FOR TRANSLATION PURPOSES ONLY

A French Limited Company with a share capital of €16,104,678.00
Registered office: Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac
Bordeaux B 493 845 341

DOCUMENT DE RÉFÉRENCE 2015

CONTAINING THE ANNUAL FINANCIAL REPORT

AND MANAGEMENT REPORT

AUTORITÉ DES MARCHÉS FINANCIERS

This *Document de référence* was filed with the *Autorité des marchés financiers* (French Financial Markets Authority, or the "**AMF**") on April 28th, 2016 under number R. 16-035, in accordance with the AMF General Regulation, particularly Article 212-13. This document may only be used in support of a financial transaction if it is supplemented by a Securities Note as specified by the AMF. It has been prepared by the issuer and is binding on the signatories.

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

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

- the consolidated financial statements prepared in accordance with IFRS for the fiscal year ended December 31, 2014 and the related Statutory Auditors' report on pages 192 to 247 of the *Document de référence* filed with the AMF on April 28, 2015 under number R. 15-023.

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

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

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GENERAL COMMENTS

Definitions

The following terms are defined as follows in this *Document de référence*, unless otherwise indicated to the contrary:

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

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

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

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

Notice

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

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

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

1. PERSONS RESPONSIBLE

1.1. PERSON RESPONSIBLE FOR THE *DOCUMENT DE REFERENCE*

Ludovic Lastennet, Implanet Chief Executive Officer

1.2. STATEMENT OF THE PERSON RESPONSIBLE

Martillac, April 28th, 2016

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 11 and 12 give a true picture of the development of the Company's business, results and financial position and of all of the companies included in the consolidation as well as a description of the main risks and uncertainties they face.

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

The Statutory auditors' report on the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union for the fiscal year ended on December 31, 2015 contains the following observation:

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

The Statutory auditors' report on the annual financial statements for the fiscal year ended December 31, 2015 contains the following observation:

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

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
represented by Franck Sebag 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
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
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
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. INFORMATIONS ON THE STATUTORY AUDITORS WHICH RESIGNED OR NOT BEING RENEWED

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:

(Amounts in euros, excl. VAT.)	12/31/2015		12/31/2014	
	Ernst & Young	INKIPIO AUDIT	Ernst & Young	INKIPIO AUDIT
Statutory audit work	114,000 (1)	76,000 (1)	69,500 (2)	51,000 (2)
Other services and due diligence directly linked to the statutory audit work	4,100	-	19,000 (3)	3,000
Subtotal	**118,100**	**76,000**	**88,500**	**54,000**
Other services rendered - Tax - Other				
Subtotal	**-**	**-**	**-**	**-**
Total	**118,100**	**76,000**	**88,500**	**54,000**

(1) Including fees of €43,000 for Ernst & Young and €19,000 for INKIPIO *AUDIT in connection with the capital increase of March 2015.*

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

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

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, 2015 in Section 20.1 "Consolidated financial statements prepared in accordance with IFRS for the fiscal year ended December 31, 2015" of the *Document de référence*.
The accounting and operating data presented below should be read in conjunction with the information in Sections 9 “Financial position and results” and 10 “Cash and share capital”.

Simplified consolidated balance sheets in euros *IFRS*	**12/31/2015** 12 months *Audited*	**12/31/2014** 12 months *Audited*
TOTAL ASSETS	**16,289,913**	**14,554,598**
Non-current assets	**3,046,742**	**5,795,142**
of which intangible fixed assets	634,732	622,212
of which property, plant and equipment	1,426,061	2,041,878
of which other non-current financial assets (1) (2)	985,949	3 131 053
Current assets	**13,243,171**	**8,759,456**
of which inventories	3,468,530	3,096,238
of which trade receivables	2,538,631	2,062,883
of which other receivables	776,710	1,181,030
of which other current financial assets (1) (2)	5,309,067	308,116
of which cash and cash equivalents	1,150,232	2,111,188
TOTAL LIABILITIES AND EQUITY	**16,289,913**	**14,554,598**
Shareholders' equity	**9,725,600**	**7,214,130**
Non-current liabilities	**1,803,745**	**1,805,329**
of which amounts due to personnel	82,905	74,629
of which non-current financial liabilities	1,720,685	1,722,170
of which derivative instrument liabilities	154	8,530
Current liabilities	**4,760,568**	**5,535,139**
of which current financial liabilities	1,872,614	2,473,224
of which derivative instrument liabilities	120,264	-
of which provisions	55,000	-
of which trade and other accounts payable	2,134,519	2,297,232
of which tax and social security liabilities	560,446	748,808
of which other creditors and miscellaneous debt	17,725	15,875

(1) At December 31, 2015, other non-current financial assets were mainly composed of negotiable medium-term notes and term deposits for €0.7 million. Current financial assets are only made up of liquid negotiable medium-term notes.

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

Simplified consolidated income statements in euros *IFRS*	**12/31/2015** 12 months *Audited*	**12/31/2014** *12 months* *Audited*
Operating income	**6,878,567**	**7,417,293**
Of which revenue	6,653,374	7,038,416
Operating expenses	**(14,510,718)**	**(13,674,745)**
Net operating income	**(7,632,150)**	**(6,636,329)**
Net financial income	**(375,411)**	**(235,257)**
Total net income/(loss)	**(8,007,562)**	**(6,871,586)**
Net earnings per share	(0.83)	(1.27)

Simplified cash flow statement in euros *IFRS*	**12/31/2015** 12 months *Audited*	**12/31/2014** *12 months* *Audited*
Cash flows from operating activities	**(6,811,336)**	**(5,293,119)**
Of which free cash flow	(6,017,366)	(4,855,005)
Of which variation in working capital requirement (-)	793,970	438,114
Cash flows from investing activities (1)	**(3,235,273)**	**7,487,364**
Cash flows from financing activities (2)	**9,272,531**	**(2,884,167)**
Impact of changes in exchange rates	(186,877)	(164,424)
Change in cash	**(960,956)**	**(854,346)**

(1) The cash generated in fiscal year 2015, in particular by the capital increase of March 2015, was partly placed in liquid securities.
For the record, liquid securities of €7.7 million had been used by the Company in 2014 to cover its cash requirements over the fiscal year.

