
Number of bonds outstanding	-	1	1	150
Number of subscribable shares	N/A	14,285	28,571	2,083,333
Exercise price	N/A	€ 0.70	€ 0.35	€ 0.72
Anticipated term	N/A	1 month	3 month	6 months
Volatility	N/A	44.17%	51.13%	39.10%
Risk-free rate	N/A	-0.93%	-0.78%	-0.73%
Value of derivative (in €'000)	**-**	**2**	**2**	**242**
Change in fair value during the 2016 fiscal year	**(2)**		**(240)**	

The $BSAs_{T1}$, $BSAs_{T2}$, $BSAs_{T3}$ and $BSAs_{T4}$ issued under this contract are recognized at fair value in equity instruments on the issue date. Note that, following the rider signed on May 29, 2017, the BSAs attached to the new tranches issued (tranche 4 and subsequent tranches) are immediately transferred to the Company at the overall price of €0.01 for their cancellation.

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

At December 31, 2017, one convertible bond (1 OCA_{T4}) and 726,310 BSAs (294,988 $BSAs_{T1}$, 244,755 BSA_{T2} and 186,567 BSA_{T3}) were outstanding.

10.4 Loans from financial institutions

CHANGE IN BANK LOANS (Amounts in €'000)	Loan 06/2015	Loan 04/2017	Loan 09/2017	Total
At December 31, 2015	**419**	**-**	**-**	**419**
(+) Subscription	-	-	-	-
(-) Redemption	(165)	-	-	(165)
At December 31, 2016	**254**	**-**	**-**	**254**
(+) Subscription	-	200	210	410
(-) Redemption	(168)	(38)	(17)	(224)
At December 31, 2017	**85**	**162**	**193**	**440**

10.4.1 Banque Courtois loan

On June 10, 2015, the Company signed a contract, of which the main characteristics are the following:

- nominal value: €500 thousand;
- term: three years;
- interest rate: 1.95% per year;
- interest paid quarterly in arrears.

10.4.2 HSBC loan

On April 4, 2017, the Company signed a loan agreement for the purpose of "financing its operating cycle". The main characteristics of the loan are as follows:

- nominal: €200 thousand;
- term: three years;
- interest rate: 1.00% per year;
- interest paid monthly in arrears.

10.4.3 Banque Courtois loan

On September 12, 2017, the Company signed a loan agreement for the purpose of "financing surgical instruments". The main characteristics of the loan are as follows:

- nominal: €210 thousand;
- term: three years;
- interest rate: 1.95% per year;
- interest paid monthly in arrears.

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

BANK LOANS BY MATURITY (Amounts in €'000)	Loan 06/2015	Loan 04/2017	Loan 09/2017	Total
At December 31, 2017	**85**	**162**	**193**	**440**
Part due in less than one year	85	66	69	221
Part due between 1 and 5 years	-	95	124	219
Part due in more than 5 years	-	-	-	-

Note 11: Commitments to employees

Accounting principles

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

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

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

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

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

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

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

ACTUARIAL ASSUMPTIONS	12/31/2017		12/31/2016	
	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)	1.30%		1.31%	
Mortality table	INSEE 2017		INSEE 2015	
Rate of revaluation of salaries	2.00%		2.00%	
Rate of turnover	Average (AG2R table)		Average (AG2R table)	
Rate of Social Security charges	51%	49%	52%	47%

The provision for retirement commitments has changed as follows:

AMOUNTS DUE TO PERSONNEL (Amounts in €'000)	**Retirement benefits**
At December 31, 2015	**83**
Past service costs	11
Financial costs	1
Actuarial differences	5
At December 31, 2016	**101**
Past service costs	14
Financial costs	1
Actuarial differences	27
At December 31, 2017	**144**

Note 12: Provisions

Accounting principles

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

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

Disputes and liabilities

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

Employment tribunal disputes

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

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

PROVISIONS (Amounts in €'000)	**12/31/2016**				
	Amount at start of year	**Allocations**	**Reversals**	**Release of surplus provisions**	**Amount at year end**
Provisions for legal disputes	55				55
Total provisions for liabilities and expenses	**55**	-	-	-	**55**

The charge booked for the period mainly consists of €456 thousand for a trade dispute (see Note 17).

Note 13: Current liabilities

Accounting principles

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

13.1 Tax and social security liabilities

TAX AND SOCIAL SECURITY LIABILITIES (Amounts in €'000)	12/31/2017	12/31/2016
Employees and related accounts	408	345
Social Security and other social bodies	399	364
Other taxes, duties and similar payments	43	42
Total tax and social security liabilities	**850**	**751**

13.2 Other current liabilities

OTHER CURRENT LIABILITIES (Amounts in €'000)	12/31/2017	12/31/2016
Directors' fees due to members of the Board of Directors	30	20
Miscellaneous	-	2
Total other current liabilities	**30**	**22**

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

Accounting principles

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

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

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

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

BALANCE SHEET HEADINGS (Amounts in €'000)	12/31/2016		Value - statement of financial position in accordance with IAS 39		
	Value Statement of financial position	Fair Value	Fair value through the income statement	Loans and receivables	Liabilities at amortized cost
Non-current financial assets	1,443	1,443	1,356	86	
Trade receivables and related accounts	2,507	2,507		2,507	
Other receivables	968	968		968	
Current financial assets	191	191		191	
Cash and cash equivalents	6,067	6,067	300	5,767	
Total assets	**11,176**	**11,176**	**1,656**	**9,520**	**-**
Current financial liabilities	2,836	2,836			2,836
Non-current financial debts	866	866			866
Trade and other accounts payable	2,166	2,166			2,166
Current derivative liabilities	2	2	2		
Other creditors and miscellaneous liabilities	22	22			22
Total liabilities	**5,891**	**5,891**	**2**	**-**	**5,890**

IMPACTS ON THE INCOME STATEMENT (Amounts in €'000)	12/31/2017		12/31/2016	
	Interest	Changes in fair value	Interest	Changes in fair value
Assets				
Assets at fair value through the income statement		4		6
Loans and receivables	2		23	
Liabilities				
Derivative liabilities		(242)		(119)
Liabilities valued at amortized cost: bond issues	539		653	
Liabilities valued at amortized cost: advances	21		11	

Note 15: Revenues

Accounting principles

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 Company's income results from the sale of orthopedic implants.

The recognition of income depends on the nature of the sales made by the Company:

- **export sales to distributors:** the transfer of ownership and the recognition of income occur at the time of collection of the merchandise from Implanet (Incoterms: EXWORKS). 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 to a patient, based on information provided by the healthcare facilities;

- **sales in France to distributors:**
  - instruments and a set of implants are provided to healthcare facilities (instruments in Implanet's fixed assets and implants in consigned inventory),
  - invoicing to distributors 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 USA 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.

Revenues by region and type of products is as follows:

REVENUES BY REGION (Amounts in €'000)	12/31/2017	12/31/2016
France	3,794	3,871
United States	2,001	2,048
Brazil	550	865
Rest of the World	1,496	1,042
Total revenue	**7,841**	**7,825**

REVENUES BY TYPE OF PRODUCTS (Amounts in €'000)	12/31/2017	12/31/2016
Spinal	4,715	4,102
Knee + Arthroscopy	3,126	3,723
Total revenue	**7,841**	**7,825**

With regard to the concentration of credit risk, one distributor accounted for more than 10% of consolidated revenue at December 31, 2017. The revenue generated with this distributor in France accounted for 22% of the Group's revenue at December 31, 2017.

Note 16: Operating expenses

Accounting principles

The Company presents its income statement by intended use.

16.1 Cost of sales

COST OF SALES (Amounts in €'000)	12/31/2017	12/31/2016
Purchases of raw materials and goods	(3,303)	(3,197)
Depreciation and amortization of ancillary devices	(614)	(647)
Cost of sales	**(3,916)**	**(3,844)**

16.2 Sales and marketing expenses

SALES, DISTRIBUTION AND MARKETING (Amounts in €'000)	12/31/2017	12/31/2016
Leases	(51)	(56)
Materials and supplies	(118)	(92)
Insurance policies	(105)	(123)
Intermediary compensation Fees	(264)	(318)
Advertising	(172)	(139)
Transport	(21)	(7)
Travel, assignments and entertaining	(574)	(786)
Duties and taxes	(3)	(3)
Payroll expenses	(1,914)	(2,019)
Depreciation and amortization of fixed assets	(19)	(28)
Share-based payments	(56)	(98)
Royalties	(214)	(202)
Sales commission	(1,028)	(1,143)
Allocations/reversals of provisions for impairment of trade rec	(40)	440
Loss on bad debts	-	(517)
Miscellaneous	(18)	(14)
Sales, distribution and marketing expenses	**(4,597)**	**(5,105)**

16.3 Research and Development expenses

RESEARCH AND DEVELOPMENT (Amounts in €'000)	12/31/2017	12/31/2016
Leases	(23)	(28)
Hardware, equipment and works	(21)	(16)
Studies and research	(77)	(102)
Fees and other intellectual property expenses	(418)	(290)
Travel, assignments and entertaining	(19)	(32)
Duties and taxes	(2)	(5)
Payroll expenses	(716)	(588)
Capitalization of R&D expenses	255	52
Depreciation and amortization of capitalized R&D expense	(98)	(125)
Depreciation and amortization of fixed assets	(2)	(2)
Share-based payments	(9)	(15)
Miscellaneous	-	(6)
Research and Development expenses	**(1,129)**	**(1,156)**
Research tax credit	251	199
Advances and Bpifrance loan	-	88
Subsidies	**251**	**287**
Research and development costs, net	**(878)**	**(870)**

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

16.4 Cost of regulatory affairs and quality assurance

REGULATORY AFFAIRS AND QUALITY ASSURANCE (Amounts in €'000)	12/31/2017	12/31/2016
Materials and supplies not for stock	(52)	(59)
Leases	0	(1)
Studies and research	(111)	(144)
Intermediary compensation Fees	(87)	(127)
Travel, assignments and entertaining	(8)	(4)
Payroll expenses	(523)	(507)
Capitalization of R&D expenses	104	19
Depreciation and amortization of capitalized R&D expense	(50)	(68)
Depreciation and amortization of fixed assets	(23)	(21)
Share-based payments	(0)	(1)
Miscellaneous	(31)	(7)
Regulatory affairs and quality assurance costs	**(781)**	**(920)**
Research tax credit	13	4
Subsidies	**13**	**4**
Regulatory affairs and quality assurance costs, net	**(767)**	**(916)**

16.5 Operating costs

OPERATING COSTS (Amounts in €'000)	12/31/2017	12/31/2016
Materials and supplies not for stock	(10)	(13)
Leases	(127)	(152)
Hardware, equipment and works	(37)	(40)
Transport	(22)	(50)
Travel, assignments and entertaining	(2)	(2)
Payroll expenses	(497)	(491)
Depreciation and amortization of fixed assets	(71)	(75)
Share-based payments	(5)	(9)
Allocation/reversal of provision for impairment of inventories	40	27
Scrapping and inventory adjustment	20	(268)
Miscellaneous	(46)	(15)
Operating costs	**(759)**	**(1,089)**

The cost of "operations" includes:

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

16.6 General and administrative expenses

GENERAL AND ADMINISTRATIVE EXPENSES (Amounts in €'000)	12/31/2017	12/31/2016
Materials and supplies not for stock	(75)	(67)
Leases	(198)	(226)
Hardware, equipment and works	(106)	(135)
Insurance policies	(205)	(227)
Intermediary compensation Fees	(836)	(819)
Advertising	(24)	(10)
Travel, assignments and entertaining	(170)	(150)
Postal and telecommunication expenses	(55)	(65)
Banking services	(29)	(98)
Duties and taxes	(11)	(50)
Payroll expenses	(959)	(932)
Attendance fee	(30)	(17)
Depreciation and amortization of fixed assets	(42)	(39)
Share-based payments	(22)	(34)
Gain on lapsed trade payable	58	-
Miscellaneous	(1)	(15)
General costs	**(2,706)**	**(2,883)**

Note 17: Non-recurring operating income and expenses

Accounting principles

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

These may include:

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

Upon the sale of its Hip business in 2014, the Company transferred its distribution contracts to the purchaser, involving the modification of certain sales terms. One of the distributors alleges that this operation amounts to the cancellation of the sales agreement and is claiming damages.

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

While the Company is contesting these allegations, it cannot be sure of the outcome of this dispute, nor give any guarantees in this regard, nor predict the financial impacts it may have to bear due to these legal proceedings.

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

Note 18: Financial income and expenses, net

Accounting principles

Financial net income includes all:

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

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

FINANCIAL INCOME AND EXPENSES (Amounts in €'000)	**12/31/2017**	**12/31/2016**
Amortized cost of loans	(540)	(653)
Changes in the fair value of derivative liabilities	242	211
Other financial expenses	(44)	(29)
Financial income	(1)	15
Foreign exchange gains and (losses)	(30)	48
Total financial income and expenses	**(374)**	**(407)**

Note 19: Corporate income tax

Accounting principles

The tax assets and liabilities payable for the fiscal year and the previous fiscal years are valued at the amount which the Company expects to recover from or pay to the tax authorities.

The tax rates and the tax regulations used for determining these amounts are those which have been adopted or are in the course of adoption at the year-end date.

Deferred taxes are recognized, using the balance sheet liability method, for all temporary differences existing at the year-end date between the tax base of assets and liabilities and their carrying amount on the balance sheet, as well as on tax losses carried forward.

The principal temporary differences are related to the tax losses carried forward.

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

The total amount of the tax losses at December 31, 2017 is estimated at €70,710 thousand comprising:

- French tax losses which can be carried forward indefinitely, for €64,638 thousand;
- tax losses of the US subsidiary for USD 7,282 thousand of which:
  - $1,355 thousand constituted in 2017, with expiry in 2037,
  - $1,901 thousand constituted in 2016, with expiry in 2036,
  - $2,293 thousand constituted in 2015, expiring in 2035,
  - $1,631 thousand constituted in 2014, with expiry in 2034,
  - $102 thousand constituted in 2013, expiring in 2033.

The tax rate applicable to:

- Implanet SA is the current rate in force in France, namely 33.33%. This rate will gradually go down as from 2018, to 25% by 2022;
- Implanet America Inc. is 28.9%.

Reconciliation between the theoretical and effective tax charges

TAX PROOF (Amounts in €'000)	**12/31/2017**	**12/31/2016**
Total net income/(loss)	(6,612)	(7,288)
Consolidated tax expense	-	-
Net income before taxes	**(6,612)**	**(7,288)**
Current tax rate in France	33.33%	33.33%
Theoretical tax expense at the current rate in France	**2,204**	**2,429**
Permanent differences	175	61
Share-based payments	(31)	(52)
Non-activated tax loss adjusted for deferred taxation	(2,293)	(2,567)
Differences due to tax rates	(54)	130
Tax expense/income for the Group	**-**	**-**
Effective tax rate	**0%**	**0%**

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

Nature of the deferred taxes

NATURE OF DEFERRED TAXES (Amounts in €'000)	**12/31/2017**	**12/31/2016**
Timing differences	439	767
Losses carried forward	23,299	21,327
Total of the items treated as deferred tax assets	**23,737**	**22,094**
Timing differences	502	501
Total of the items treated as deferred tax liabilities	**502**	**501**
Net total of the items treated as deferred taxes	**23,236**	**21,593**
Unrecognized deferred taxes	**(23,236)**	**(21,593)**
Net total of deferred taxes	**-**	**-**

Note 20: Net earnings per share

Accounting principles

Basic earnings per share are calculated by dividing the net income attributable to holders of the Company's shares by the weighted average number of ordinary shares in circulation during the period.

Diluted earnings per share are determined by adjusting the net income attributable to holders of ordinary shares and the weighted average number of ordinary shares in circulation for the impact of all potentially dilutive ordinary shares.

If the inclusion of instruments giving a deferred right to the capital (BSAs, BSPCEs, stock options, etc.) within the calculation of diluted earnings per share generates an anti-dilutive effect, these instruments are not taken into account. Accordingly, the diluted earnings per share are identical to the basic earnings per share.