(2) In fiscal year 2015, the cash generated mainly stemmed from the capital increase of March 2015 (€9.9 million, net of costs) and from the issue of convertible bonds coupled with share subscription warrants (€0.9 million, net of costs). The cash requirements linked to the repayment maturities of the KREOS bonds amounted to €1.4 million in 2015.
In 2014, the cash requirements were essentially linked to the repayment maturities of the KREOS bonds for €2.3 million.

Net indebtedness in euros *IFRS*	**12/31/2015** 12 months *Audited*	**12/31/2014** *12 months* *Audited*
Non-current financial debts	1,720,685	1,722,170
Current financial liabilities	1,872,614	2,473,224
Cash and cash equivalents	(1,150,232)	(2,111,188)
Current and non-current financial assets	(5,964,200)	(3,439,169)
Total net indebtedness (1)	**(3,521,133)**	**(1,354,963)**

(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 orthopedics 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, 2015, the Company had sold 11,690 Jazz implants since their launch at the start of 2013. The Company is now working on the international rollout of Jazz, in particular in France, Europe, the United States and Brazil.
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, 6.5.5 and 6.5.6 of the *Document de référence*).

In order to increase adoption, Implanet uses clinical and scientific studies on braided implants, as detailed in Sections 6.4.4, 6.5.5 and 6.5.6 of the *Document de référence*. Nevertheless, if the Company fails to convince healthcare professionals of the 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 intended for implantation as part of complex orthopedic surgery (see Chapter 6). The development of new non-surgical and surgical technologies could result in reduced demand for these products or render them obsolete. For example, the development of medical innovations for preventive treatment of the pathologies for which the surgical procedures are currently performed could reduce or delay the need for surgical implants and eventually constitute a genuine alternative to the use of implants. However, the time required for regulatory approval and scientific validation of the evidence that these new technologies provide benefits for, should allow Implanet to take measures to reduce the impact of such external factors.

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

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

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

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

- knees: development of a revision prosthesis (see Section 6.2.3);
- Jazz: development of a more extensive range 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 6.4.4, 6.5.5 and 6.5.6). The Company intends to conduct clinical studies with Jazz for the approved indications and other indications (in particular degenerative) to confirm the efficacy of its products and highlight the advantages of Jazz compared with competing solutions or alternatives.

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

4.2. RISKS LINKED TO THIRD PARTIES

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

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

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

4.2.1.1. Indirect sale via commercial partners (distributors)

Implanet has established an indirect sales network by means of distribution agreements with local commercial partners who, at December 31, 2015, accounted for around 65% of Implanet's annual revenue.

At the date of this *Document de référence*, Implanet has distribution agreements with 20 commercial partners in 16 countries (see Section 6.2.1.1).

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

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

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

4.2.1.2. Direct sales

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

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

More specifically, since its creation, Implanet America Inc. has signed 30 agreements with commercial partners (agents) and plans to sign others to improve its coverage of this region.

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

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

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

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

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

The manufacture of Implanet products is exacting, due in particular to the strict regulations that apply. The Company's products are classified as medical devices and are therefore subject to specific regulations in all countries where they are manufactured, tested or marketed. These regulations impose obligations with regards to product design, manufacturing, control and quality assurance and, in certain cases, preclinical tests or clinical trials of the products (see Section 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 metallic implants and there are many potential supply sources in Europe. The Company has created a list of subcontractors to replace its current subcontractors should any of the latter be at fault. The Company also owns its drawings and molds, thus giving it the necessary flexibility to change subcontractors for the manufacture of its general orthopedic products. However, any change in subcontractor for the molding processes of knee prostheses would require validation studies and the submission of a file to the regulatory authorities before selling activities could resume.

With regards to Jazz, the Company relies on different subcontractors to manufacture the metallic part and the braid (see Section 6.4 for the description of Jazz). The metal part is manufactured by the same subcontractors used by the Company for its general orthopedic products. It is therefore easy to change subcontractor for the manufacture of this part. For the manufacture of the braid, to limit development costs (many strength tests in particular), which are very high for this type of product, the Company has a single subcontractor (see Chapter 22). 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 9001 and ISO 13485. Moreover, the Company requires its subcontractors to sign confidentiality agreements to protect its knowledge, for which multiple patents have been filed.

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

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

4.3. RISKS LINKED TO THE COMPANY'S ORGANIZATION

4.3.1. Risks linked to key personnel

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

The Key Personnel includes the grand majority of the Group's 50 employees (on the Date of this *Document de référence*). The surgeons, researchers and scientific experts who regularly collaborate with the Company are not Company employees.

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

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

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

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

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

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

4.3.2. Risks linked to the management of IT systems

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

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

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

4.3.3. Risks linked to organic growth

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

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

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

4.4. LEGAL RISKS

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

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

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

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

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

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

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

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

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

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

The Group's products are 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. Such a change in regulations would reduce the Company's operating margin. The Commission stated that the regulation could be adopted in 2014 and implemented between 2015 and 2019. Since then, the European Parliament adopted a legislative resolution on the proposed regulation at first reading on April 2, 2014. The new regulation was approved by the European Council in June 2015. The legislative process is underway, with discussions still ongoing between the European Council, Commission and Parliament. The new legislation could be adopted in 2016 and come into force in 2017 or 2018.

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

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

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

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

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

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

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

4.4.2.3. Risks linked to the regulatory environment in other countries

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

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

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

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

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

4.4.3. Risks linked to product liability claims

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

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 9001 and ISO 13485). These procedures have been integrated into a compliance failure management system called CAPA (Corrective Action and Preventive Action), the aim of which is to:

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

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

4.4.6. Litigation and exceptional events

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

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

4.5. RISKS LINKED TO INTELLECTUAL PROPERTY AND RELATED LITIGATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- that it will be able to prevent the misuse or unauthorized use of its technology, particularly in foreign countries where its rights may not have the same level of protection due to the territorial scope of its industrial property rights;
- that its products do not infringe upon or violate the patents or other intellectual property rights belonging to third parties;
- that there are no patents that are difficult to interpret or other intellectual property rights that may cover certain Company products, procedures, technologies, results or activities, and that no third parties infringe or act in violation of their rights with respect to the Company with a view to obtaining damages and/or the termination of its manufacturing activities and/or the marketing of the products or procedures incriminated in this way;
- that there are no rights relating to brands, drawings or models or other prior intellectual property rights belong to a third party that could allow for infringement action against the Company; and/or
- that the Company's domain names will not be subject to a UDRP (Uniform Dispute Resolution Policy) or similar procedure or infringement action by a third party who holds prior rights (e.g. trademarks).

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

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

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

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

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

4.5.3.3. Impact of legal action

If one of the aforementioned scenarios should occur in relation to the Company's intellectual property rights, this could have a significant negative impact on the Company's business, outlook, financial position, results and development. Nevertheless, on the 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.

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

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

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

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

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

4.6. INDUSTRIAL AND ENVIRONMENTAL RISKS

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

4.7. FINANCIAL RISKS

4.7.1. Risks linked to operating losses

Since its creation in December 2006, the Group 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 fixture and spinal deformity reduction system) involving mechanical and clinical testing, filing of patents, costs associated with the protection of intellectual property, etc.;
- development costs of the Beep N Track activity until 2011;
- commercial rollout costs (launch of new products and territorial expansion, in particular in the United States).

For the fiscal year ended December 31, 2015, the Group recorded a net loss (IFRS) of €8,008 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 and the United States, the Group mainly invoices public and private healthcare establishments.

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

With regards to the concentration of credit risk, two distributors each accounted for over 10% of consolidated revenue at December 31, 2015: one Export distributor (26%) and one France distributor (21%).

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

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

In France and the United States, the invoicing of orthopedic implants 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. Likewise, a shortening of the payment terms of the Company's suppliers would also have a negative impact on changes to its working capital.

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

4.7.4. 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 stock market in November 2013 and the capital increase with preferential subscription rights for shareholders in March 2015) totaling €64,822 thousand since its creation.

Public funding

The Company has benefited from repayable advances under the OSEO Innovation program, OSEO subsidies, FEDER subsidies from the Aquitaine Regional Council, research tax credit (*Crédit Impôt Recherche - CIR*), and COFACE marketing insurance.

The repayment schedule for the repayable advances presented in accordance of IFRS breaks down as follows at December 31, 2015:

	OSEO Knees
At December 31, 2015	**163,253**
Part due in less than 1 year	78,309
Part due between 1 and 5 years	84,944
Part due in more than 5 years	-

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 (BSA) by the Company in favor of Kreos Capital IV (Expert Fund) LTD and the pledge of the Company's goodwill (refer to Section 22.3.3 of the *Document de référence* for further details on the characteristics of the bond issue) in favor of Kreos Capital IV (UK) 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 (refer to Section 22.3.3 of the *Document de référence* for more details on the nature of the bond issue following the rescheduling). 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.

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

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

The Company may be unable to meet the repayment installments for this loan and may find itself in a situation of insolvency or be deprived of all or part of the assets pledged as a guarantee against repayment (see Sections 22.3 of this Document, in particular for the commitments made by the Company for this bond and the conditions under which early repayment would be required).

At December 31, 2015, the bond repayment schedule, presented in accordance with IFRS, breaks down as follows:

	Non-convertible KREOS bond issue
At December 31, 2015	**1,984,812**
Part due in less than 1 year	900,572
Part due between 1 and 5 years	1,084,240
Part due in more than 5 years	

Issue of convertible bonds with warrants attached ("OCABSA") in favor of L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND

On October 14, 2015, the Company signed an OCABSA agreement with L1 European Healthcare Opportunities Fund for potential funding of €5 million, at the Company's discretion (refer to Section 21.1.4.5 of the *Document de référence* for further details on the terms of this agreement).

On the same day, a first tranche of 100 OCABSA totaling €1.0 million was subscribed by L1 European Healthcare Opportunities Fund. The bonds 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.

On the date of the *Document de référence*, 30 convertible bonds were still outstanding, representing €0.3 million.

Moreover, the Company may issue 400 warrants in favor of L1 European Healthcare Opportunities Fund, liable to result in a bond issue of an additional maximum of €4 million (via a number of tranches of no more than €250,000, with the understanding that L1 European Healthcare Opportunities Fund may ask to increase the unitary amount of one of these tranches by €100,000 subject to:

- necessary approval being granted at the next annual shareholders' meeting due to be held no later than June 30, 2016;
- direct and indirect investments by L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND in the Company's capital do not exceed 3% of the capital and voting rights given the number of potential shares resulting from the conversion of convertible bonds;
- the previous tranche must be repaid or converted or there must be a period of 35 days after drawing down the previous tranche (excluding the first tranche); and
- both the closing price and weighted average price over the five trading days preceding the issue request being at least €1.10.

Bank borrowings

At December 31, 2015, the bank loan repayment schedule, presented in accordance with IFRS, breaks down as follows:

	Bank borrowings
At December 31, 2015	**418,680**
Part due in less than 1 year	165,033
Part due between 1 and 5 years	253,647
Part due in more than 5 years	-

Kepler Cheuvreux financing line

Moreover, in anticipation of future cash requirements, the Company set up an equity financing line with Kepler Cheuvreux in 2014. Following the set-up of the OCABSA agreement with L1 European Healthcare Opportunities Fund, the Company's use of this equity financing line was suspended.

(Refer to Section 10.1 of the *Document de référence* for further information on the Company's sources of financing)

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 €6,811 thousand in the fiscal year ending December 31, 2015 and €5,293 thousand for the fiscal year ended December 31, 2014.

At December 31, 2015, the Company’s cash and cash equivalents amounted to €1,150 thousand. Realizable current financial assets (cash balances) totaled €5,309 thousand.

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

This analysis is based on the following information:

- the Group’s available cash amounting to €1.2 million);
- its other current financial assets amounting to €5.3 million;
- possible use of the financing line through the issue of convertible bonds coupled with share subscription warrants under the conditions and subject to the restrictions mentioned above.

Moreover, the Company is examining the possibility of obtaining additional funding for its new developments, which may involve a capital increase, especially if the Company was no longer able to use the OCABSA financing line, or if it decided not to use it. The Company extent its factor agreement in France during the 1st quarter of 2016 and implemented during the 2nd quarter of 2016 a factoring solution for Europe and rest of the world.