BASIC EARNINGS PER SHARE (Amounts in €'000)	**12/31/2017**	**12/31/2016**
Net income for the year	(6,612)	(7,288)
Weighted average number of shares in circulation	23,261,380	18,542,024
Basic earnings per share (€/share)	**(0.28)**	**(0.39)**
Diluted earnings per share (€/share)	**(0.28)**	**(0.39)**

Note 21: Segment information

Accounting principles

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

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

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

Note 22: Headcount

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

AVERAGE HEADCOUNT	**12/31/2017 (12 months)**	**12/31/2016 (12 months)**
Managers	30.1	33.3
Employees	19.5	19.7
Total average headcount	**49.6**	**53.0**

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

AVERAGE HEADCOUNT BY GEOGRAPHIC REGION	12/31/2017 (12 months)	12/31/2016 (12 months)
France	41.5	43.7
United States	8.1	9.4
Total average headcount	**49.6**	**53.0**

Note 23: Related parties

23.1 Transactions with related parties

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

23.2. Compensation of corporate officers

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

The compensation of the corporate officers breaks down as follows:

COMPENSATION OF CORPORATE OFFICERS (Amounts in €'000)	12/31/2017	12/31/2016
Fixed compensation due	480	471
Variable compensation due	67	35
Benefits in kind	27	15
Share-based payments	58	83
Advisers' fees	108	108
Attendance fees	30	17
TOTAL	**770**	**729**

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

Note 24: Off-balance sheet commitments

24.1 Commitment under the contract with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND)

Within the framework of the OCABSA contract signed on October 12, 2015 (see Note 10.3.2), the Company granted the following sureties and commitments to the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND:

- commitment (a) not to participate in any floating-rate financing, (b) not to pay dividends in the form of Company assets or shares, (c) not to issue transferable securities conferring a right to acquire equity without preferential subscription rights as part of an offer to qualified investors or a restricted group of investors without the prior approval of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND;
- company commitment not to enter into any mortgage, physical collateral, pledge of goodwill or guarantee against debt securities conferring a right to acquire equity without granting the same guarantees to the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND.

24.2 Commercial leases

Real estate leases

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

Real estate complex (administrative and logistics buildings):
Address Technopole Bordeaux Montesquieu - Allée François Magendie, 33650 Martillac, France
Term October 1, 2016 – September 30, 2026
Early departure: Possible at the end of the second three-year period
Annual rent excl. VAT and charges €212,000

Since April 2017, Implanet America Inc. occupies administrative buildings under a short-term lease to which the Company is bound up to March 31, 2018:
Address 60 State Street, Suite 700, Boston, Massachusetts, 02109, United States

Charges and commitments

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

REAL ESTATE LEASING CONTRACTS Commitments at 12/31/2017 (Amounts in €'000)		Effective start date of lease	Expiry date of lease	Leasing expenses excluding charges at 12/31/2017	Commitment until the next termination date		
					Due in less than 1 year	From one to five years	Due in more than 5 years
Martillac	Real estate complex (administrative & logistics buildings)	1/10/2016	09/30/2026	212	212	795	-
Boston	Administration building	4/1/2017	03/31/2018	79	15	-	-

24.3 Commitments in respect of operating leases

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

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

VEHICLE LEASES (Amounts in €'000)	Due in less than one year	From 1 to 5 years	Due in more than five years
Off-balance sheet commitments at 12/31/2016	58	41	-
Off-balance sheet commitments at 12/31/2017	77	47	-

24.5 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.

24.6 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 fiscal years presented.

Pledge of term accounts

- Pledge of a €150 thousand renewable term deposit account as collateral for an HSBC bank loan, maturing in 2020.
- Pledge of a €200 thousand term deposit account as collateral for a Banque Courtois bank loan, maturing in 2020.

Bank sureties

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

Note 25: Management and measurement of financial risks

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

Interest rate risk

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

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

Credit risk

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

The Company distributes its implants to distributors and to public and private hospitals.

The credit risk on these healthcare facilities and distributors is low. Furthermore, the customer payment terms comply with the requirements of the Modernization of the Economy Act (LME).

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

With regard to the concentration of credit risk, one distributor accounted for more than 10% of consolidated revenue at December 31, 2017. The revenue generated with this distributor in France accounted for 22% of the Group's revenue at December 31, 2017.

Currency risk

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

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

Equity risk

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

Note 26: Fees of the Statutory auditors

FEES PAID TO STATUTORY AUDITORS	2017 fiscal year				2016 fiscal year			
	Ernst & Young		INKIPIO AUDIT		Ernst & Young		INKIPIO AUDIT	
(Amounts in €'000)	Amount excl. taxes	%	Amount excl. taxes	%	Amount excl. taxes	%	Amount excl. taxes	%
Statutory audit work (1)	43	74%	33	72%	80	75%	38	48%
Other services and due diligence directly linked to the statutory audit work	9	16%	13	28%	26	25%	42	52%
Subtotal	**52**	**91%**	**45**	**100%**	**106**	**100%**	**80**	**100%**
Other services rendered								
- Tax	1	2%	-	0%	-	0%	-	0%
- Other	4	7%	-	0%	-	0%	-	0%
Subtotal	**5**	**9%**	**-**	**0%**	**-**	**0%**	**-**	**0%**
Total fees	**57**	**100%**	**45**	**100%**	**106**	**100%**	**80**	**100%**

20.2. PRO FORMA FINANCIALS

Not applicable

20.3. FINANCIAL STATEMENTS OF IMPLANET SA FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

BALANCE SHEET - ASSETS

IMPLANET Balance sheet assets (in €'000)	Notes	12/31/2017 Amount	Amort. Prov.	Net carrying amount	12/31/2016 Net carrying amount
Capital subscribed but not called					-
INTANGIBLE FIXED ASSETS					
Incorporation expenses					
Development expenses					
Concessions, patents and similar rights	3.1	379	379	(0)	1
Other intangible fixed assets	3.1				
PROPERTY, PLANT AND EQUIPMENT					
Land					
Buildings					
Technical installations, equipment & tooling	3.1	3,451	2,868	582	644
Other property, plant and equipment	3.1	359	337	22	44
Fixed assets in progress	3.1				
Advances and payments on account					
LONG-TERM FINANCIAL ASSETS					
Other investments	3.2	7,261	2,437	4,824	247
Other long-term financial assets	3.2	176	46	130	370
TOTAL FIXED ASSETS		**11,627**	**6,067**	**5,559**	**1,306**
INVENTORIES AND WORK IN PROGRESS					
Raw materials & supplies	4	59		59	65
Intermediate and finished products	4	5		5	9
Goods for resale	4	3,642	490	3,151	3,263
Advances & down-payments paid on orders					15
RECEIVABLES					
Trade receivables & related accounts	5	1,451	368	1,083	3,017
Other receivables	5	1,609	587	1,022	3,215
Capital subscribed and called but not paid					
MISCELLANEOUS					
Marketable securities	6	300		300	300
Cash and cash equivalents	6	3,577		3,577	7,031
PREPAYMENTS AND ACCRUALS					
Prepaid expenses	7	140		140	180
TOTAL CURRENT ASSETS		**10,782**	**1,445**	**9,337**	**17,096**
Bond redemption premium	11	0		0	0
Translation differences - assets		24		24	4
TOTAL ASSETS		**22,432**	**7,513**	**14,920**	**18,405**

BALANCE SHEET - LIABILITIES

IMPLANET Balance sheet liabilities (in €'000)	Notes	12/31/2017	12/31/2015
SHAREHOLDERS' EQUITY			
Share or individual capital	8	1,380	14,914
Issue, merger & contribution premiums	8	17,136	371
Revaluation variance			
Legal reserve			
Statutory or contractual reserves			
Regulated reserves (3) (inc. res. curr. prov.			4,593
Other reserves (inc. purchase of orig. works)			
Retained earnings	8	(3,200)	
NET INCOME FOR THE YEAR (profit or loss)		(5,382)	(7,793)
Investment subsidies			
Regulated provisions			
TOTAL SHAREHOLDERS' EQUITY		**9,933**	**12,084**
OTHER SHAREHOLDERS' EQUITY			
Income from issues of investment securities			
Conditional advances			
TOTAL OTHER SHAREHOLDERS' EQUITY			
PROVISIONS FOR LIABILITIES AND EXPENSES			
Provisions for liabilities	10	599	59
Provisions for expenses			
TOTAL PROVISIONS		**599**	**59**
LIABILITIES			
Convertible bond issues	11	10	10
Other bond issues	11		1,119
Loans and debts due to financial institutions	12	440	254
Loans and financial debt Miscellaneous (1)	13	800	890
Advances and down-payments received on orders in progress			
Trade and other accounts payable	14	2,285	1,960
Tax and social security liabilities	14	819	723
Liabilities on fixed assets and related accounts			
Other liabilities	14	31	558
PREPAYMENTS AND ACCRUALS			
Deferred income			
TOTAL DEBT		**4,385**	**5,513**
Translation differences - liabilities		2	749
TOTAL LIABILITIES AND EQUITY		**14,920**	**18,405**

(1) The "Loans and miscellaneous financial debts" comprise an interest-free loan for innovation (€800 thousand).

INCOME STATEMENT

IMPLANET Income statement (in €'000)	Notes	12/31/2017 12 months	12/31/2016 12 months
OPERATING INCOME			
Sales of merchandise	16	6,568	6,375
Production sold	16	87	228
NET REVENUE		**6,655**	**6,602**
Stored production		1	(3)
Operating subsidies		-	-
Reversals of depreciation, amortization and provisions, transfer of expenses		630	1,230
Other income		95	16
TOTAL OPERATING INCOME		**7,381**	**7,845**
OPERATING EXPENSES			
Purchases of goods for resale		3,438	4,002
Change in inventories of goods for resale		164	(163)
Purchases of raw materials and other supplies		107	115
Change in inventories of raw materials and supplies		(1)	15
Other purchases and external expenses		4,052	4,193
Taxes, duties and similar payments		57	104
Salaries and benefits		2,521	2,346
Social Security charges		1,170	1,086
OPERATING ALLOCATIONS		-	-
Allocations to depreciation and amortization on fixed assets		423	445
Allocations to provisions on current assets		56	65
Allocations to provisions for liabilities and expenses		75	-
Other expenses		260	756
TOTAL OPERATING EXPENSES		**12,322**	**12,965**
NET OPERATING INCOME		**(4,941)**	**(5,119)**
Financial income	18	3,438	321
Financial expenses	18	3,587	2,200
NET FINANCIAL INCOME		**(149)**	**(1,879)**
RECURRING NET INCOME BEFORE TAXES		**(5,090)**	**(6,998)**
Non-recurring income	19	-	36
Non-recurring expenses	19	556	1,033
NON-RECURRING NET INCOME		**(556)**	**(998)**
Employees' investment in the Company's results		-	-
Corporation Tax	20	(264)	(203)
PROFIT OR LOSS FOR THE YEAR		**(5,382)**	**(7,793)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

Note 1: Presentation of the business and significant events

The information set out below constitutes the Notes to the annual financial statements which form an integral part of the financial statements presented for the fiscal year ended December 31, 2017.

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

The financial statements at December 31, 2017 were approved by the Board of Directors on March 13, 2018.

1.1 Information relating to the Company and its business

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

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

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

Address of the registered office:

Technopole Bordeaux Montesquieu - Allées François Magendie - 33650 Martillac, France

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

Registry number: RCS 493 845 341 - Bordeaux, France

1.2 Significant events

Fiscal year ended December 31, 2017

<u>January 2017:</u>

- european Patent granted by the European Patent Office ("EPO") for the universal tensioning system for the JAZZ® implant;

- FDA 510(k) and European (CE) regulatory marketing authorization obtained for the new Jazz Frame® implant.

March 2017:

- patent for Jazz Lock® obtained in France;

- signature of an exclusive distribution partnership in Australia and New Zealand.

May 2017:

- capital decrease by an amount of €14,092,039.65 through a reduction in the nominal value of the shares from €0.70 to €0.05;

- renegotiation of the financing terms implemented in October 2015 with EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND) with the aim of canceling the share subscription warrants (the "warrants") attached to the remaining 340 OCAs to be issued. The warrants attached to all new tranches of bonds convertible into shares (OCAs) will be immediately sold to the Company at an overall price of €0.01, for cancelation by the Company;

- issue of an additional tranche of convertible bonds with warrants attached (OCABSAs) for a nominal amount of €1,500,000.

June 2017:

- american FDA 510(k) and European (CE) authorizations obtained for the marketing of the new Jazz™ braid.

July 2017:

- transfer of listing from the Euronext regulated market in Paris (compartment C) to the Euronext Growth continuous multilateral trading facility. This admission was carried out as part of an admission to trading procedure for existing shares, without admission of new shares;
- capital increase for the subsidiary, Implanet America, for an amount of €7,014 thousand ($8,000 thousand) by incorporation in its current account and its operating receivables, for respectively €4,585 thousand and €2,429 thousand.

September 2017:

- publication of a White Paper and presentation to the SRS Conference (Scoliosis Research Society) of the results of an independent radiological analysis on the use of the Jazz implant, showing the perfect axial derotation whilst maintaining saggital balance;

- FDA approval obtained in the United States for the new JAZZTM Passer solution, dedicated to posterior fixation spinal treatments, compatible with all JAZZTM platform connector implants;

- signature of a loan for €210 thousand for the purpose of "surgical instrument financing". This 3-year loan was guaranteed by a pledge of a long term deposit account for €200 thousand;

- two new patents obtained for the JAZZ™ platform from the US Patent and Trademark Office - USPTO);

October 2017:

- european (CE) marking obtained for the marketing of the JAZZ® Passer solution.

November 2017:

- completion of a €1.75 million fund raising with American institutional investors in November 2017 through the issue of 3,500,000 shares with share subscription warrants ("ABSAs") at the price of €0.50 each (including the issue premium). This fund raising generated a capital increase of €175 thousand and an issue premium of €1,575 thousand.

December 2017:

- signature of a "Memorandum of Understanding" for the purpose of implementing a strategic partnership with the Korean company, L&K BIOMED;

- end of the redemption of the bond issue signed in 2013 with Kreos Capital IV (UK) Ltd. In guarantee of this loan, this contract stipulated the pledge of goodwill and intellectual property (IP). The pledge was released on February 6, 2018.

The Company also carried out a capital increase of €383 thousand during the 2017 fiscal year following the conversion of 150 OCAs and the exercise of 105,012 warrants held by European Select Growth Opportunities Fund (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND).

Note 2: Accounting principles, rules and methods

2.1 Principle for preparation of the financial statements

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

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

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

- going concern;
- consistency of accounting methods from one year to the next, with the exception of foreign exchange gains and losses on commercial receivables following the change in regulations (see Notes 2.2 Transactions denominated in foreign currencies);
- 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:

- the Company's cash flow (€3.6 million);
- its cash balances (€0.3 million);

Moreover, the Company implemented a new convertible bond financing of €5 million with EUROPEAN SELECT GROWTH OPPORTUNITIES FUND. This new bond issue cancels and replaces the balance of €1.9 million outstanding on the previous financing program signed in October 2015.

On March 7, 2018, the Company issued a first tranche of €1 million. The following €0.5 million tranches may be called up at the Company's discretion subject to certain customary conditions.

Lastly, the Company is also examining possible additional financing to fund new developments, which could involve a capital increase, particularly if the Company is no longer able to use the above credit line, or if it decides not to use it.

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; particularly JAZZ (posterior fixture and spinal deformity reduction system): biomechanical tests, filing of patents, protection of intellectual property;
- 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 Transactions denominated in foreign currencies

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

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

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

Pursuant to ANC ruling 2015-05, for the first time, the Company classified the foreign exchange gains and losses on commercial receivables in its net operating income. The resulting impact on the Company's annual financial statements is not significant.

2.3 Research tax credit

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

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

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

2.4 Research and Development expenses

Research and Development costs are recognized as expenses.

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

3.1: Intangible fixed assets, property, plant and equipment

Accounting principles

Intangible fixed assets

Intangible fixed assets mainly comprise licenses and software development.

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

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

The expenditure related to the registration of patents and to product development is recognized in expenses for an amount of €912,591.

Property, plant and equipment

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

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

The depreciation terms and methods used are principally the following:

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

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

The latter are recognized under property, plant and equipment when they are delivered to healthcare facilities.

Where this is not the case, they are presented under inventories and are considered to be available for sale.