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

On the date of the *Document de référence*, the Company had the required means to meet its financial obligations for the next 12 months without using the convertible bonds with share subscription warrants.

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

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

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

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

4.7.6. Risks of dilution

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

On the date of the *Document de référence*, the Company had issued and awarded share subscription warrants (BSA), Founders' warrants (BSPCE) and share subscription and purchase options; in addition, it had set up an agreement for the issue of convertible bonds coupled with share subscription warrants ("OCABSA"), as well as an equity financing.

At the date of this *Document de référence*, the full exercise of all of the instruments giving access to the share capital allocated and outstanding on this date would enable the subscription of 1,600,778 new shares, thus leading to dilution equal to 14.91% based on the capital existing today, and 12.98% based on the fully diluted share capital (excluding (i) exercise of the share issuance warrants (BEA) issued in favor of Kepler Cheuvreux (for detailed terms and conditions see Section 21.1.4.2 of the *Document de reference* and (ii) conversion of the OCA (and share subscription warrants) to be issued upon the exercise of 400 warrants in favor of L1 European Healthcare Opportunities Fund, subject to the approval being granted at the next annual shareholders' meeting due to be held on May 24th, 2016 and the respect of usual conditions (refer to sections 10.1.4.2 and 21.1.4.5 of the *Document de référence*)).

On the same date, the Company's right to use its equity financing line was suspended due to the signing of the OCABSA agreement with L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND.

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

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

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 2015 CIR totaled €225 thousand.

In 2012, the research tax credits in respect of 2009, 2010 and 2011 were subject to a tax audit resulting in an additional tax cost of €80 thousand (including late payment interest and penalty).

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

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

At the date of this *Document de référence* (amounts in € thousand)	Amount granted	Amount received	Amount repaid
OSEO Knee	350	350	200
OSEO - Beep N Track	650	650	650
COFACE USA – Beep N Track	194	194	194
Total	**1,194**	**1,194**	**1,044**

On the date of the *Document de référence*, only the OSEO knee repayable advance had still not been fully repaid. In effect, its repayment schedule runs from March 2013 to December 31, 2017 (see Section 10.1.2 of the *Document de référence*). Following the payment schedule, the Company reimbursed €20 thousand during the 1st quarter of 2016. At the date of this *Document de reference*, the repayable advance balance is amounting to €150 thousand.

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 taken out by the Company are the following:

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

- Convertible bond of €1,000 thousand subscribed on October 14, 2015 by L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND. This bond does not bear any interest.

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

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

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. At December 31, 2015, all cash was denominated in euros.

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

The 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 paid by the Company relating to its insurance policies (France and United States) amounted to €219,400 for the fiscal year ended December 31, 2015.

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)	Per year of insurance:	
	Operation	All damage taken together, including personal injury, of which:		None.
		- 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
			Per year of insurance:	
	Products/after Delivery	All damage taken together, including personal injury, of which:		
		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
			Per year of insurance:	
	Legal expenses	Legal expenses	€30,000	Disputes exceeding €1,500
Type of insurance	**Insurance Company or Broker**	**Coverage**	**Amounts covered**	**Deductible per claim**
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: €1,774 Storm damage: 10% minimum €1,774 Rioting: 10% minimum €2,661
		Damage to electrical, electronic, computer and office equipment	€50,000	€887
		Breakage of IT and office equipment	Not covered	
		Breakage of Machines	Not covered	
		Breakage of windows	€12,000	€887
		Theft, attempted theft (assets, furniture, goods for resale)	€300,000	
		Cash and valuables in cash registers or safety deposit box	Not covered	
		Transport of funds	Not covered	
		Loss of goods for resale subject to controlled temperatures	Not covered	
		Subsidence	Not covered	
		Other natural events	Not covered	
		All risks except (other material damage)	€1,500,000	€3,500
		Goods during transport	Not covered	
		Goods in any place at third parties	€3,735,000	
		Goods entrusted	€3,480,000	
		Assets during construction	Not covered	
		Goods during "Assembly-Trials"	Not covered	
		Automatic insurance	€50,000	
		Difference in conditions, limits and definitions		

Type of insurance	Insurance Company or Broker	Coverage	Amounts covered	Deductible per claim
Transported goods for resale	AXA	Sea transports	€300,000	with no deductible
		River, air and land transport	€300,000	with no deductible
		Own transport	€60,000	with no deductible
		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	AXA	Third-Party liability for corporate officers, legal defense fees, assistance in criminal cases (per period of insurance)	€3,000,000	with no deductible
Automobile fleet	AXA	Damage caused by any kind of accident, damage caused by collisions	Guaranteed	€450 or €650
		Fire, explosions, terrorist attacks, hail and storms	Guaranteed	€450 or €650
		Theft	Guaranteed	€450 or €650
		Breakage of windows	Guaranteed	€80
		Natural disasters	Guaranteed	with no deductible
		Driver cover	€160,000	with no deductible
Credit insurance	Atradius	Client insolvency cover Political risk cover	Percentage covered for named clients 90% non-named clients 70%	
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 23 January 2007 for a term of 99 years ending on 23 January 2106, excluding the event of early dissolution or extension.

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

The Company's registered office is located in the Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France. The Company's contact details are:
Telephone: +33 (0)5 57 99 55 55
Fax: +33 (0)5 57 99 57 00
Website: www.implanet.com

The Company is a *Société Anonyme* (public limited company) with a Board of Directors.

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

5.1.5. History of the Company

2006

- Founding of the Company.

2007

- 1st round of financing of €13 million.
- Recruitment of management, administration, marketing, Research & Development, and regulatory and commercial affairs teams.
- Design and implementation of industrial and logistical infrastructure.

2008

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

2009

- 2nd round of financing of €7.6 million.
- Winner of the “DELL Innovation Award” and the “IBM Information Champion Award” for the Beep N Track traceability and logistics technology for orthopedic implants.
- Launch of the “Madison” knee project.
- Launch of the “Implanet Spine System” project, for conventional "screw and hook" spinal implants.
- Deployment of the Beep N Track activity, making it possible to manage the complete logistics and traceability of implants between the operating theaters and the manufacturers (patent granted at the end of the year).
- Attainment of CE marking for the Twist (Knee) femoral fixation button.
- Signing of distribution agreements in Brazil for the knee arthroscopy range and submission of the related regulatory filings.
- Signing of distribution agreements in Iran for the knee arthroscopy range and submission of the related regulatory filings.