Summary

GROSS VALUE OF FIXED ASSETS (Amounts in €'000)	12/31/2016	Acquisitions	Disposals	12/31/2017
Incorporation and development expenses	0	0	0	0
Other intangible fixed assets	375	5	0	379
Intangible fixed assets in progress	0	0	0	0
Total intangible fixed assets	**375**	**5**	**-**	**379**
Technical installations, equipment and tooling	3,708	356	613	3,451
General installations, fixtures & fittings	98	0	11	87
Transport equipment	0	0	0	0
Office and IT equipment and furniture	264	8	0	272
Property, plant and equipment in progress	0	0	0	0
Total property, plant and equipment	**4,070**	**363**	**624**	**3,810**
GRAND TOTAL	**4,444**	**368**	**624**	**4,189**

AMORTIZATION AND DEPRECIATION OF FIXED ASSETS (Amounts in €'000)	12/31/2016	Allocations	Reversals	12/31/2017	Net values 12/31/2017
Incorporation and development expenses	0	0	0	-	-
Other intangible fixed assets	374	5	0	379	0
Intangible fixed assets in progress	0	0	0	-	-
Total intangible fixed assets	**374**	**5**	**-**	**379**	**0**
	0	0	0		
Technical installations, equipment and tooling	3,064	398	595	2,867	583
General installations, fixtures & fittings	86	2	0	87	(0)
Transport equipment	0	0	0	-	-
Office and IT equipment and furniture	233	18	0	251	21
Property, plant and equipment in progress	0	0	0	-	0
Total property, plant and equipment	**3,382**	**418**	**595**	**3,205**	**604**
GRAND TOTAL	**3,756**	**423**	**595**	**3,585**	**605**

The technical installations, equipment and tooling principally comprise ancillary devices commissioned when they are delivered to healthcare facilities.

3.2 Long-term financial assets

Accounting principles

Investment securities are entered in the balance sheet at their acquisition cost. Their value is assessed annually with reference to their value in use, which is based in particular on the actual and forecast profitability of the subsidiary concerned and the proportion of shareholders' equity that is held. If necessary, a depreciation is recognized by means of a provision, if the value in use falls below the acquisition cost.

Loans and receivables are valued at their nominal value. These items are, if necessary, depreciated by means of a provision to reduce them to their value in use at the closing date of the fiscal year.

Treasury shares are compared with their probable trading value and depreciated if necessary.

Summary

GROSS VALUE OF FIXED ASSETS (Amounts in €'000)	12/31/2016	Acquisitions	Disposals	12/31/2017
Other investments	247	7,014	-	7,261
Other long-term financial assets	424	5	253	176
Total long-term financial assets	**671**	**7,019**	**253**	**7,437**

AMORTIZATION AND DEPRECIATION OF FIXED ASSETS (Amounts in €'000)	12/31/2016	Allocations	Reversals	12/31/2017	Net values 12/31/2017
Other investments	0	2,437	0	2,437	4,824
Other long-term financial assets	54	286	294	46	130
Total long-term financial assets	**54**	**2,723**	**294**	**2,483**	**4,955**

Long-term financial assets essentially comprise:

- holding of shares in the subsidiary Implanet America Inc. for €7,261 thousand ($8,300 thousand);
- guarantee deposits paid under the terms of operating leases for the French premises;
- a liquidity contract (cash reserve for €35 thousand and treasury shares for €111 thousand).

Liquidity contract

Following its listing on the Paris Euronext regulated stock market, the Company initially signed a liquidity contract on November 20, 2013 with Banque Oddo et Cie in order to limit the intra-day volatility of Implanet shares.

This contract was transferred to TSAF – Tradition Securities And Futures on December 1, 2017.

Considering the purchases and sales made during the 2017 fiscal year, the balance of the liquidity contract was 156,000 shares at December 31, 2017. At that date, the cash reserve related to the liquidity contract was €36 thousand.

Note 4: Inventories

Accounting principles

Inventories are measured using the weighted average unit cost method.

The gross value of the goods and raw materials includes the purchase price and any incidental expenses.

A provision for impairment of inventories is determined on a statistical basis using the average consumption period for products in inventories and its potential impact on the term remaining until the expiry date of said products.

Summary

INVENTORIES (Amounts in €'000)	**12/31/2017**	**12/31/2016**
Inventories of raw materials	59	65
Inventories of goods for resale	2,893	3,262
Inventories of semi-finished products	5	9
Inventories of ancillary devices and instruments	748	531
Gross total inventories	**3,706**	**3,867**
Impairment of inventories of raw materials	0	-
Impairment of inventories of goods for resale	(405)	(469)
Impairment of stocks of ancillary devices and instruments	(85)	(61)
Total impairment of inventories	**(490)**	**(530)**
Net total inventories	**3,215**	**3,337**

Composition of the inventories

Inventories of raw materials essentially comprise polymer components, reels of wire (manufacture of the Jazz braid), product manuals and packaging.

Inventories of goods for sale principally comprise the various categories of implants for arthroscopy, spines and knees.

Inventories of ancillary devices and instruments comprise new equipment available for sale and not made available to healthcare facilities.

Note 5: Receivables

Accounting principles

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

Other receivables comprise the nominal value of the research tax credit, which is recognized under assets in the year of acquisition corresponding to the fiscal year during which eligible expenses giving rise to the tax credit were incurred.

In accordance with the General Accounting Plan information sheet of February 28, 2013, the Competitiveness and employment tax credit (*Crédit d'Impôt Compétitivité Emploi* - CICE) is recorded as a deduction of payroll expenses. The Company used this tax credit in Research and Development.

Summary

5.1 Trade receivables

TRADE RECEIVABLES AND RELATED ACCOUNTS (Amounts in €'000)	12/31/2017	12/31/2016
Trade receivables and related accounts	1,451	3,346
Gross total trade receivables and related accounts	**1,451**	**3,346**
Impairment of trade receivables and related accounts	(368)	(329)
Total impairments of trade receivables and related accounts	**(368)**	**(329)**
Net total trade receivables and related accounts	**1,083**	**3,017**

The Company's products are sold to public and private hospitals and to distributors (including the Implanet America Inc. subsidiary). The risk of default has been assessed as low.

The impairment of customer receivables is established on a case-by-case basis based on the estimated risk of non-recovery.

For the 2017 fiscal year, no bad debts were recognized in expenses.

5.2 Details of the receivables and breakdown by maturity

The table below shows the detail of the "Receivables" item at December 31, 2017 as well as their breakdown into receivables due in less than one year or in more than one year:

(Amounts in €'000)	12/31/2017		
	Gross Amount	Due in less than 1 year	Due in more than 1 year
Fixed assets			
Other long-term financial assets	176	-	176
Total fixed assets	**176**	**-**	**176**
Current assets			
Trade receivables (1)	1,451	1,074	377
Employees and related accounts	24	24	
State - Research tax credit (2)	264	264	
State - Business competitiveness tax credit (3)	48	48	
Value added tax	302	302	
Trade payable debit balances	-	-	
Factor - guarantee fund	72	72	
Factor - available reserve and other receivables	285	285	
Group (4)	587		587
Other debtors	27	27	
Total current assets	**3,059**	**2,096**	**963**
Prepaid expenses	140	140	
Grand total	**3,376**	**2,236**	**1,139**

(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 2017: €264 thousand reimbursement expected in 2018;
- CIR 2016: €203 thousand, repaid in November 2017.

(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 2017: €48 thousand repayment request made in 2018;
- CICE 2016: €42 thousand repaid in June 2017.

(4) Group receivables relate to the Implanet America Inc. subsidiary.
In July 2017, the Company decided to recapitalize its subsidiary, Implanet America Inc., through the compensation of its receivables and current accounts for €4,585 thousand and €2,429 thousand respectively. As a consequence, the provision for impairment of the current account of €2,918 thousand recorded at the end of the 2016 fiscal year was fully reversed.
Given future cash flow at the subsidiary, a new provision of €587 thousand for impairment of current account was recognized at the end of the 2017 fiscal year.

Note 6: Marketable securities and cash

Accounting principles

Marketable securities appear in the assets at their acquisition value.

Any provisions for impairment are determined by comparing the acquisition value with the probable realizable value.

Summary

The table below sets out details of the marketable securities and net cash:

(Amounts in €'000)	12/31/2017	12/31/2016
	Value in use	Value in use
Medium-term bonds (1)	300	300
Term accounts (2)	1,050	1,350
Bank accounts and cash	2,527	5,681
Total Marketable Securities and Net Cash Balances	**3,877**	**7,331**

(1) Including, at December 31, 2017:
- a medium-term negotiable note (BMTN) of €300 thousand maturing in 2019, with early redemption possible.

(2) Including, at December 31, 2017:
- a €700 thousand term deposit maturing in 2021 with early redemption possible;
- a €200 thousand term deposit maturing in 2018, pledged in favor of Banque Courtois as security for the €210 thousand loan taken out in 2017;
- a €150 thousand term deposit renewed every six months and pledged in favor of HSBC as security for the €200 thousand loan signed in 2017 with this bank.

Note 7: Prepayments and accruals

The amount of prepaid expenses is broken down by type as follows:

PREPAID EXPENSES (Amounts in €'000)	12/31/2017	12/31/2016
Real estate leases	53	60
Equipment leases	15	8
Insurance policies	14	17
IT Maintenance	14	8
Fees	29	68
Miscellaneous	15	19
Total prepaid expenses	**140**	**180**

The amount of prepaid expenses only concerns operating expenses.

There were no prepaid expenses at December 31, 2016 and 2017.

Note 8: Shareholders' equity

8.1 Changes in shareholders' equity

The change in shareholders' equity over the 2017 and 2016 fiscal years is detailed as follows:

IMPLANET Changes in shareholders' equity Amounts in €'000	Capital *Number of shares*	Capital	Issue premiums	Retained earnings	Reserves and net income	Shareholders' equity
At December 31, 2016	**21 305 061**	**14 914**	**371**	**4 593**	**(7 793)**	**12 084**
Appropriation of the 2016 net income		-	-	(7 793)	7 793	-
2017 net income		-	-	-	(5 382)	(5 382)
Capital decrease		(14 092)	14 092	-	-	-
Allocation of retained earnings on issue premiums	*3 500 000*	175	1 575	-	-	1 750
Issue of shares	*2 412 501*	121	1 364	-	-	1 484
Conversion of bonds	*375 000*	263	0	-	-	263
Share subscription warrants (BSA)		-	3	-	-	3
Share issue costs		-	(269)	-	-	(269)
At December 31, 2017	**27 592 562**	**1 380**	**17 136**	**(3 199)**	**(5 382)**	**9 934**

The Ordinary General Shareholders' Meeting of May 5, 2017, decided to allocate the 2016 losses of €7,792,520 as follows:

- €4,592,558.66 to the special reserve account from the capital reduction decided on May 24, 2016, which is thus fully cleared;
- €3,199,961.34 to the retained earnings account.

The Extraordinary General Shareholders' Meeting of May 22, 2017 resolved to carry out a capital decrease for reasons other than losses, in the amount of €14,092,039.65, by reducing the nominal value of the shares from €0.70 to €0.05. This reduction was allocated on issue premiums.

During the 2017 fiscal year, the Company also carried out a capital increase of €558 thousand following:

- the raising of funds with American institutional investors in November 2017 through the issue of 3,500,000 shares with share subscription warrants ("ABSAs") at the price of €0.50 each (including the issue premium);
- the exercise of 105,012 BSAs held by the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND) generating the issue of 375,000 shares with a nominal value of €0.70;
- the conversion of 150 bonds held by the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND) generating the issue of 2,412,501 shares with a nominal value of €0.05.

8.2 Composition of the share capital and detail by class of shares

COMPOSITION OF THE SHARE CAPITAL	12/31/2017	12/31/2016
Capital (in €'000)	1,380	14,914
Number of shares	27,592,562	21,305,061
of which, Ordinary shares	27,592,562	21,305,061
Nominal value (in euro)	$ 0.05	$ 0.70

The share capital amounted to €1,379,628. It is divided into 27,592,562 ordinary shares which are fully subscribed and paid up with a nominal value of €0.05.

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

Management of capital

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

In this respect, a liquidity contract was signed on November 20, 2013 with Banque Oddo et Cie. This contract was transferred to TSAF – Tradition Securities And Futures on December 1, 2017.

At December 31, 2017, the Company held 156,000 treasury shares.

8.3 Distribution of dividends

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

Note 9: Equity instruments

9.1 Share subscription warrants (BSAs)

The table below summarizes the data related to the plans issued:

Type	Award date	Features of the plans			
		Total number of options awarded	Exercise period	Initial exercise price	Adjusted exercise price (1) (2) (3)
BSA 09/11	AGM of 09/26/2011	**60 000**	10 years	€ 1,00	€ 8,21
BSA 05/12	AGM of 06/29/2012	**10 245**	10 years	€ 1,00	€ 8,21
BSA 2012	AGM of 06/29/2012	**165 000**	10 years	€ 1,50	€ 12,31
BSA 09/2012	AGM of 10/11/2012	**100 000**	10 years	€ 1,50	€ 12,31
BSA 01/2013	AGM of 01/22/2013	**25 000**	10 years	€ 1,50	€ 12,31
BSA 01/2014	Board meeting of 01/08/2014	**27 398**	10 years	€ 6,68	€ 5,48
BSA 07/2015	Board meeting of 07/15/2015	**44 699**	10 years	€ 2,89	€ 2,75
BSA 07/2016 T1	Board meeting of 07/11/2016	**56 000**	10 years	€ 1,33	€ 1,27
BSA 07/2016 T2	Board meeting of 07/11/2016	**30 000**	10 years	€ 1,33	€ 1,27
BSA 09/2017 (4)	Board meeting of 09/19/2017	**60 000**	10 years	€ 0,66	N/A

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

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

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

(4) These warrants were not adjusted to parity given there were no warrants in circulation on the adjustment date (Board of Directors' decision of November 17, 2016).

The vesting period for the plans issued is as follows:

Type	Vesting period			12/31/2017	
				Number of exercisable warrants	Number of warrants in the process of being vested
BSA 09/11				60,000	-
BSA 05/12				10,245	-
BSA 2012		All options on award date		40,000	-
BSA 09/2012				100,000	-
BSA 01/2013				25,000	-
BSA 01/2014	1/3 on 01/08/2015	1/3 on 7/08/2015	1/3 on 1/08/2016	16,199	-
BSA 07/2015	1/3 on 7/01/2016	1/3 on 7/01/2017	1/3 on 7/01/2018	29,799	14,900
BSA 07/2016 T1	1/3 on 7/01/2017	1/3 on 7/01/2018	1/3 on 7/01/2019	18,667	37,333
BSA 07/2016 T2		All options on award date		30,000	-
BSA 09/2017	1/3 on 09/19/2018	1/3 on 09/19/2019	1/3 on 09/19/2020	-	40,000
				329,910	**92,233**

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

Type	Award date	Number of options outstanding					Maximum number of subscribable shares (1) (2) (3)
		12/31/2016	Awarded	Exercised	Void	12/31/2017	
BSA 09/11	AGM of 09/26/2011	60,000				60,000	7,308
BSA 05/12	AGM of 6/29/2012	10,245				10,245	1,248
BSA 2012	AGM of 6/29/2012	40,000				40,000	4,872
BSA 09/2012	AGM of 10/11/2012	100,000				100,000	12,180
BSA 01/2013	AGM of 1/22/2013	25,000				25,000	3,045
BSA 01/2014	Board meeting of 01/08/2014	16,199				16,199	19,730
BSA 07/2015	Board meeting of 7/15/2015	44,699				44,699	46,934 *
BSA 07/2016 T1	Board meeting of 7/11/2016	56,000				56,000	58,800 *
BSA 07/2016 T2	Board meeting of 7/11/2016	30,000				30,000	31,500
BSA 09/2017 **	Board meeting of 9/19/2017		60,000		(20,000)	40,000	40,000 *
Total		**382,143**	**60,000**	**-**	**(20,000)**	**422,143**	**225,617**

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

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

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

9.2 Founders' warrants (BSPCEs)

The table below summarizes the data related to the plans issued:

Type	Award date	Features of the plans			
		Total number of options awarded	Exercise period	Initial exercise price	Adjusted exercise price (1) (2) (3)
BSPCE 12/2007	Board meeting of 12/29/2007	**100,000**	10 years	€ 1.50	€ 12.31
BSPCE 02/2009	Board meeting of 02/05/2009	**106,500**	10 years	€ 1.50	€ 12.31
BSPCE 03/2010	Board meeting of 04/22/2010	**167,500**	10 years	€ 1.50	€ 12.31
BSPCE 06/2011	Board meeting of 04/06/2011	**269,000**	10 years	€ 1.50	€ 12.31
BSPCE 09/2011	Board meeting of 11/18/2011	**103,500**	10 years	€ 1.50	€ 12.31
BSPCE 03/2016	Board meeting of 03/24/2016	**370,000**	10 years	€ 1.50	€ 1.43
BSPCE 07/2016 T1	Board meeting of 7/11/2016	**209,488**	10 years	€ 1.33	€ 1.27
BSPCE 07/2016 T2	Board meeting of 7/11/2016	**50,000**	10 years	€ 1.33	€ 1.27

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

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

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

The vesting period for the plans issued is as follows:

Type	Vesting period			12/31/2017	
				Number of exercisable warrants	Number of warrants in the process of being vested
BSPCE 02/2009	1/3 by calendar year from granting date			13,000	-
BSPCE 03/2010				30,000	-
BSPCE 06/2011				68,000	-
BSPCE 09/2011				49,000	-
BSPCE 03/2016	1/3 on 04/01/2017	1/3 on 04/01/2018	1/3 on 04/01/2019	123,000	246,000
BSPCE 07/2016 T1	1/3 on 07/11/2016	1/3 on 07/01/2017	1/3 on 07/01/2018	138,175	69,088
BSPCE 07/2016 T2	1/3 on 07/01/2017	1/3 on 07/01/2018	1/3 on 07/01/2019	16,667	33,333
				437,842	**348,421**

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

Type	Award date	Number of options outstanding					Maximum number of subscribable shares (1) (2) (3)
		12/31/2016	Awarded	Exercised	Void	12/31/2017	
BSPCE 12/2007	Board meeting of 12/29/2007	20,000			(20,000)	-	-
BSPCE 02/2009	Board meeting of 2/05/2009	13,000				13,000	1,583
BSPCE 03/2010	Board meeting of 4/22/2010	30,000				30,000	3,654
BSPCE 06/2011	Board meeting of 4/06/2011	68,000				68,000	8,283
BSPCE 09/2011	Board meeting of 11/18/2011	49,000				49,000	5,969
BSPCE 03/2016	Board meeting of 03/24/2016	369,000				369,000	387,450 *
BSPCE 07/2016 T1	Board meeting of 07/11/2016	209,488			(2,225)	207,263	217,626 *
BSPCE 07/2016 T2	Board meeting of 7/11/2016	50,000				50,000	52,500 *
Total		**808,488**	-	-	**(22,225)**	**786,263**	**677,065**

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

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

9.3 Stock options

The table below summarizes the data related to the plans issued:

Type	Award date	Features of the plans			
		Total number of options awarded	Exercise period	Exercise price	Adjusted exercise price (1)
Stock option 07/2015	Board meeting of 07/15/2015	**22,500**	10 years	€ 2.66	€ 2.53
Stock option 03/2016	Board meeting of 03/24/2016	**70,000**	10 years	€ 1.50	€ 1.43

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

The vesting period for the plans issued is as follows:

Type	Vesting period			12/31/2017	
				Number of exercisable warrants	Number of warrants in the process of being vested
Stock option 07/2015	1/3 on 09/01/2016	1/3 on 09/01/2017	1/3 on 09/01/2018	8,333	4,167
Stock option 03/2016	1/3 on 04/01/2017	1/3 on 04/01/2018	1/3 on 04/01/2019	23,333	46,667
				31,667	**50,833**

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

Type	Award date	Number of options outstanding					Maximum number of subscribable shares (1)
		12/31/2016	Awarded	Exercised	Void	12/31/2017	
Stock option 07/2015	Board meeting of 07/15/2015	22,500			(10,000)	12,500	13,125 *
Stock option 03/2016	Board meeting of 03/24/2016	70,000				70,000	73,500 *
Total		**92,500**	-	-	**(10,000)**	**82,500**	**86,625**

** Note that these warrants are in the process of being vested.*
(1) Following the adjustment to parity as described above.

9.4 Equity instruments awarded to executives

	Issue and award decision	Type	Issued, awarded and subscribed	Awarded and likely to be subscribed	Exercisable at closing 12/31/2016	Exercisable subject to conditions	Number of subscribable shares (1)
Ludovic Lastennet	03/24/2016	Founders' warrant (BSPCE)	140,000		46,667	93,333	*147,000*
	7/11/2016	Founders' warrant (BSPCE)	112,601		75,068	37,533	*118,231*
	TOTAL		**252,601**	-	**121,735**	**130,866**	***265,231***
Jean-Gérard Galvez	10/11/2012	Warrant (BSA)	50,000		50,000		*6,090*
	01/22/2013	Warrant (BSA)	25,000		25,000		*3,045*
	7/11/2016	Founders' warrant (BSPCE)	32,719		21,812	10,907	*34,355*
	7/11/2016	Founders' warrant (BSPCE)	50,000		16,667	33,333	*52,500*
	TOTAL		**157,719**	-	**113,479**	**44,240**	***95,990***

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

Note 10: Provisions for liabilities and expenses and for impairment

Accounting principles

Provisions for liabilities and expenses

These provisions, recognized in compliance with CRC Regulation No. 2000-06, are intended to cover the liabilities and expenses which current or past events make probable, whose amount is quantifiable in terms of their scope, but for which the realization, due date or amount are uncertain.

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

	12/31/2017				
PROVISIONS (Amounts in €'000)	**Amount at start of year**	**Allocations**	**Reversals**	**Release of surplus provisions**	**Amount at year end**
Provisions for legal disputes	55	531	10	-	576
Provisions for foreign exchange losses	4	24	4	-	24
Total provisions for liabilities and expenses	**59**	**554**	**14**	**-**	**599**
	Amount at start of year	**Allocations**	**Reversals**	**Release of surplus provisions**	**Amount at year end**
Provisions on other investments	0	2,437	0		2,437
Long-term financial assets	54	46	54		45
Provisions for inventories and work in progress	530	17	57		490
Provisions for trade receivables	329	40	0		368
Provisions for other receivables	2,918	587	2,918		587
Total provisions for depreciation and amortization	**3,830**	**3,126**	**3,029**	**-**	**3,927**
Grand total	**3,889**	**3,680**	**3,042**	**-**	**4,526**

On December 31, 2017, the Company recorded provisions for legal disputes of €531 thousand, mainly due to a commercial dispute.

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

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

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

While the Company is contesting these allegations, it cannot be sure of the outcome of this dispute, nor give any guarantees in this regard, nor predict the financial impacts it may have to bear due to these legal proceedings.

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

Lastly, a reversal of provision was recorded for €10 thousand for a completed dispute.

The amount of provisions for risks and litigation is therefore €575 thousand at December 31, 2017.

Provisions for impairment

- See Note 3.2 for impairments of long-term financial assets
- See Note 4 for impairments of inventories
- See Note 5 for impairments of receivables

Note 11: Bond issue

CHANGES IN BOND ISSUES (Amounts in €'000)	**Non-convertible KREOS bond issue**	**Convertible bonds with warrants attached L1 Capital**	**Total**
At December 31, 2016	**1,119**	**10**	**1,129**
(+) Subscription		1,485	1,485
(+) Redemption premium		15	15
(-) Redemption	(1,063)		(1,063)
(+) Capitalized interest/accretion	(56)		(56)
(+/-) Translation		(1,490)	(1,490)
At December 31, 2017	**0**	**10**	**10**

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 €5.0 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 transactions were implemented 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 (BSAs) 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 €113 thousand were paid at the time of issue and €73 thousand are payable at 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%.

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 abovementioned 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 €191 thousand to €94 thousand;
- the annual interest rate remains at 11.5%;

On April 24, 2015, the Company also entered into an agreement to issue 18,473 share subscription warrants to KREOS, validated by the General Shareholders' Meeting of June 24, 2015. These share subscription warrants (BSAs) have the following characteristics:

- number of shares to be issued: 18,473;
- subscription price: €2.91 ;
- terms and conditions identical to those for the 2013 KREOS share subscription warrants.

At December 31, 2017, the total number of BSAs allocated to KREOS CAPITAL IV (UK) LTD is 83,473 warrants, giving the right to subscribe to 98,567 new shares.

The amount of repayment during the 2017 fiscal year is €1,063 thousand, to be fully repaid at December 31, 2017. The Company's pledge on goodwill was raised on February 6, 2018.

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

On October 12, 2015, the Company entered into an OCABSA contract with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND, enabling the Company to potentially raise €5 million at its discretion. This contract was subject to successive amendments on October 21, 2015, March 24, 2016 and May 29, 2017.

The OCAs have the following characteristics:

- Nominal value: €10,000;
- Subscription price: 99% of par value;
- Maturity: 12 months;
- No interest;
- Conversion terms: N = Vn/P where:
    - N is the number of shares that can be subscribed,
    - Vn is the value of the bond receivable,

- P is 92% of the lowest of the 10 average daily prices quoted weighted by the volumes of the Company's share immediately preceding the conversion application date, and as a minimum equal to the nominal value of the share (€0.05).

The Board of Directors decided the issue of:

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

At December 31, 2017, 1 OCA is in circulation with a value of €10,000 as well as 726,310 BSAs.

The share subscription warrants (BSAs) have the following characteristics:

Type	Award date	Features of the plans				Number of options outstanding					Maximum number of subscribable shares (1)
		Total number of options awarded	Exercise period	Initial exercise price	Adjusted exercise price (1)	12/31/2016	Awarded	Exercised	Void	12/31/2017	
BSA_{L1T1}	Board meeting of 10/14/2015	**400,000**	5 years	€ 2.50	€ 0.70	400,000		(105,012)		294,988	1,474,645
BSA_{L1T2}	Board meeting of 06/29/2016	**244,755**	5 years	€ 1.43	€ 0.70	244,755				244,755	700,000
BSA_{L1T3}	Board meeting of 07/28/2016	**186,567**	5 years	€ 1.34	€ 0.70	186,567				186,567	500,000
Total						**831,322**	-	**(105,012)**	-	**726,310**	**2,674,645**

(1) Following the capital increase with preferential subscription rights in November 2016, and the capital increase with cancelation of preferential subscription rights for the benefit of named persons in November 2017, the warrants were adjusted for parity at 4.999 for the $BSAs_{L1T1}$, 2.860 for the $BSAs_{L1T2}$ and 2.680 for the $BSAs_{L1T3}$ (Board of Directors' decision of November 17, 2016 and November 6, 2017).

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

The new OCAs have the following characteristics:

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

On March 7, 2018, the Board of Directors issued a first tranche of €1 million. The following €0.5 million tranches may be called up at the Company's discretion subject to the following conditions:

- no significant unfavorable change has taken place;
- both the closing price and the weighted average price over the five (5) previous trading days are at least €0.40;
- there is no case of default, or event liable to constitute default if left unresolved;
- after subscription of the tranche concerned, the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND does not hold more than 8.5% of the number of shares making up the Company's capital, whether directly or via convertible bonds and shares;
- the Company's authorized and available shares amount to at least 2.5 times the number of shares to be delivered upon conversion of the bonds, shares to be issued and outstanding shares.

Note 12: Loans from financial institutions

Accounting principles

Loans are valued at their nominal value. Issue expenses for loans are recognized immediately.

Accrued interest is recognized in liabilities, at the interest rate set out in the contract.

Summary

CHANGE IN BANK LOANS
(Amounts in €'000)

	Bank Loans
At December 31, 2016	**254**
(+) Subscription	410
(-) Redemption	(224)
(+/-) Other movements	
At December 31, 2017	**440**

On June 10, 2015, the Company took out a loan with Banque Courtois.
The main characteristics of the loan are as follows:

- Nominal value: €500 thousand;
- Term: three years;
- Interest rate: 1.95% per year ;
- Interest paid quarterly in arrears.

On April 4, 2017, the Company signed a loan agreement with HSBC Bank for the purpose of "financing the operation cycle".
The main characteristics of the loan are as follows:

- Nominal value: €200 thousand;
- Term: three years;
- Interest rate: 1.00% per year;
- Interest paid monthly in arrears.

On September 12, 2017, the Company took out a loan with Banque Courtois for the purpose of "financing surgical instruments".
The main characteristics of the loan are as follows:

- Nominal value: €210 thousand;
- Term: three years;
- Interest rate: 1.95% per year ;
- Interest paid monthly in arrears.

The amount of repayment during the 2017 fiscal year is €224 thousand.

Note 13: Loans and miscellaneous financial debts

Accounting principles

Conditional advances

Advances received from public bodies for the financing of the Company's research activities or for regional commercial market prospecting, for which repayments are conditional, are presented in liabilities under “Loans and miscellaneous financial debts” and their characteristics are detailed below.

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

Subsidies

Subsidies received are recognized as soon as the corresponding receivable becomes certain, taking account of the conditions imposed for the grant of the subsidy.

Operating subsidies are recognized in ordinary income taking account, where applicable, of the rate of the corresponding expenses in such a way as to comply with the principle of matching expenses to income.

Summary

Loans and miscellaneous financial debts comprise reimbursable advances granted by public bodies (OSEO Innovation) and an interest-free loan for innovation (BPI France).

The table below sets out the composition and changes in the loans and miscellaneous financial debts:

CHANGES IN REIMBURSABLE ADVANCES & INTEREST-FREE LOANS (Amounts in €'000)	OSEO Knees	BPI - Interest-free innovation loan - JAZZ Braid	Total
At December 31, 2016	**90**	**800**	**890**
(+) Subscription			-
(-) Redemption	(90)		(90)
(+/-) Other movements			-
At December 31, 2017	**-**	**800**	**800**

13.1 Reimbursable OSEO Innovation advance - Knee

On February 25, 2010, OSEO granted Implanet an interest-free repayable innovation loan of €350 thousand to "develop a three-compartment knee prosthesis for first-line treatment and the related instruments".

The payments from OSEO were made in stages between the signature of the contract and the end of the project, the principal stages being:

- first payment of €280 thousand following the signature of the contract (received on March 1, 2010);
- the balance on completion of the work on May 9, 2011.

Following the technical and commercial success of the project, the reimbursement of this innovation subsidy has begun in accordance with the following schedule:

- €13 thousand per quarter in 2014 on the last day of the quarter;
- €18 thousand per quarter in 2015 on the last day of the quarter;
- €20 thousand per quarter in 2016 on the last day of the quarter;
- €23 thousand per quarter in 2017 on the last day of the quarter.

This repayable advance was fully repaid as at December 31, 2017.

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

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

This loan has the following characteristics:

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

The balance of this BPI France repayable interest-free loan for innovation amounts to €800 thousand at December 31, 2017.

Note 14: Maturity dates of the debts at year-end

STATEMENT OF LIABILITIES (Amounts in €'000)	12/31/2017 Gross Amount	Due in less than 1 year	From 1 to 5 years	Due in more than 5 years
Financial debt				
Convertible bond issues	10	10		
Bond issue and accrued interest	0	0	-	
Loans and debts due to financial institutions	440	221	219	
Loans and miscellaneous financial liabilities	800	0	560	240
Total debt	**1,250**	**231**	**779**	**240**
Operating liabilities				
Trade payables and related accounts	2,285	2,285		
Employees and related accounts	378	378		
Social security and other social bodies	342	342		
Other taxes, duties and similar payments	98	98		
Other liabilities	31	31		
Total operating liabilities	**3,135**	**3,135**	**-**	**-**
Grand total	**4,384**	**3,366**	**779**	**240**

Note 15: Details of accrued expenses

Accrued expenses are broken down as follows for the two fiscal years presented:

DETAIL OF ACCRUED EXPENSES (Amounts in €'000)	12/31/2017	12/31/2016
Bond issue		
Interest payable		56
Total bond issue	**-**	**56**
Trade and other accounts payable		
Suppliers - Invoices not yet received	390	481
Total trade payables and related accounts	**390**	**481**
Tax and social security liabilities		
Employees - provision for vacation pay	204	185
Employees - accrued expenses	239	192
Accrued social charges	134	122
State - accrued expenses	41	40
Total tax and social security liabilities	**618**	**540**
Other liabilities	31	20
Total other liabilities	**31**	**20**
Grand total	**1,039**	**1,098**

Note 16: Revenues

Accounting principles

The recognition of income depends on the nature of the sales made by the Company:

- **Export sales to distributors or to its distribution subsidiary:** the transfer of title occurs at the time of collection of the merchandise from Implanet (incoterms: EXWORKS). Contracts do not include specific clauses for returns ;

- **Sales in France to hospitals and clinics:** the invoicing takes place at the time of the effective fitting of the implant to a patient, based on information provided by the healthcare facilities;

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

- **Sales in France via sales agents:**
  - invoicing of healthcare facilities is carried out directly by Implanet on receipt of the information related to the fitting of implants,
  - agents' commissions are recognized in "Other external purchases and expenses".