2010

- Launch of Jazz concept.
- 3rd round of financing of €8 million.
- CE marking and marketing authorization for the traditional spinal implant range.
- CE marking and placement of the first Madison knee prostheses.
- Signing of a distribution agreement in Turkey and submission of regulatory filings for the knee arthroscopy range and for the "Implanet Spine System".
- Granting of €222,320 in subsidies by the Aquitaine Regional Council to fund the development of the Madison knee prosthesis.

2011

- 4th round of financing of €5 million.
- Renewal of ISO 13485 (13419) and ISO 9001 (13417) certification.
- Launch and placements of the first traditional implants in the spinal range.
- CE marking and marketing authorization for Jazz.
- Granting of marketing authorization in Brazil for the Twist Button (Knee) range.
- Signing of distribution agreement in South Africa and attainment of registration for the knee range and "Implanet Spine System".
- Sale of the Beep N Track business to the American company GHX, global leader in hospital logistics.

2012

- “Oseo Innovative Business” label.
- Marketing of the Knee range in France entrusted to distributors.
- Pre-launch of Jazz for the treatment of major deformities and scoliosis.

- Approval of (Knee) arthroscopy range in Brazil.
- FDA (510 (k)) approvals for the traditional Spinal implant range in July.
- FDA (510 (k)) approvals for Jazz in October.
- Signing of distribution agreement for Jazz in Belgium.
- Submission of regulatory filings for the Knee range in India and Brazil.

2013

- Signing of distribution agreements for Jazz in Italy, Australia and New Zealand.
- Signing of distribution agreements in Russia and submission of registration filings for the Knee and Spinal ranges.
- Registration of Spinal and Knee ranges in India.
- Submission of regulatory filings for the Spinal range in Brazil.
- Opening of US subsidiary Implanet America in February.
- Deployment of Jazz in France and Europe.
- Signing by Implanet America of sales agents agreements with 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.
- Relocation of Implanet America Inc. from New York to Boston in January 2014.
- The Company's CEO, Ludovic Lastennet, oversees the operations of the subsidiary Implanet America Inc. in the United States from Boston.
- Recruitment of four employees by the American subsidiary.
- FDA audit carried out in early February at the Martillac site.
- 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 June 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 €11.2million, 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®

5.2. INVESTMENTS

5.2.1. Key investments over the last two fiscal years

Key investments over the last two fiscal years		
in Euros	**12/31/2015**	**12/31/2014**
Intangible fixed assets	**309,080**	**166,618**
of which capitalization of development expenses	*272,950*	*106,179*
Property, plant and equipment	**287,374**	**869,719**
of which equipment and tooling	*129,249*	*833,124*
Total	**596,454**	**1,036,337**

The Group's investments in intangible fixed assets during the two fiscal years presented mainly relate to the capitalization of development costs (for the “Jazz Claw" and "Jazz Lock" projects, and the "Madison Revision" in 2015).

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

5.2.2. Key ongoing investments

No major investments have been made since January 1, 2016.

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 revenues of €6.7 million in 2015.

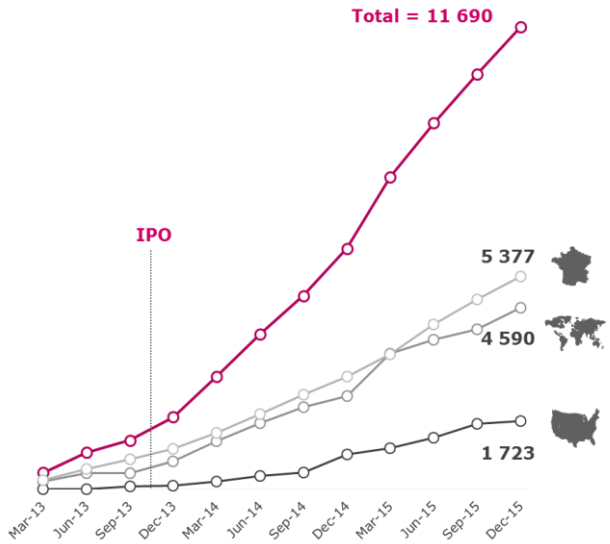
Implanet has been marketing its star product, Jazz, since 2013. Its purpose is to improve the treatment of spinal disorders requiring spinal fusion. This product complements the range of products routinely used, such as pedicle screws and hooks, and has already been used in more than 2,000 surgical procedures, representing more than 11,000 Jazz implants.

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

	2013	2014	2015
	10	21	39
	6	17	43
Nombre de chirurgiens actifs	**16**	**38**	**82**

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

#JAZZ sold per quarter (Overall total)



The sharp growth in Spine revenue in 2015 (+45%) reflects consistent performance across all distribution channels in all Group markets:

IFRS data	France	United States	Rest of the World	**WW**
	Direct distribution		**Direct distribution**	
Revenue	€2.9 million	€1.2 million	€2.6 million	€6.7 million
Jazz growth	*+47%*	*+47%*	*+41%*	*+45%*

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 $2.1 billion[1] (see Section 6.4) through:

- the extension of its range;
- the compatibility with all commercially available fixation systems; and
- the coverage of 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.

[1] Company Estimate (see Section 6.4).

6.1. SIGNIFICANT PROGRESS IN 2015

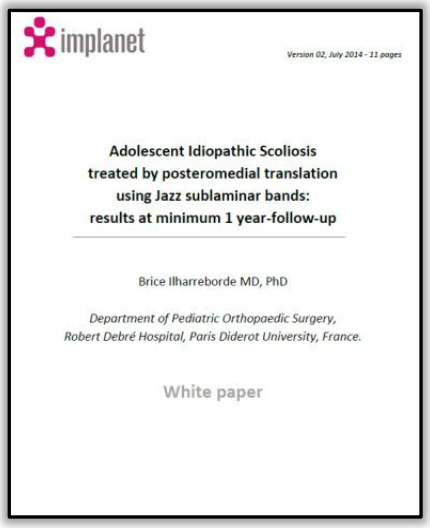
Using the strategy defined in 2013, consisting in focusing on its Jazz technology, the Company has made significant progress in 2014 and 2015 which are described in the paragraphs below.