The Company's revenues essentially comprise the sale of orthopedic implants.

Summary

Revenue by geographic region for the last two fiscal years ended December 31, 2017 and 2016 are as follows:

REVENUE BY GEOGRAPHIC REGION (Amounts in €'000)	**12/31/2017**	**12/31/2016**
France	3,794	3,871
Rest of the World	2,861	2,731
Total revenue by geographic region	**6,655**	**6,602**

Note 17: Transfers of expenses

TRANSFERS OF EXPENSES (Amounts in €'000)	**12/31/2017**	**12/31/2016**
Movement of inventories of ancillary devices into fixed assets	398	588
Benefits in kind granted to employees	65	55
Reimbursement from training bodies	10	4
Rebilling of expenses	70	37
Employment aid	2	2
Insurance reimbursements related to claims	16	12
Total transfers of expenses	**563**	**697**

At the time of provision of ancillary devices to healthcare establishments, a transfer of these devices from inventories to fixed assets is carried out by means of a transfer of expenses.

Note 18: Financial income and expenses

Accounting principles

Financial net income mainly comprises the following:

- interest expenses related to the factor and loans;
- interest income from term deposit accounts and Medium-Term Notes ("MTN");
- charges to and reversals of provisions for impairment of treasury shares;
- charges to and reversals of impairment of current account with the subsidiary Implanet America Inc.;
- and foreign exchange gains and losses.
  As a result of ANC ruling no. 2015-05 of 07/02/2015, foreign exchange differences on commercial operations are no longer recorded in financial income (loss) but in net operating income.

Summary

FINANCIAL INCOME (Amounts in €'000)	**12/31/2017**	**12/31/2016**
Foreign exchange gains	224	1
Interest income	2	23
Reversal of provisions for impairment of Implanet America's current account	2,918	-
Reversal of provisions for impairment of treasury shares	294	297
Reversal of provisions for foreign exchange losses	-	-
Total financial income	**3,438**	**321**

FINANCIAL EXPENSES (Amounts in €'000)	**12/31/2017**	**12/31/2016**
Foreign exchange losses	63	9
Provisions for risk of foreign exchange losses	20	4
Provision for impairment of Implanet America's current account	587	1,631
Provision for impairment of Implanet America securities	2,437	-
Provision for impairment of treasury shares	286	351
Interest expense	194	206
Total financial expenses	**3,587**	**2,199**

Note 19: Non-recurring income and expenses

Distinction between recurring and non-recurring net income

Recurring net income records the income and expenses related to the ordinary activity of the business.

Unusual items related to ordinary activities are recorded in recurring net income. In particular, these include the following items:

- charges to and reversals of provisions for exceptional and non-recurring legal disputes;
- operating subsidies;
- transfers of operating expenses relating in particular to capitalized production and inventories of ancillary devices transferred into fixed assets at the time of their delivery to healthcare establishments.

Exceptional items not related to ordinary activities constitute non-recurring net income.

Summary

NON-RECURRING INCOME (Amounts in €'000)	12/31/2017	12/31/2016
Proceeds from sales of assets		15
Profit from buyback of treasury shares		21
Miscellaneous non-recurring income	-	-
Total non-recurring income	**-**	**35**

NON-RECURRING EXPENSES (Amounts in €'000)	12/31/2017	12/31/2016
Net carrying amount of assets sold	30	10
Cost of fund raising	5	943
Provision pour litige	456	-
Loss from buyback of treasury shares	57	79
Miscellaneous non-recurring expenses	9	2
Total non-recurring expenses	**557**	**1,033**

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:

- €265 thousand in 2017;
- €203 thousand in 2016;

At December 31, 2017, the amount of the Company's tax losses which can be carried forward indefinitely amounted to €64,638 thousand.

The corporation tax rate applicable to the Company in 2017 is the current rate in force in France, i.e. 28% for the share of profits not exceeding €75 thousand; above that the applicable tax rate is 33.33%.

21.1 Transactions with related parties

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

21.2 Executives' compensation (excluding awards of capital instruments)

In application of Article 531-3 of the General Accounting Plan, the Executive Directors of a *Société Anonyme* (public limited company) with a Board of Directors are deemed to be the Chairman of the Board of Directors, the Deputy Chief Executive Officers and the natural or legal person Directors (and their permanent representatives).

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

The compensation due to the executives of Implanet during the 2017 and 2016 fiscal years was as follows:

DIRECTORS' COMPENSATION (Amounts in €'000)		12/31/2017					
	Function	**Fixed compensation**	**Variable compensation**	**Benefit in kind**	**Advisory fees**	**Attendance fees**	**Total**
Mr. Ludovic Lastennet	Director since January 22, 2013. Sales Director CEO since November 27, 2012	212	45	27			**284**
Mr. Jean-Gérard Galvez	Chairman of the Board of Directors				108		**108**
Mr. Brian Ennis	Member of the Board of Directors and Chairman of the US subsidiary	267	22				**290**
Ms. Mary Shaughnessy	Member of the Board of Directors					11	**11**
Ms. Paula Spears	Member of the Board of Directors					9	**9**
Mr. Jan Egberts	Member of the Board of Directors					10	**10**
Total Directors' compensation		**480**	**67**	**27**	**108**	**30**	**712**

Mr. Brian Ennis has been an employee of the Implanet America subsidiary since January 1, 2016 and received total compensation of €290 thousand as part of his employment contract fully paid by the said subsidiary.

DIRECTORS' COMPENSATION (Amounts in €'000)		**12/31/2016**					
	Function	**Fixed compensation**	**Variable compensation**	**Benefit in kind**	**Advisory fees**	**Attendance fees**	**Total**
Mr. Ludovic Lastennet	Director since January 22, 2013. Sales Director CEO since November 27, 2012	201	35	15			**251**
Mr. Jean-Gérard Galvez	Chairman of the Board of Directors				108		**108**
Mr. Brian Ennis	Member of the Board of Directors and Chairman of the US subsidiary	270					**270**
Ms. Mary Shaughnessy	Member of the Board of Directors					3	**3**
Ms. Paula Spears	Member of the Board of Directors					6	**6**
Mr. Jan Egberts	Member of the Board of Directors					8	**8**
Total Directors' compensation		**471**	**35**	**15**	**108**	**17**	**645**

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

For the award of equity instruments to executives, see Note 9.3.

22.1 Retirement Benefits

Accounting principles

The amounts of future payments corresponding to benefits granted to employees are valued using an actuarial method, using assumptions concerning the trend in salaries, retirement age and mortality; these valuations are then discounted.

These commitments are not the subject of provisions but appear in the off-balance sheet commitment below.

Calculation methodology

The purpose of the actuarial valuation is to produce an estimate of the discounted value of Implanet's commitments in terms of retirement benefits provided for in the collective agreements.

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	12/31/2017		12/31/2016	
	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)	1.30%		1.31%	
Mortality table	INSEE 2017		INSEE 2015	
Rate of revaluation of salaries	2.00%		2.00%	
Rate of turnover	Average (AG2R table)		Average (AG2R table)	
Rate of social security charges	51%	49%	52%	47%

Calculated commitments

The commitments calculated for the retirement benefits are broken down as follows:

RETIREMENT BENEFITS (Amounts in €'000)	12/31/2017	12/31/2016
Amount of commitments	144	101

22.2 Commitment under contract with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND

Within the framework of the OCABSA contract signed on October 12, 2015, the Company granted the following commitments to the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND:

- commitment (a) not to participate in any floating-rate financing, (b) not to pay dividends in the form of Company assets or shares, (c) not to issue transferable securities conferring a right to acquire equity without preferential subscription rights as part of an offer to qualified investors or a restricted group of investors without the prior approval of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND;
- Company commitment not to enter into any mortgage, physical collateral, pledge of goodwill or guarantee against debt securities conferring a right to acquire equity without granting the same guarantees to the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND.

22.3 Lease-financing

LEASE FINANCING (Amounts in €'000)	12/31/2017	12/31/2016
Original value	**1,830**	**2,616**
Depreciation and amortization:	-	
- cumulative total for prior years	1,289	1,711
- allocations for the year	341	363
Total	**1,630**	**2,074**
Royalties paid		
- cumulative total for prior years	2,792	2,464
- royalties for the year	307	327
Total	**3,099**	**2,792**
Royalties remaining to be paid		
- in less than one year	51	307
- between one and five years	50	101
- in more than five years		
Total	**101**	**408**
Residual value		
- in less than one year	1	0
- between one and five years	1	2
- in more than five years	-	
Total	**2**	**2**
Amount recognized during the year	**304**	**350**

Finance lease contracts cover software, installations, equipment and tooling.

22.4 Commercial leases

Real estate leases

Implanet SA has concluded the following commercial lease:

Real estate complex (administrative and logistics buildings):

Address: Technopole Bordeaux Montesquieu - Allée François Magendie, 33650 Martillac, France

Term: October 1, 2016 – September 30, 2026

Early departure: Possible at the end of the second three-year period

Annual rent excl. VAT and charges €212 thousand

Charges and commitments

The amount of the rental payments recognized at the end of 2017 and the commitments up until the next three-year period are broken down as follows:

				12/31/2017			
				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 12/31/2017	Due in less than 1 year	From 1 to 5 years	Due in more than 5 years
Martillac	Real estate complex (administrative & logistics buildings)	1/10/2016	09/30/2026	212	212	795	

22.5 Factoring contract

The Company uses the CGA and CofaCrédit factoring organizations for financing, by assigning to it trade receivables originating in France and export. At the end of the two fiscal years presented, the outstanding balances (amounts discounted at the year-end date), together with the financial expenses arising from the use of the factor, were as follows:

FACTORING COMPANY (Amounts in €'000)	**12/31/2017**	**12/31/2016**
Outstanding financing balance with factor	1,002	1,181
Total factor debt	**1,002**	**1,181**
Commissions on factor drawdowns	32	30
Interest on factor drawdowns	8	5
Total factor expenses	**40**	**35**

The counterparty for the assignment of the trade receivables to the factor is paid into the Company's cash balance by the factor.

The customer risk which may arise from an unpaid receivable included in the outstanding balance is not transferred to the factor but remains borne by Implanet. The Company re-incorporates into its trade receivables those which have been assigned to the factor, where the latter is the subject of a bad debt by a customer and where the factor has reassigned it to Implanet; a provision for impairment of these receivables is made as soon as the risks are identified.

Factoring and financing commissions are recognized in financial net income. The amount of the guarantee fund for factoring contracts was €72 thousand at the end of the fiscal year, recognized in assets (see Note 5.2).

22.6 Other financial commitments

Documentary credits and remittances

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

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

Pledge of term accounts and medium-term notes

- Renewable pledge of a €150 thousand term deposit account under
a bank loan taken out in 2017 with HSBC Bank and maturing in 2020.
The outstanding capital on this loan at December 31, 2017 was €162 thousand.

- Pledge of a term deposit of €200 thousand under a bank loan taken out with Banque Courtois in 2017, maturing in 2020.
The outstanding capital on this loan at December 31, 2017 was €193 thousand.

Bank sureties

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

Note 23: Headcount

The average headcount of Implanet during the last two fiscal years was as follows:

AVERAGE HEADCOUNT	2017 fiscal year	2016 fiscal year
Managers	24.2	25.9
Employees	17.3	17.7
Total average headcount	**41.5**	**43.7**

Note 24: Management and measurement of financial risks

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

24.1 Interest rate risk

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

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

24.2 Credit risk

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

The Company distributes its implants to distributors and to public and private hospitals.

The credit risk on these healthcare facilities and distributors is low. Furthermore, the customer payment terms comply with the requirements of the Modernization of the Economy Act (LME).

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

With regard to the concentration of credit risk, two distributors each account for more than 10% of revenue at December 31, 2017: one Export distributor (8%) and one France distributor (30 %).

24.3 Currency risk

The chief risks in respect of the foreign exchange impact on purchases and sales in foreign currencies relate essentially to transactions with its subsidiary in US dollars.

At this stage of its development, the Company has not made use of any hedging in order to protect its business against exchange rate fluctuations. However, the Company cannot ignore the possibility

that a significant increase in its activity or the presence of a subsidiary in the United States would result in greater exposure to exchange rate risk. The Company will then envisage making use of an appropriate policy for hedging these risks.

24.4 Equity risk

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

Note 25: Post balance sheet events

January 2018:

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

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

February 2018:

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

March 2018:

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

Note 26: Subsidiaries and equity interests

The Company only has one wholly-owned subsidiary, Implanet America Inc. (created at the end of February 2013), whose registered office is located 60 State Street Suite 700 in Boston, Massachusetts, 02109, United States.

TABLE OF SUBSIDIARIES AND INVESTMENTS (Amounts in €'000)	Capital	Reserves and retained earnings before allocation of net income	Portion of share capital held	Carrying amount of the securities held		Current account advances	Profit or loss from the last fiscal year	Dividends	Observations
				Gross	Net				
IMPLANET AMERICA	6,921	(3,203)	100%	7,261	4,824	587	(1,525)	-	Impairment of current account: €587 thousand Closing rate: 1.1993 Average rate: 1.1217

Note 27: Fees of the Statutory auditors

FEES PAID TO STATUTORY AUDITORS	2017 fiscal year				2016 fiscal year			
	Ernst & Young		INKIPIO AUDIT		Ernst & Young		INKIPIO AUDIT	
(Amounts in €'000)	Amount excl. taxes	%	Amount excl. taxes	%	Amount excl. taxes	%	Amount excl. taxes	%
Statutory audit work	43	74%	33	72%	76	75%	38	48%
Other services and due diligence directly linked to the statutory audit work	9	16%	12	28%	26	25%	42	52%
Subtotal	**52**	**91%**	**45**	**100%**	**106**	**100%**	**80**	**100%**
Other services rendered								
- Tax	1	2%	-	0%	-	0%	-	0%
- Other	4	7%	-	0%	-	0%	-	0%
Subtotal	**5**	**9%**	**-**	**0%**	**-**	**0%**	**-**	**0%**
Total fees	**57**	**100%**	**45**	**100%**	**106**	**100%**	**80**	**100%**

20.4. AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

20.4.1. Report by the Statutory auditors on the consolidated financial statements at December 31, 2017

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INKIPIO AUDIT
19, rue des Tuiliers
69003 Lyon

S.A.S. (simplified joint-stock company) with capital of €300,000
Trade and Companies Register 955 508 403 Lyon

Statutory auditors
Member of the
Lyon regional company of auditors

ERNST & YOUNG Audit
Hangar 16, Entrée 1
Quai de Bacalan
33070 Bordereaux Cedex
S.A.S. with variable capital
Trade and Companies Register 344 366 315.
Nanterre

Statutory auditors
Member of the
Versailles regional company of auditors

Implanet

Fiscal year ended December 31, 2017

Statutory auditors' report
on the consolidated financial statements

To the attention of the General Shareholders' Meeting of Implanet,

Opinion

In compliance with the assignment entrusted to us by your General Shareholders' Meeting, we have audited the Implanet company's consolidated financial statements relating to the fiscal year ended December 31, 2017, as attached to this report.

We certify that the consolidated financial statements present, in accordance with the IFRS guidelines as adopted by the European Union, a true and fair view of the results of the operations during the past fiscal year, as well as the financial position and assets at the end of the fiscal year, of the Group constituted by the persons and entities included in the consolidation scope.

Opinion basis

■ **Audit guidelines**

We conducted our audit in accordance with professional standards applicable in France. We believe that the information which we collected is sufficient and appropriate on which to base our opinion.

Our responsibilities under these standards are indicated in the section "Responsibilities of the Statutory auditors on the audit of the consolidated financial statements" in this Report.

■ **Independence**

We conducted our audit assignment in accordance with the rules of independence that are applicable to us, for the period from January 1, 2017 to the issue date of our report, and notably, we have not provided services prohibited by the Code of Ethics for Statutory auditors.

Observations

Without questioning the opinion above, we would draw your attention to Note 2.1 "Principles for preparation of the financial statements" in the notes to the consolidated financial statements, which describes the information underlying the going concern assumption.

Justification of our assessments

In accordance with the provisions of articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters, which, in our professional judgement, were the most significant for the audit of the consolidated financial statements for the fiscal year.

The assessments thereby made form part of the context for the audit of the consolidated financial statements, taken as a whole, and have contributed to the formation of our opinion as expressed above. We do not express an opinion on the items of these consolidated financial statements taken separately. Your Group recognizes impairment charges for inventories in accordance with the methods described in Note 5 to the consolidated financial statements, "Inventories". Our work consisted of assessing the data and assumptions used by your Group to calculate the impairment charges on inventories and to review the calculations made.

Verification of the information relating to the Group included in the Management report

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 Board of Directors' management report. We do not have any observations to make concerning their accuracy and their consistency with the consolidated financial statements.

Responsibilities of management and persons charged with corporate governance with respect to the consolidated financial statements

It is the management's responsibility to prepare consolidated financial statements that present a true and fair view, in accordance with IFRS guidelines as adopted by the European Union, and to implement the internal controls that it considers necessary to prepare the consolidated financial statements without significant anomalies, resulting from either fraud or errors.

When preparing the consolidated financial statements, the management is responsible for assessing the Company's ability to continue operations, to present in its financial statements, if applicable, the information required by the going concern principle, and to apply the going concern principle unless it plans to liquidate the Company or cease its activity.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory auditor relating to the audit of the consolidated financial statements

It is our responsibility to prepare a report on the consolidated financial statements. Our aim is to obtain reasonable assurance that the consolidated financial statements, taken as a whole, do not include significant anomalies. This reasonable assurance corresponds to a high level of assurance, without, however, guaranteeing that an audit carried out in accordance with professional standards will systematically detect all significant anomalies. Anomalies may result from fraud or errors and are considered to be significant when we can reasonably expect that they may, taken separately or together, influence the business decisions that users of the financial statements may take based on them.

As stipulated in article L. 823-10-1 of the French Commercial Code, our mission to certify the financial statements does not consist of guaranteeing the viability or quality of management of your company.

As part of an audit carried out in accordance with the professional standards applicable in France, the Statutory Auditor exercises his/her professional judgment throughout the audit.
Moreover:

- he/she identifies and assesses the risks that the consolidated financial statements include significant anomalies, resulting either from fraud or errors, defines and implements audit procedures for these risks and collects the elements that he/she considers sufficient and appropriate on which to base his/her opinion. The risk of non-detection of a significant anomaly resulting from fraud is higher than that of a significant anomaly resulting from an error, as this fraud may involve collusion, falsification, voluntary omissions, false declarations or the bypassing of internal control;

- he/she takes note of the relevant internal control for the audit, in order to define the relevant audit procedures for the circumstances, and not with the aim of expressing an opinion on the effectiveness of the internal control;

- he/she assesses the appropriate nature of the accounting methods selected and the reasonable nature of the accounting estimates made by the management, as well as the information relating to them provided in the consolidated financial statements;

- he/she assess the appropriate nature of the application by management of the going concern principle, and, depending on the elements collected, the existence of a significant uncertainty associated with events or circumstances likely to call into question the Company's ability to continue operations. This assessment is based on the elements collected up to the date of his/her report, it being recalled that the events or circumstances after this date may call into question the going concern. If he/she concludes that there is a significant uncertainty, he/she draws the attention of the report readers to the information provided in the consolidated financial statements on the subject of this uncertainty, or if this information is not provided or is not relevant, he/she provides a certification with reserves or a refusal to certify;

- he/she assesses the overall presentation of the consolidated financial statements and whether the consolidated financial statements reflect the underlying operations and events in a true and fair way;

- with regard to the financial information of persons or entities included in the consolidation scope, he/she collects the elements he/she considers sufficient and appropriate to express an opinion on the consolidated financial statements. He/she is responsible for managing, supervising and preparing the audit of the consolidated financial statements and the opinion expressed on these financial statements.

Lyon and Bordeaux, March 30, 2018

The Statutory auditors

INKIPIO AUDIT — ERNST & YOUNG Audit

Clément Albrieux — Laurent Chapoulaud — Jean-Pierre Caton

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Inkipio audit
19, rue des Tuiliers
69003 Lyon

S.A.S. (simplified joint-stock company) with capital of €300,000
Trade and Companies Register 955 508 403 Lyon

Statutory auditors
Member of the
Lyon regional company of auditors

ERNST & YOUNG Audit
Hangar 16, Entrée 1
Quai de Bacalan
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S.A.S. with variable capital
Trade and Companies Register 344 366 315.
Nanterre

Statutory auditors
Member of the
Versailles regional company of auditors

IMPLANET
French Limited Company (*Société Anonyme*)
Registered office: Technopole Bordeaux Montesquieu
Allée François Magendie
33650 – Martillac (France)

BORDEAUX Trade & Companies Register 493 845 341

STATUTORY AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Fiscal year ended December 31, 2017

To the attention of the General Shareholders' Meeting of Implanet,

Opinion

In compliance with the assignment entrusted to us by your General Shareholders' Meeting, we have audited the annual financial statements of Implanet relating to the fiscal year ended December 31, 2017, as attached to this report.

We certify that the annual financial statements present, with regard to French accounting rules and principles, a true and fair view of the net income from operations for the fiscal year just ended, as well as of the financial position and the assets of the Company at the end of this fiscal year.

Opinion basis

Audit guidelines

We conducted our audit in accordance with professional standards applicable in France. We believe that the information which we collected is sufficient and appropriate on which to base our opinion.

Our responsibilities under these standards are indicated in the section "Responsibilities of the Statutory auditors on the audit of the annual financial statements" in this Report.

Independence

We have conducted our audit assignment in accordance with the rules of independence that are applicable to us, for the period from January 1, 2017 to the issue date of our report, and notably, we have not provided services prohibited by the Code of Ethics for Statutory auditors.

Observations

Without questioning the opinion above, we would draw your attention to the following points in the Notes to the annual financial statements:

- note "2.1 Principle for preparation of the financial statements" of the notes to the annual financial statements that presents the elements underlying the application of the going concern principle;

- the notes "2.1 Principle for preparation of the financial statements" and "2.2 Transactions denominated in foreign currencies" of the notes to the annual financial statements which present the first application of the ANC ruling 2015-05 on foreign exchange gains and losses on commercial receivables.

Justification of our assessments

In accordance with the provisions of articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters, which, in our professional judgement, were the most significant for the audit of the annual financial statements for the fiscal year.

The assessments thereby made form part of the context for the audit of the annual financial statements, taken as a whole, and have contributed to the formation of our opinion as expressed above. We do not express an opinion on the items of these annual financial statements taken separately.

- Your Company recognizes impairment charges for inventories in accordance with the methods described in Note 4 to the annual financial statements, "Inventories". Our work consisted of assessing the data and assumptions used by your Company to calculate the impairment charges on inventories and to review the calculations made.

- Notes 3.2 “Long-term financial assets" and 5.2 "Details of the receivables and breakdown by maturity" in the notes to the annual financial statements describe the evaluation and impairment principles and methods used for equity investments and receivables, in particular as regards the Implanet America subsidiary. Our work consisted of assessing the data and the assumptions on which these estimates are based.

Verification of the Management report and the other documents sent to shareholders

We have also carried out, in accordance with the professional standards applicable in France, the specific verifications required by the law.

Information given in the Management report and in the other documents sent to shareholders, on the financial position and the annual financial statements

We do not have any observations to make concerning the accuracy and consistency with the annual financial statements of the information given in the management report of the Board of Directors and in the other documents sent to shareholders concerning the financial position and the annual financial statements.

Information relating to corporate governance

We attest to the existence in the Board of Directors' report, in the section of the Board of Directors' Management report on Corporate governance, of the information required by article L. 225-37-4 of the French Commercial Code.

Other disclosures

In application of the law, we have assured ourselves that the various items of information relating to the identity of the holders of the share capital or the voting rights have been notified to you in the management report.

Responsibilities of the management team and constituting persons on the corporate governance relating to the annual financial statements

It is the management's responsibility to prepare annual financial statements that present a true and fair view, in accordance with French accounting principles, and to implement the internal controls that it considers necessary to prepare the annual financial statements without significant anomalies, resulting from either fraud or errors.

When preparing the annual financial statements, the management is responsible for assessing the ability for the Company to continue operations, to present in its financial statements, if applicable, the information required by the going concern principle, and to apply the going concern principle unless it plans to liquidate the Company or cease its activity.

The annual financial statements have been approved by the Board of Directors.

Responsibilities of the Statutory auditors relating to the audit of the annual financial statements

It is our responsibility to prepare a report on the annual financial statements. Our aim is to obtain reasonable assurance that the annual financial statements, taken as a whole, do not include significant anomalies. This reasonable assurance corresponds to a high level of assurance, without, however, guaranteeing that an audit carried out in accordance with professional standards will systematically detect all significant anomalies. Anomalies may result from fraud or errors and are considered to be significant when we can reasonably expect that they may, taken separately or together, influence the business decisions that users of the financial statements may take based on them.

As stipulated in article L. 823-10-1 of the French Commercial Code, our mission to certify the financial statements does not consist of guaranteeing the viability or quality of management of your Company.

As part of an audit carried out in accordance with the professional standards applicable in France, the Statutory Auditor exercises his/her professional judgment throughout the audit. Moreover:

- he/she identifies and assesses the risks that the annual financial statements include significant anomalies, resulting either from fraud or errors, defines and implements audit procedures for these risks and collects the elements that he/she considers sufficient and appropriate on which to base his/her opinion. The risk of non-detection of a significant anomaly resulting from fraud is higher than that of a significant anomaly resulting from an error, as this fraud may involve collusion, falsification, voluntary omissions, false declarations or the bypassing of internal control;

- he/she takes note of the relevant internal control for the audit, in order to define the relevant audit procedures for the circumstances, and not with the aim of expressing an opinion on the effectiveness of the internal control;

- he/she assesses the appropriate nature of the accounting methods selected and the reasonable nature of the accounting estimates made by the management, as well as the information relating to them provided in the annual financial statements;

- he/she assess the appropriate nature of the application by management of the going concern principle, and, depending on the elements collected, the existence of a significant uncertainty associated with events or circumstances likely to call into question the Company's ability to continue operations. This assessment is based on the elements collected up to the date of his/her report, it being recalled that the events or circumstances after this date may call into question the going concern. If he/she concludes that there is a significant uncertainty, he/she draws the attention of the report readers to the information provided in the annual financial statements on the subject of this uncertainty, or if this information is not provided or is not relevant, he/she provides a certification with reserves or a refusal to certify;

- he/she assesses the overall presentation of the annual financial statements and whether the annual financial statements reflect the underlying operations and events in a true and fair way;

Lyon and Bordeaux, March 30, 2018

The Statutory auditors

Inkipio audit	**ERNST & YOUNG Audit**	
Clément Albrieux	Jean-Pierre Caton	Laurent Chapoulaud

"

20.5. LAST FINANCIAL STATEMENT DATE

The last financial statements are related to the fiscal year ended December 31, 2017.

20.6. INTERIM AND OTHER FINANCIAL INFORMATION

Not applicable

20.7. DIVIDEND DISTRIBUTION POLICY

20.7.1. Dividends and reserves distributed by the Company during the last three fiscal years

None.

20.7.2. 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.

20.8. 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.

20.9. SIGNIFICANT CHANGES IN THE COMPANY'S FINANCIAL OR COMMERCIAL POSITION

To the best of the Company's knowledge, there have been no significant changes in the Company's financial or commercial position since December 31, 2017.

20.10. OTHER INFORMATION FROM THE ANNUAL MANAGEMENT REPORT

20.10.1. Table showing the results for the last five fiscal years

Items	2013 fiscal year	2014 fiscal year	2015 fiscal year	2016 fiscal year	2017 fiscal year
I - CAPITAL AT YEAR END					
a) Share capital	8,099,283	8,099,283	15,887,399	14,913,543	1,379,628
b) Number of existing shares	5,399,522	5,399,522	10,591,599	21,305,061	27,592,562
II - TRANSACTIONS AND NET INCOME (LOSS) FOR THE YEAR					
a) Revenue excluding tax	7,139,157	7,147,861	6,618,006	6,602,137	6,655,152
b) Corporation tax	(302,376)	(378,877)	(225,193)	(202,970)	(264,034)
c) Employee profit-sharing	0	0	0	0	0
d) Net income (loss) after tax, employee profit-sharing, depreciation, amortization and provisions	(6,500,812)	(5,288,306)	(6,776,643)	(7,792,520)	(5,382,187)
e) Dividends paid	0	0	0	0	0
III - NET EARNINGS PER SHARE					
a) Net earnings after tax and employee profit-sharing but before depreciation, amortization and provisions	(0.76)	(1.15)	(0.48)	(0.27)	(0.16)
b) Net earnings after tax, employee profit-sharing, depreciation, amortization and provisions	(1.20)	(0.98)	(0.64)	(0.37)	(0.20)
c) Dividend per share	0	0	0	0	0
IV - PERSONNEL					
a) Average number of employees during the year	33.1	38.5	40.2	41.5	41.6
b) Total payroll	2,197,670	2,210,587	2,258,155	2,345,807	2,520,801
c) Total amount paid in social benefits (social security contributions, social programs, etc.)	984,260	1,059,050	1,056,067	1,086,083	1,169,725

20.10.2. Proposed allocation of 2017 net income

After deduction of all expenses, taxes, depreciation and amortization, the Company's net results, established according to French accounting standards (see Section 20.3 of *this Document de référence*) amounted to a loss of €5,382,187.45 that we propose to allocate to retained earnings (accumulated deficit), which will thus go from €3,199,961.34 to €8,582,148.79.

20.10.3. Non tax-deductible expenses

In accordance with the provisions of Article 223 quarter of the French General Tax Code, the amount of expenses and charges that are not deductible for tax purposes, as mentioned in Article 39-4 of said code, comes to €44,833 for the fiscal year ended on December 31, 2017.

20.10.4. Information on supplier/customer payment terms

In accordance with the provisions of Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, the information relating to the payment terms applicable to suppliers and clients coming under Article D. 441-4 of that Code is presented below. This includes information on overdue invoices received and issued remaining unsettled at the balance sheet date:

€ thousands	Article D. 441-I-1: Overdue invoices **received**, remaining unsettled at the balance sheet date						Article D. 441-I-2: Overdue invoices **issued**, remaining unsettled at the balance sheet date					
	0 day (indication)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)	0 day (indication)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
(A) Breakdown of late payments												
Number of invoices involved						291						354
Number of invoices involved, including sales tax *		179	570	204	103	1,056		564	176	148	269	1,156
Percentage of the year's total amount of purchases, including sales tax		1.91%	6.12%	2.19%	1.11%	11.33%						
Percentage of the year's revenue, including sales tax								8.20%	2.56%	2.15%	3.92%	16.83%
(B) Invoices excluded from (A) concerning bad debts or non-booked invoices												
Number of excluded invoices	6						61					
Total amount for excluded invoices, including sales tax	€2 thousand						€377 thousand					
(C) Payment terms referred to (contractual or legal terms - Article L. 441-6 or L. 443-1 of the French Commercial Code)												
Payment terms referred to in the calculation of late payments	- Contractual terms: between 45 and 60 days						- Contractual terms in France: 45 days; Export: 90 days					

**including invoices sold to factoring for which the risk is supported by the Company*

21. ADDITIONAL INFORMATION

21.1. SHARE CAPITAL

21.1.1. Amount of share capital

21.1.1.1. Issued share capital

As of the date of the *Document de référence*, the Company's share capital is €1,413,718.95 divided into 28,274,379 shares with a nominal value of €0.05 each, fully paid up and all of the same class.

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

With the exception of shares held as part of the liquidity contract signed with the bank Oddo et Cie (see paragraph "Liquidity contract" in Section 21.1.3.), the Company does not own any of its shares either directly or through a third party on its behalf as of the date of the *Document de référence*.