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; and
- intensify marketing activities and set up two scientific advisory boards, *i.e.* in the US and in Europe.

6.1.1.2. Achievements in 2014 and 2015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Version 02, July 2014 - 11 pages

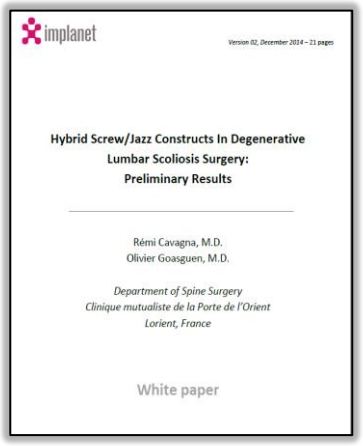
Adolescent Idiopathic Scoliosis treated by posteromedial translation using Jazz sublaminar bands: results at minimum 1 year-follow-up

Brice Ilharreborde MD, PhD

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

White paper

White paper published by Professor Ilharreborde (APHP – Hospital Robert Debré) and Professor Choufani (APHM - Hospital de la Timone) demonstrating better restoration of frontal and sagittal balance in scoliosis surgery on adolescents than via conventional techniques (12-month follow-up / 20 patients). This two-part White paper compares the data and results from two prestigious university centers and demonstrates the homogeneity in the quality of restoration and their non correlation with surgeons is now established. This white paper should be released on 2016, patients having a two-year hindsight period.


implanet

Version 02, December 2014 – 21 pages

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

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

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

White paper

Professor Ilharreborde also demonstrated (in a white paper released on 2015) that there is no risk of additional infections using sublaminar bands versus the traditional hook and screw systems.

Publication by Dr Cavagna and Dr Goasguen (Clinique mutualiste de Lorient) of the first white paper on the use of Jazz in elderly patients. Results of the efficacy of surgery for degenerative lumbar scoliosis with an average follow-up period of 16 months.

The Company's clinical and scientific management also collaborated with the Mayo Clinic (Rochester, Minnesota) to conduct an ex-vivo study of a cadaveric osteoporotic specimen designed

to study the behavior of the anchorage of pedicle screws with and without the protection of a Jazz implant. The study's encouraging preliminary results point to a protective effect of the fixation through the use of the Jazz implant. The results obtained by the Mayo Clinic's biomechanical laboratory will be released in a publication.

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.

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 entered into a partnership with TFS International, a renowned Contract Research Organization (CRO) specialized in clinical trials, in order to conduct a prospective, multi-center study aimed at confirming the results of the Jazz technology in these areas.

6.1.2. Enhance the range of implants

6.1.2.1. Objectives announced

- adaptating the versions of Jazz to 3.5 mm and 6.0 mm rods;
- adaptating the Jazz platform to less invasive surgical procedures.

6.1.2.2. Achievements in 2014 and 2015

- Jazz 3.5 – 4.0 – 4.5 – 4.75 and 6.0 mm validated; awarded the CE marking, approved by the Food and Drug Administration (FDA) in the US and by the Brazilian health authority (ANVISA) for all new diameters;

- new FDA 510(k) approval for the use of the Jazz platform with all thoracolumbar fixation systems (screws, rods, hooks) available on the US market, allowing Implanet to promote the Jazz platform with all American surgeons;
- approval of Jazz 3.5, new predicate for Implanet's future braided implants;
- rationalization of CE and FDA files for the entire range; and
- instrumentation in less invasive surgery – 1st generation undergoing validation.

6.1.2.3. Growth plan

In addition to the multi-diameter versions planned during the listing on the Stock Exchange, Jazz has become a real technological platform that can extend its field of application to cover many surgical indications. 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

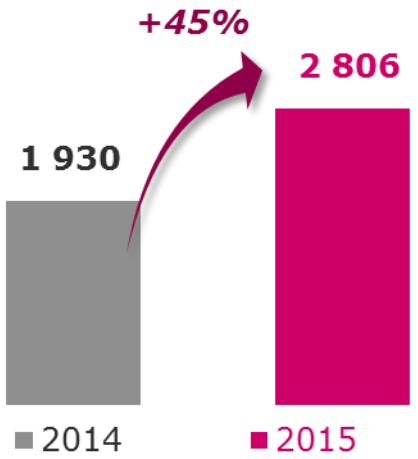
6.1.3.1. Objectives announced

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

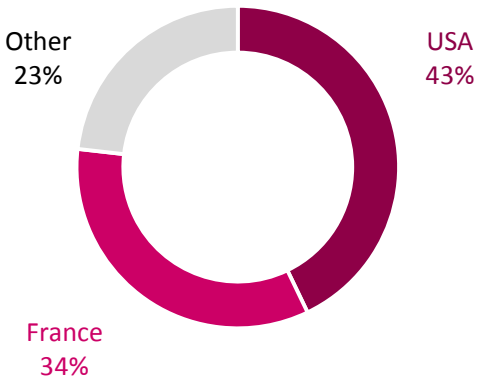
6.1.3.2. Achievements in 2014 and 2015

In 2015, Jazz revenues accounted for 42% of the Group's total sales, versus 27% in 2014, upheld by sharp growth and consistent performance across all of the Company's markets:

Spine-related revenue (in thousands of euros)



Regional breakdown of Jazz sales in 2015



Structure in Europe and in the rest of the world

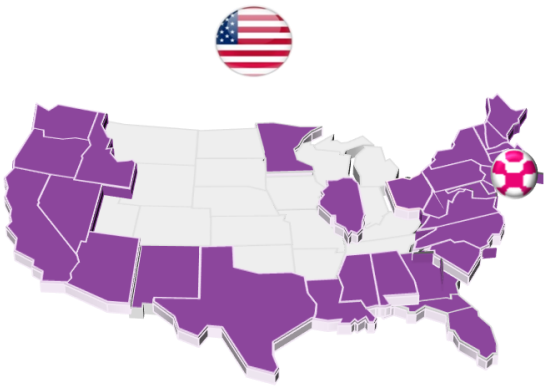
- 1 Sales Director, Europe
- 1 International Product Manager
- 1 Training Manager
- commercial rollout in Europe (Germany – Europe's No.1 Spine market, Spain, Portugal, and the UK)
- contacts initiated with distributors in Scandinavia (these discussions are expected to be finalized in H1 2016)
- commercial rollout underway in Russia and
- registration obtained in Brazil (leading Latin American market) and commercial rollout underway, with the first jazz surgery conducted in early 2016.

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

Acceleration in the United States

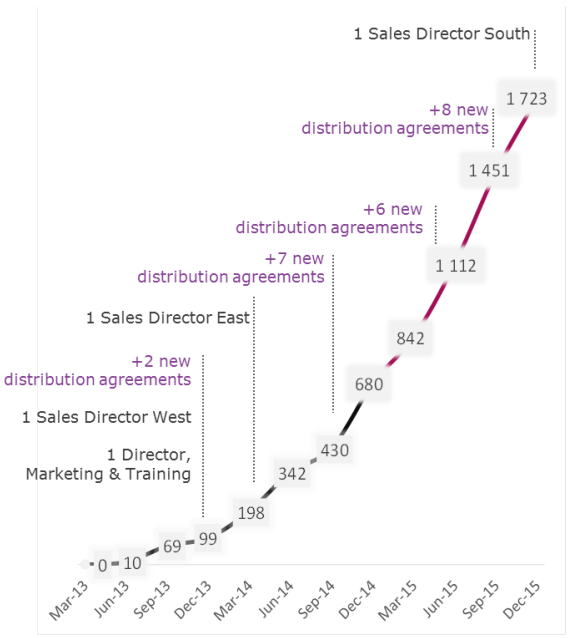
- 30 agency contracts signed,
- Brian T. Ennis recruited to head operations in the US,
- 7 sales & marketing staff.

Sales organization (end of 2015)



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

# of Jazz sold per quarter - Cumulative US



This growth in sales on the American market confirms the Company's strategic choice in terms of commercial structure, involving a small number of salaried regional managers in charge of local sales agents who maintain privileged relationships with surgeons.

While invoicing hospitals directly, Implanet maintains, through this organizational structure, a precise vision of its commercial performance by spreading the direct cost of its sales.

In addition, to step up the marketing of Jazz, the Company has included a surgeon training plan in the Jazz Academy program, presented in Section 6.2.2.3 of the *Document de référence*.

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 sales structure and support for regional sales partners;
- Concentrating the "rest of the world" sales organization in two regions: Europe and major export;
- Reinforcing clinical and marketing support to boost the use of Jazz in degenerative spine disorder surgery;
- Raising global awareness of the success of the Jazz Academy education program in Europe.

6.1.4. Concentration of general orthopedic activity on the knee

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

The knee surgery implant activity is continuing to expand, as shown, for example, by the registration obtained for the Madison range in Russia (fourth quarter 2014) and Brazil (second quarter 2015).

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 in order to continue to benefit from the scale effects provided 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 US$2.1 billion[2], 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 US$8,400, a sales agent can generate an immediate commission of over US$2,000[3] from the first surgical operation, a substantial sum and consequently attractive.

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	LIFEHEALTHCARE DIST. LTD
Benelux	HOSPITHERA SA/NV
Brazil	IMPORTEK - TARGMED
Cyprus	UNIMED CYPRUS LTD
Germany	ORTHOVATIVE GmbH
Greece	MEDIFIELD LTD
Iran	FANAVARAN ARYAN PYRAMID CO
Italy	MEDINEXT
Mexico	NOVOVASCULAR TECHNOLOGIES*
Peru	IMPORTEK PERU SAC
Portugal	NEUROWAVE
Spain	PRIM*
Switzerland	STOECKLI MEDICAL
UK	LINDARE*

** New business partners recruited in 2015.*

[2] Source: Company, see Section 6.3.1.

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

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 partly)
Operating Room Specialties	Arizona
BayFusion	California
Evolution Pacific	California
City Surgical	California
Medical Device Solutions	North Carolina
NuSpine*	North Carolina
Paramount Medical*	North Carolina
Mountain West Medical*	Colorado
Victor Medical*	Connecticut
Spine Enthusiast	Florida
SS Fusion*	Florida
Perpetual Medical Innovations*	Illinois
InMotion Medical*	Louisiana and Texas
Paradigm Biodevices	Massachusetts
OMS Surgical	Nevada
Diamond Surgical	New Jersey
NJCB Associates	New Jersey
RM St. John*	New York
Presidential Medical	Ohio
True North Surgical	Oregon
AMC	Oregon
S1 Spine	Pennsylvania
M&S Ventures	Tennessee
Aslan Medical	Texas
Medical Solutions of Texas	Texas
Veritex Spine*	Texas
JDS Spine*	Texas
Paragon Medical*	Virginia
WV Biologics*	Virginia
Port Spine*	Wisconsin

** New business partners recruited in 2015.*

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 US$1,450 and a sales price to importing distributors in other countries of €300 on average. Thus, based on an average price of US$1,000 per implant, the gross margin generated by the Company should remain above 85% (before commissions paid to sales agents, where applicable).

This high margin level achieved as early as from the product launch phase allows the margin to be distributed between all the business partners involved, whether they have distributor or sales agent status. This financial motivation is essential to ensure that all 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 6.5.5.). 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 expects that, on a market like that of the United States, provision of instruments and implant stocks should allow a return on investment after fewer than 10 surgical procedures per customer.

Spine sales margins and variable contributions:

	 *USA*		 *France & RoW*	
Financial data	**Revenue**	**100%**	**Revenue**	**100%**
	(COGS)	(9%)	(COGS)	(48%)
	Product Margin	**91%**	**Product Margin**	**52%**
	(Inst. & log.)	(10%)	(Inst. & log.)	(11%)
	(Commissions)	(41%)	(Commissions)	(7%)
	(Other)	(6%)	(Other)	(10%)
	Var. contribution	**34%**	**Var. contribution**	**24%**
Jazz average sales price	**€1.4 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. 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, 6.5.5 and 6.5.6), as well as the first publications specific to its Jazz product, available since mid-2014, on pediatric applications to severe deformities and the use of Jazz for osteodegenerative diseases.