On May 5, 2017, 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 Regulation of the French Financial Markets Authority (AMF), subject to the following conditions. This authorization replaced the authorization for the same purpose granted on May 24, 2016, with the conditions defined by the latter being identical to those defined by the authorization of May 5, 2017:

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

Objectives of share buybacks:

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

5. to cancel all or part of the shares redeemed in this manner.

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

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

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

Shares redeemed in this manner may be canceled.

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

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

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

During implementation of the redemption program

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

3. Monthly filing by the Company to the AMF.

Each year

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

Liquidity contract

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

Number of shares purchased and sold during the 2017 fiscal year:

Under the liquidity contract:

- 387,070 shares were purchased at the average price of €0.74; and
- 367,570 shares were sold at the average price of €0.76.

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

Number and value of treasury shares held at December 31, 2017:

Considering the purchases and sales made during the 2017 fiscal year, the balance of the liquidity contract was 156,000 shares at December 31, 2017. At this date, the book value was €65,520, on the basis of the closing price at December 29, 2017, namely €0.42.

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 four categories, as detailed below:

21.1.4.1. Founders' warrants (BSPCEs)

	BSPCE$_{S/02/2009}$	BSPCE$_{S/03/2010}$	BSPCE$_{S/06/2011}$	BSPCE$_{S/09/2011}$	BSPCE$_{03/2016}$	BSPCE$_{07/2016\text{-}T1}$	BSPCE$_{07/2016\text{-}T2}$	BSPCE$_{01/2018}$
Date of the meeting	February 5, 2009	March 31, 2010	March 14, 2011	September 26, 2011	January 9, 2015	May 24, 2016		May 22, 2017
Date of Board meeting	February 5, 2009	April 22, 2010	April 6, 2011	November 18, 2011	March 24, 2016	July 11, 2016		January 23, 2018
Number of approved BSPCEs	150,000	200,000	300,000	500,000	539,952	432,123		1,076,503
Total number of allocated BSPCEs	106,500	167,500	269,000	103,500	370,000	209,488	50,000	418,000
Total number of subscribable shares (taking into account reverse split)*	12,972	20,402	32,764	12,606	388,500	219,962	52,500	418,000
*Of which the number subscribable by corporate officers**	*0*	*0*	*0*	*0*	*147,000*	*152,586*	*52,500*	*90,000*
Corporate officers concerned:* *Ludovic Lastenet* Jean-Gérard Galvez	- -	- -	- -	- -	147,000 -	118,231 34,355	- 52,500	*70,000* 20,000
Start date of exercise of BSPCEs	February 5, 2009	April 22, 2010	June 1, 2011	November 28, 2011	April 1, 2017	July 11, 2016	July 1, 2017	February 1, 2019
Expiry date of BSPCEs	February 5, 2019	March 31, 2020	June 1, 2021	November 28, 2021	March 24, 2026	July 11, 2026	July 11, 2026	January 23, 2028
Share subscription price (after reverse split)*	€12.31	€12.31	€12.31	€12.31	€1.43	€1.27	€1.27	€0.65
Terms and conditions of exercise	(1) (2)	(1) (2)	(1) (2)	(1) (2)	(2) (3)	(2) (4)	(2) (5)	(2) (6)
Number of shares subscribed as of the date of the *Document de référence* (without taking into account the reverse split)	0	0	0	0	0	0	0	0
Cumulative number of BSPCEs canceled or expired	93,500	137,500	201,000	54,500	1,000	2,225	0	0

	BSPCE$_{S/02/2009}$	BSPCE$_{S/03/2010}$	BSPCE$_{S/06/2011}$	BSPCE$_{S/09/2011}$	BSPCE$_{03/2016}$	BSPCE$_{07/2016\text{-}T1}$	BSPCE$_{07/2016\text{-}T2}$	BSPCE$_{01/2018}$
Remaining BSPCEs as of the date of the *Document de référence*	13,000	30,000	68,000	49,000	369,000	207,263	50,000	418,000
Total number of shares subscribable as of the date of the *Document de référence* (taking into account the reverse split)*	1,583	3,654	8,283	5,969	258,300	145,084	17,500	0

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

(1) All of these founders' warrants (BSPCEs) are exercisable as of the date of the Document de référence

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

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

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

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

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

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

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

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

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

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

21.1.4.2. Share subscription warrants (BSAs)

	BSA$_{09/11}$	BSA$_{2012}$	BSA$_{05/12}$	BSA$_{09/12}$	BSA 01/2013	BSA 01/2014	BSA 07/2015	BSA 07/2016-T1	BSA 07/2016-T2	BSA 09/2017	BSA 01/2018
Date of the meeting	September 26, 2011	June 29, 2012	June 29, 2012	October 11, 2012	January 22, 2013	July 19, 2013	January 9, 2015	May 24, 2016	May 24, 2016	May 22, 2017	May 22, 2017
Date of Board meeting	-	-	-	-	-	January 8, 2014	July 15, 2015	July 11, 2016	July 11, 2016	September 19, 2017	January 23, 2018
Number of warrants issued	60,000	165,000	10,245	100,000	25,000	27,398	44,699	56,000	30,000	60,000	120,000
Total number of subscribable shares (taking into account the reverse split)*	7,308	20,097	1,248	12,180	3,045	33,369	46,934	58,800	31,500	60,000	120,000
*Of which the number subscribable by corporate officers**	0	0	0	12,180	3,045	33,369	17,009	27,300	0	0	60,000
Corporate officers concerned:*	-	-	-	6,090	3,045	-	-	-	-		
Jean-Gérard Galvez	-	-	-	6,090	-	-	-	10,500	-	-	-
Jan Egberts	-	-	-	-	-	19,730	-	-	-	-	20,000
Paula Ness Speers	-	-	-	-	-	-	17,009	-	-	-	20,000
Mary Shaughnessy	-	-	-	-	-	-	-	16,800	-	-	20,000
Number of non-corporate officer beneficiaries	1	2	2	0	0	0	4	2	1	5	4
Start date of exercise of warrants (BSA)	September 26, 2011	June 29, 2012	June 29, 2012	October 11, 2012	January 22, 2013	January 8, 2015	July 1, 2015	July 11, 2017	July 11, 2016	September 19, 2017	January 23, 2018
Expiry date of warrants (BSA)	September 26, 2021	June 29, 2022	June 29, 2022	October 11, 2022	January 22, 2023	January 8, 2025	July 15, 2025	July 11, 2026	July 11, 2026	September 19, 2027	January 23, 2028
Issue price of warrants (BSA)	€0.10	€0.15	€0.10	€0.15	€0.15	€0.668	€0.29	€0.14	€0.20	€0.07	€0.07
Subscription price per share (taking into account the reverse split)*	€8.21	€12.31	€8.21	€12.31	€12.31	€5.48	€2.75	€1.27	€1.27	€0.66	€0.65
Terms and conditions of exercise	(1)	(1)	(1)	(1)	(1)	(2)	(3)	(4)	(1)	(5)	(6)
Number of shares subscribed as of the date of the *Document de référence*	0	0	0	0	0	0	0	0	0	0	0
Cumulative number of warrants (BSA) null and void or canceled as of the date of the *Document de référence*	0	125,000	0	0	0	11,199	0	0	0	20,000	0
Share subscription warrants (BSA) remaining as of the date of the *Document de référence*	60,000	40,000	10,245	100,000	25,000	16,199	44,699	56,000	30,000	40,000	120,000
Total number of shares subscribable as of the date of the *Document de référence* (taking into account the reverse split)*	7,308	4,872	1,248	12,180	3,045	19,730	31,289	19,600	31,500	0	0

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

(1) All of these BSAs are exercisable as of the Date of the Document de référence.

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

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

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

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

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

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

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

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

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

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

	BSA$_{2013\text{-}Kreos(**)}$	BSA$_{2015\text{-}Kreos(***)}$	BSA$_{L1/T1}$	BSA$_{L1/T2}$	BSA$_{L1/T3}$	BSA PIPE 11/2017
Date of the meeting	July 19, 2013	June 24, 2015	June 24, 2015	May 24, 2016	May 24, 2016	May 22, 2017
Date of Board meeting	-	June 24, 2015	October 12, 2015	June 29, 2016	July 28, 2016	November 1, 2017
Number of warrants issued	65,000	18,473	400,000	244,755	186,567	3,500,000
Total number of subscribable shares (taking into account the reverse split)*	79,170	19,397	1,849,645	700,000	500,000	1,750,000
*Of which the number subscribable by corporate officers**	0	0	0	0	0	0
Corporate officers concerned:*	-	-	-	-	-	-
Number of non-corporate officer beneficiaries	1	1	1	1	1	8
Start date of exercise of warrants (BSA)	July 19, 2013	June 24, 2015	October 12, 2015	June 29, 2016	July 28, 2016	November 6, 2017
Expiry date of warrants (BSA)	(1)	(1)	October 12, 2020	June 29, 2021	July 28, 2021	November 6, 2021
Issue price of warrants (BSA)	€0	€0	€0	€0	€0	€0
Subscription price per share (taking into account the reverse split)*	€5.90	€2.77	€0.50	€0.50	€0.50	€0.65
Terms and conditions of exercise	(2)	(2)	(2)	(2)	(2)	(2)
Number of shares subscribed as of the date of the *Document de référence*	0	0	375,000	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
Share subscription warrants (BSA) remaining as of the date of the *Document de référence*	65,000	18,473	294,988	244,755	186,567	3,500,000
Total number of shares subscribable as of the date of the *Document de référence* (taking into account the reverse split)*	79,170	19,397	1,474,645	700,000	500,000	1,750,000

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

(**) BSA warrants issued as part of the Venture Loan Agreement signed with Kreos Capital IV (Expert Fund) on July 19, 2013 (see section 4.7.4 of the Document de référence for more information).

(***) BSA warrants issued as part of the amendment to the Venture Loan Agreement signed with Kreos Capital IV (Expert Fund) on April 16, 2015 (see section 4.7.4 of the Document de référence for more information).

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

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

(2) All of these BSAs are exercisable as of the Date of the Document de référence.

21.1.4.3. Share subscription and purchase option plan

	Options$_{07/2015}$	Options$_{03/2016}$	Options$_{01/2018}$
Date of the meeting	January 9, 2015	January 9, 2015	May 24, 2016
Date of Board meeting	July 15, 2015	March 24, 2016	January 23, 2018
Number of options approved	539,952	539,952	432,123
Total number of options allocated	22,500	70,000	22,500
Total number of subscribable shares*	22,500	70,000	22,500
*Of which the number subscribable by corporate officers**	*0*	*0*	*0*
*Corporate officers concerned**:	0	0	0
Start date of exercise of options	September 1, 2016	March 24, 2016	January 23, 2018
Expiry date of options	July 15, 2025	March 24, 2026	January 23, 2028
Share subscription price*	€2.66	€1.50	€0.65
Terms and conditions of exercise	(1) (2)	(1) (3)	(1) (4)
Number of shares subscribed as of the date of the *Document de référence**	0	0	0
Cumulative number of options canceled or expired	10,000	60,000	0
Options remaining as of the Date of the *Document de référence*	12,500	10,000	22,500
Number of subscribable shares as of the Date of the *Document de référence**	8,750	7,000	0

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

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

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

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

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

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

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

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

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

21.1.4.4. Free share allocations

None

21.1.4.5. Bonds convertible into shares (OCAs)

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

On October 14, 2015, the Company carried out a free issue of 100 issuance warrants (the "Issuance Warrants"), followed by a further 400 Issuance Warrants on June 29, 2016, which may give rise to the issue of a maximum of 500 OCABSAs representing a convertible bond loan of a maximum of €5 million, in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND).

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

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

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

Bonds convertible into shares (OCAs)

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

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

  N = Vn/P

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

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

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

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

N' = Vn/P'

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

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

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

Share subscription warrants attached to OCAs ("BSAs")

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

- exercise price: 110% of the lowest of the ten (10) average daily prices weighted by the volumes of Implanet's share immediately preceding the exercise date of Share Issuance Warrants giving rise to the issue of the OCAs from which said BSAs are detached;
- exercise ratio: each BSA carries entitlement to the subscription by its holder, at the holder's own discretion, of one new ordinary Company share;

- number of BSAs attached to each OCA tranche: this number is calculated so that, in the event of the exercise of all BSAs, the capital increase resulting from the exercise of said BSAs shall be equal to the nominal amount of the corresponding OCA tranche;
- exercise period: five years from the date of issue of the BSAs;
- transferability/other: the BSAs are detached from the OCAs immediately; they are freely transferable. No request has been made for their admission to trading on the Paris Euronext stock market and so they are not listed.

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

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

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

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

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

Agreement of March 2018 to issue 500 convertible bonds (OCs)

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

At the date of this *Document de référence*, the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND had exercised a total of 100 warrants and thus subscribed 100 OCAs (on March 8, 2018).

Convertible bonds ("OCAs")

They have a nominal value of €10,000 each and are subscribed at par. They bear no interest and have a maturity of 12 months as from their issue date. Any OCAs which have not been converted into shares by their maturity date will need to be redeemed, except for the last tranche of OCAs that may be issued. For this last tranche, if certain OCAs are still outstanding at the end of 12 months, their maturity will automatically be extended by 6 additional months, at the end of which any OCA still outstanding will automatically be converted into shares[47].

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

N = Vn/P

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

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

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

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

On the Date of the *Document de référence*, 659,090 new Company shares had been issued upon conversion of 29 OCAs at an exercise price calculated using the procedures described above, totaling €290,000 (€32,954.50 nominal value and €257,045.50 issue premium).

21.1.4.6. 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 7,661,181 shares, corresponding to a maximum dilution of 21.32% on the basis of the diluted share capital. The dilution in terms of voting rights is identical and amounts to ,21.32% on the basis of the diluted voting rights[48].

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

[48] Excluding the conversion of the OCAs to be issued upon the exercise of the 190 share issuance warrants to be issued by the Company in favor of the L1 EUROPEAN SELECT GROWTH OPPORTUNITIES FUND, subject to certain other usual conditions (see Sections 10.1.4.2 and 21.1.4.5 of the *Document de référence*).

21.1.5. Acquisition rights and/or obligations connected to share capital issued but not authorized, and commitment to capital increase

The issue resolutions approved by the General Shareholders' Meetings of May 24, 2016 and May 22, 2017, in force on the date of the *Document de référence* are summarized below:

	Period of validity/Expiry	Ceiling (nominal value)	Pricing principles
Combined General Shareholders' Meeting of May 24, 2016			
Authorization granted to the Board of Directors for the purpose of granting options to subscribe or purchase Company shares	38 months/ July 24, 2019	432,123 shares See (2)	See (1)
Authorization to be granted to the Board of Directors to make allocations of existing or new free shares	38 months/ July 24, 2019	107,364 shares and up to a maximum of 10% of the share capital existing at the time of the allocation See (2)	

(1) The purchase or subscription price per share will be determined by the Board of Directors on the date when the option is granted, by reference to the sale price of a share when said regulated stock market or stock exchange closed on the day before the Board made the decision to allocate options. However, the purchase or subscription price per share may under no circumstances be less than ninety-five percent (95%) of the average of the price quoted on the 20 trading sessions preceding the date of the Board of Directors' decision to allocate the options.

(2) These amounts are not cumulative. The maximum cumulative number of shares authorized by the General Shareholders' Meeting and likely to be generated by the exercise of share subscription options, free share allocations and the exercise of warrants and founders' warrants is 539,487.

	Period of validity/Expiry	Ceiling (nominal value)	Pricing principles
extraordinary General Shareholders' Meeting			
Authorization granted to the Board of Directors for the purpose of decreasing the share capital by canceling treasury shares	18 months/ November 22, 2018	Up to a maximum of 10% of the share capital over a 24 month period	-
Delegation of authority granted to the Board of Directors to issue shares and/or securities giving immediate and/or future access to the Company's share capital, with preferential subscription rights	26 months/ July 22, 2019	€813,002.30 (1)	-
Delegation of authority granted to the Board of Directors for the purpose of increasing the capital by issuing shares or any securities giving future access to the share capital, without preferential subscription rights, through a public offering and with the option to create a priority right	26 months/ July 22, 2019	€542,001.55 (1)	See (2)

	Period of validity/Expiry	Ceiling (nominal value)	Pricing principles
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/ July 22, 2019	€542,001.55 (1) and up to a maximum of 20% of the existing share capital at the date of the transaction and per year	See (2)
Authorization granted to the Board in the event of an issue of shares or any securities giving access to the share capital without shareholders' preferential subscription rights, for the purpose of setting the issue price up to the limit of 10% of the share capital and within the limitation stipulated by the General Shareholders' Meeting	26 months/ July 22, 2019	up to a maximum of 10% of the share capital per year	See (3)
Delegation of authority granted to the Board of Directors for the purpose of increasing the number of shares to be issued in the context of a capital increase, with or without preferential subscription rights	26 months/ July 22, 2019	15% of the initial issue (1) (4)	Same price as the initial issue
Delegation of authority granted to the Board, for the purpose of issuing of ordinary shares or securities giving access to the share capital for the purpose of remunerating contributions, in the event of a tender offer including an exchange component initiated by the Company	26 months/ July 22, 2019	€542,001.55 (1)	-
Delegation of authority granted to the Board for the purpose of deciding to issue ordinary Company shares or securities giving immediate and/or future access, by any means, to the Company's ordinary shares, within the limit of 10% of the share capital, in compensation for contributions in kind involving equity securities or securities giving access to the share capital of third-party companies, except in the event of a public exchange offer	26 months/ July 22, 2019	€542,001.55 within the limit of 10% of the share capital per year (1)	-
Delegation granted to the Board of Directors in order to increase the share capital by issuing ordinary shares or any negotiable securities giving access to capital, with cancellation of shareholders' preferential subscription rights in favor of a certain category of persons	18 month/ November 22, 2018	€542,001.55 (1)	See (5)
Delegation of authority granted to the Board of Directors to increase the share capital, immediately or in the future, by issuing ordinary shares, equity securities providing entitlement to other equity securities or to the allocation of debt securities, and/or securities giving access to shares with the cancellation of shareholders' preferential subscription rights in favor of a certain category of persons within the framework of an equity financing line	18 months/ November 22, 2018	€542,001.55 (1)	See (3)

	Period of validity/Expiry	Ceiling (nominal value)	Pricing principles
Delegation of authority granted to the Board of Directors for the purpose of increasing the capital by incorporation of premiums, reserves, profits or other	26 months/ July 22, 2019	€108,500	-
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/ November 22, 2018	1,076,503 shares See (7)	See (8)
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/ November 22, 2018	538,252 shares See (7)	See (9)

(1) These amounts are not cumulative. The maximum cumulative ceiling authorized by the General Shareholders' Meeting for share capital increases has been set at a nominal value of €813,002.30. The aggregate nominal amount of issues of debt securities giving access to the Company's share capital may not exceed €10,000,000 (unless with respect to the delegation granted to the Board of Directors to carry out the issue with preferential subscription rights or shares and/or securities giving immediate and/or future access to the Company's share capital for which the overall nominal amount of issues of securities representing claims on the Company giving access to the Company's share capital may not exceed €20,000,000).

(2) The share issue price will be at least equal to the weighted average of the prices quoted on the last five trading days before the price was set, less, if applicable, the discount of a maximum of 25% on the understanding that the issue price of the securities giving access to the share capital will be such that the sum received immediately by the Company, plus, if applicable, the sum that may be received by it subsequently for each share issued as a result of the issue of said securities, is at least equal to the issue price defined above.

(3) The Board may waive the pricing conditions set out in the aforementioned resolutions (within a limit of 10% of the Company's share capital at the date of the transaction) in each 12-month period, and set the issue price of the ordinary shares and/or securities giving access to the capital, immediately or in the future, as detailed below:

- the issue price of ordinary shares will be at least equal to the weighted average of the prices of the last five trading sessions before it was set, less, if applicable, a maximum discount of 25%, on the understanding that it may under no circumstances be less than the nominal value of a Company share on the issue date of the shares involved;
- the issue price of the securities giving access to the share capital will be such that the sum received immediately by the Company, plus, if applicable, the sum that may be received by it subsequently, for each share issued as a result of the said securities, is at least equal to the issue price defined in the Section above.

(4) 15% or any other percentage determined by decree.

(5) The issue price of the shares issued pursuant to this delegation shall be determined by the Board of Directors and shall be at least equal to the weighted average price over the last 5 trading sessions preceding the date of determination of the issue price, to which a discount of up to 25% may be applied, taking into account the date of entitlement to dividends where applicable, with the understanding that (i) in the event of the issue of securities giving access to the share capital, the issue price of the shares that may be subscribed upon their exercise, conversion or exchange may, where applicable, be set at the discretion of the Board of Directors in accordance with a calculation formula it has defined, applicable after the issue of said securities (e.g. upon their exercise, conversion or exchange), in which case the above-mentioned minimum issue price may be increased, if the Board deems it appropriate, on the date of application of said formula (and not on the issue price setting date), and (ii) the issue price of the securities giving access to share capital that may be issued under this resolution shall be such that the sum received immediately by the Company, plus, if applicable, the sum that may be received by it upon exercise or conversion of said securities, for each share issued as a result of the issue of said securities, is at least equal to the above-mentioned minimum amount.

(6) 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.

(7) 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 1,076,503.

(8) The exercise price of a BSPCE/BSA shall be determined by the Board of Directors on the dale of allocation of the BSPCEs and shall be at least equal to the higher of the following two amounts:

- the weighted average price over the last 20 trading sessions preceding the date of allocation of said BSPCE/BSA by the Board;
- if one or more capital increases has taken place less than six months before the Board decision to allocate the BSPCEs in question, the price of an ordinary Company share used in the most recent capital increase appraised on the date of allocation of each BSPCE.

(9) The exercise price of a BSA shall be determined by the Board of Directors on the date of issue of said BSA, according to its characteristics, and shall be at least equal to the weighted average price over the last five (5) trading sessions preceding the date of allocation of said BSA by the Board.

For the fiscal year ended December 31, 2017, the Board of Directors used the aforementioned delegations and the delegations in force at that period, granted by the General Shareholders' Meeting of May 24, 2016 and May 22, 2017 as follows:

In respect of the authorizations granted by the General Shareholders' Meeting of May 24, 2016:

May 29, 2017: the Board of Directors used the authorizations granted under the 30th resolution of the General Shareholders' Meeting of May 24, 2016 to resolve to issue 150 convertible bonds with share subscription warrants attached ("OCABSAs"), representing a total nominal amount of up to €1.5 million, in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND, under the terms described in Section 21.1.4.5 of this *Document de référence*.

In respect of the authorizations granted by the General Shareholders' Meeting of May 22, 2017:

September 19, 2017: the Board of Directors used the authorizations granted to it under the 28th resolution of the General Shareholders' Meeting of May 22, 2017 to resolve to issue, at an issue price of €0.07 each, 60,000 share subscription warrants, each carrying entitlement to subscribe for one Company share, at a price of €0.66 each, issue premium included, in favor of five consultants.

November 16, 2017: the Chief Executive Officer, with the authorization of the Board of Directors, making use of the delegation of authority granted to him under the 23rd resolution of the General Shareholders' Meeting of May 22, 2017, decided on a capital increase with shareholders' preferential subscription rights maintained for specific persons coming under the category of persons defined by said meeting, in the nominal amount of €1,750,000.00 through the issue of 3,500,000 new shares each combined with a share subscription warrant of a nominal value of €0.05 each, issued at the price of €0.50 each (issue premium included).

March 7, 2018: the Board of Directors, making use of the delegations of authority granted to it under the 24th resolution of the General Shareholders' Meeting of May 22, 2017, decided on the free issue

of 500 convertible bond warrants in favor of the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND, which may give rise to the issue of up to 500 convertible bonds (OCAs) for a maximum amount of €5 million. At the same meeting, the Board of Directors decided to issue 100 OCAs representing a total nominal amount of up to €1 million, under the terms described in Section 21.1.4.5 of this *Document de référence*.

Whenever necessary, supplementary Board of Directors and Statutory auditors' reports were made available to shareholders in accordance with legal and regulatory requirements.

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. History of the share capital

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	Capital	Gross issue premium	Number of shares created	Number of shares making up the capital	Nominal value	Share capital
2/18/2015	Capital increase preferential subscription rights	€6,479,424	€3,239,712	€4,319,616	€9,719,138	€1.50	€14,578,707
3/13/2015	Capital increase preferential subscription rights (extension clause)	€971,913	€485,956.50	647,942	10,367,080	€1.50	€15,550,620
12/29/2015	Conversion of bonds convertible into shares	€336,778.50	€123,221.50	224,519	10,591,599	€1.50	€15,887,398.50
3/24/2016	Conversion of bonds convertible into shares	€217,279.50	€22,720.50	144,853	10,736,452	€1.50 €	€16,104,678.00
5/24/2016	Capital decrease justified by losses	€(8,589,161.60)	-	-	10,736,452	€0.70 €	€7,515,516.40
6/29/2016	Conversion of bonds convertible into shares	€147,769.30	€142,230.70	211,099	10,947,551	€0.70	€7,663,285.70
9/20/2016	Conversion of bonds convertible into shares	€367,083.50	€232,916.50	524,405	11,471,956	€0.70	€8,030,369.20
11/17/2016	Capital increase preferential subscription rights	€6,883,173.50	-	9,833,105	21,305,061	€0.70	€14,913,542.70
3/24/2017	Exercise of share subscription warrants	€262,500.00	€30.00	375,000	21,680,061	€0.70	€15,176,042.70
6/29/2017	Capital decrease for reasons other than losses	€(14,092,039.65)	-	-	21,680,061	€0.05	€1,084,003.05
6/29/2017	Conversion of bonds convertible into shares	€36,601.40	€513,398.60	772,028	22,452,089	€0.05	€1,122,604.56
9/19/2017	Conversion of bonds convertible into shares	€82,023.65	€867,976.35	1,640,473	24,092,562	€0.05	€1,204,628.10
11/6/2017	Capital increase without preferential subscription rights, aimed at a specific category of shareholders.	€175,000	€1,575,000	3,500,000	27,592,562	€0.05	€1,379,628.10
03/13/2018	Conversion of bonds convertible into shares	17,045.40 €	€132,954.60	340,908	27,933,470	€0.05	€1,396,673.50
04/11/2018	Conversion of bonds convertible into shares	17,045.45 €	€132,954.55	340,909	28,274,379	€0.05	€1.413.718,95

21.1.7.2. Changes in the distribution of the Company's share capital during the last three fiscal years

	Situation at December 31, 2015		Situation at December 31, 2016		Situation at December 31, 2017	
	Number of shares	% of capital and voting rights	Number of shares	% of capital and voting rights	Number of shares	% of capital and voting rights
Founders and historical investors	**193,189**	**1.82%**	**251,867**	**1.18%**	**251,867**	**0.91%**
Other investors	**86,056**	**0.81%**	**101,082**	**0.47%**	**93,146**	**0.34%**
Financial investors	**585,608**	**5.53%**	**1,571,398**	**7.38%**	**132,949**	**0.48%**
Seventure	391,013	3.69%	391,013	1,84%	132,948	0.48%
Leilani Investments Partner	139,219	1.31%	0	0 %	0	0 %
Other investors	55,376	0.53%	55,377	0.26%	55,3771	0.00%
Securities in bearer form	**9,726,746**	**91.84%**	**19,380,714**	**90.97%**	**27,114,600**	**98.27%**
Total	**10,591,599**	**100%**	**21,305,061**	**100%**	**27,592,562**	**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.

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

In the course of the 2017 fiscal year, the share price reached its highest level, €0.95, on January 10 and 16, 2017, and its lowest level, €0.39, on December 13, 27 and 28, 2017. At December 29, 2017, the share closed at €0.42.

Over the first months of 2018, the share price moved from €0.42 to €0.454 on April 13, 2018, the closing price on the day preceding the filing date of this *Document de référence*, meaning the Company's market capitalization stood at approximately €12.8 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. The Combined General Shareholders' Meeting of June 24, 2015 decided not to institute double voting rights and confirmed the rule whereby one Company share entitles the holder to one vote at the General Shareholders' Meeting.

21.2.3.3. Right to dividends and profits (extract from Article 9 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. Limitation 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 registration of the shares in a securities account in the name of the shareholder or of the authorized intermediary registered on behalf of such shareholder at least two (2) 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.

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.

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 AGREEMENTS ENTERED INTO WITH SALES AGENTS

Atlantis Diffusion

The Company entered into a non-exclusive distribution agreement with Atlantis Diffusion, a Monegasque company. Under the agreement, Atlantis Diffusion distributes some of the Company's products (prosthetic and osteosynthesis implants) in France through a network of sales agents and via its own distribution network. This contract was entered into on January 30, 2015 and initially runs until December 31, 2016. The Company can unilaterally terminate the agreement subject to a 30-day notice period if Atlantis Diffusion 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 or is subject to a change of control. In case of termination of the agreement, Atlantis Diffusion can (i) request for the Company to repurchase its product inventory at its initial purchase price providing that the related goods are in their original shape and currently commercialized by the Company or (ii) decide to keep the said inventory to resale it. Atlantis Diffusion cannot transfer the agreement in full or in part without the Company's prior written agreement.

Targmed Comércio

The Company entered into an exclusive distribution agreement with Targmed Comércio e Importaçao de produtos Medicos e Hospitalares Ltda (a Brazilian company) ("**Targmed Comércio**"). Under the agreement Targmed Comércio distributes some of the Company's products (prosthetic, osteosynthesis and spinal implants) in Brazil through a network of sales agents and via its own distribution network. This contract was entered into on April 8, 2014. It initially runs until December 31, 2016 but can be tacitly renewed, just once, for an additional two years. The contract's terms prohibit Targmed Comércio from (i) selling competing products in Brazil, and (ii) selling Company products outside of Brazil. If Targmed Comércio breaches this last condition, 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 30-day notice period if Targmed Comércio 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 Brazilian territory or is subject to a change of control. Targmed Comércio may, for its part, unilaterally terminate the agreement with a 30-day written notice, assuming that the Company fails to comply with the exclusivity commitment given to Targmed Comércio for Brazil. In case of termination of the agreement, Targmed Comércio can (i) request for the Company to repurchase its product inventory at its initial purchase price providing that the related goods are in their original shape and currently commercialized by the Company or (ii) decide to keep the said inventory to resale it. Targmed Comércio 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 seven-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.

Aegis Spine Inc.

Implanet America Inc. signed with Aegis Spine Inc. (US law company) a non-exclusive sales contract for products under the terms of which Aegis Spine Inc. distributes all Jazz range products to certain American surgeons listed in the notes. This agreement was entered into on January 25, 2018, 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 seven-day prior written notice if Aegis Spine Inc is subject to a change of control or fails to achieve 75% of the sales targets set out in the contract.

L&K Biomed

The Company signed with L&K Biomed (Korean law company) two cross-distribution agreements for their respective products in Asia and Europe. L&K Biomed will exclusively distribute Jazz products in addition to its own product range in Asia and Oceania. The Company will exclusively distribute the spinal range (cages, screw systems, cervical plates) of L&K Biomed in Europe.
The definition of the territory will be subject to successive amendments with the integration of target countries. This contract was entered into on February 22, 2018 for an initial duration of five years, renewable for additional three-year periods. The contract's terms prohibit L&K Biomed from (i) selling competing products to those of the Company and (ii) selling Company products outside of the territory. If L&K Biomed breaches this last condition, it will be liable to pay a penalty of three times the corresponding sums billed. The Company can terminate the agreement if L&K Biomed 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 contract, sells products outside of the territory or is subject to a change of control. L&K Biomed may, for its part, terminate the contract if the Company fails to comply with the exclusivity commitment given to L&K Biomed for the territory.

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 became 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 THE ISSUE OF OCABSAS TO THE EUROPEAN SELECT GROWTH OPPORTUNITIES FUND

On March 7, 2018, the Company finalized a financing arrangement with the EUROPEAN SELECT GROWTH OPPORTUNITIES FUND to raise a potential maximum of €5 million, at the Company's discretion and under certain usual conditions, which may be revised upwards by an equivalent amount if the share subscription warrants attached to the bonds to be issued under this operation are exercised.

The terms of this financing are broadly detailed in Section 10.1.4.2 of the *Document de référence*.

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.

The regulated information required under the AMF General Regulation is also available on 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*.