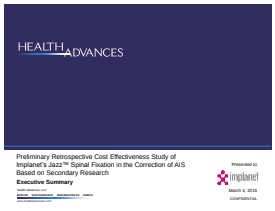
The Company has decided to intensify its investment in clinical studies appropriate to its commercial development objectives and marketing support:

- **Osteo-degenerative (elderly patients)**: following the very encouraging results of the mechanical study of an osteoporotic specimen carried out at the Mayo Clinic and the single-center clinical study carried out in partnership with the University of Ohio in the United States, the Company has decided to intensify its efforts to promote the use of Jazz in elderly patients with poor quality bones.

  Thus, a new study coordinated by TFS and drawing on the results of the biomechanical study conducted at the University of Ohio should confirm the benefit of Jazz to protect pedicle screws in patients operated for degenerative deformities. The JAZZ implants will be 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 provides for the enrollment of 100 patients, aged 50 to 80 years old, spread across 5 centers and followed for up to 2 years.

- **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.



Moreover, the Company will continue to support publications on the use of Jazz in pediatric scoliosis and severe deformities. On this subject, the Company has set up an "International Sub-Laminar Study Group" which aims to group a large number of centers around a single clinical protocol. Its objective is to enable members of this group to publish clinical results concerning very large patient cohorts.

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 *International Sub-Laminar Study Group*	▪ Multicenter ▪ Collection of standardized data ▪ Retrospective/prospective	▪ Results over large cohorts ▪ International Group	▪ Protocol validation
Osteo-degenerative (elderly patients)			
Protective efficacy of pedicle screw on osteoporotic bones MAYO CLINIC	▪ Specimen study	▪ Demonstrate the mechanical qualities for the degeneration market	▪ Publication
Thoracolumbar arthrodesis - case follow-up - protection of pedicle screws using JAZZ	▪ Single center (Ohio) ▪ Prospective ▪ *"Investigator initiated study"*	▪ Support the use of JAZZ for osteo-degenerative bones in the US	▪ Initial results
Use of JAZZ in fusion and the treatment of deformities in adults TFS	▪ Multicenter ▪ Prospective ▪ US centers ▪ Coordination by TFS International (Contract Research Organization)	▪ Validation of the protection of pedicle screws in the treatment of degenerative deformities	▪ Release from participating centers

Medicoeconomic studies

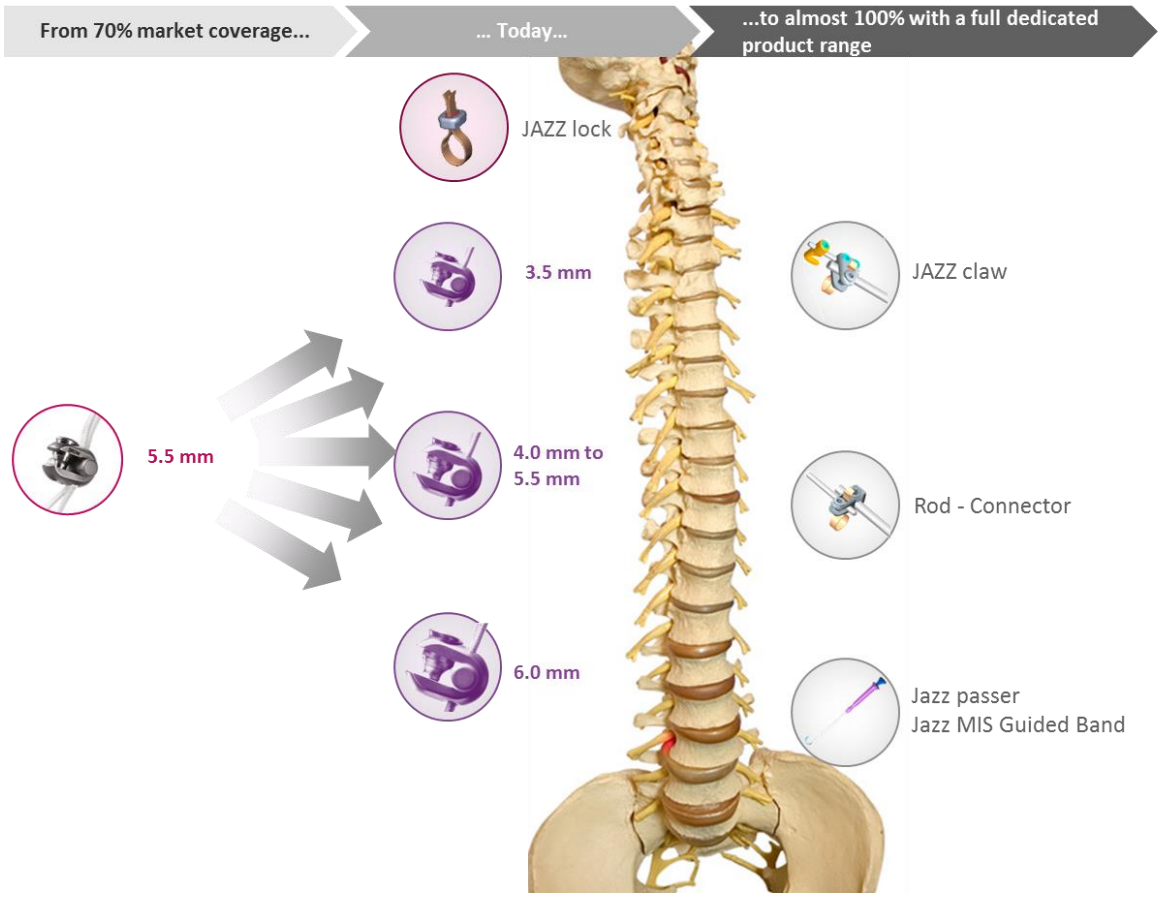
	Criteria	*Purpose*	*Following stages*
Medico-economic analysis of using JAZZ to correct major pediatric deformities HEALTH ADVANCES	▪ Comparative, multi-criteria analysis ▪ 2 cohorts of 32 patients ▪ Retrospective ▪ Hybrid JAZZ construction vs screw ▪ Conducted by an independent US company	▪ Quantify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

Timetable

Clinical and medico-economic studies	2016	2017	2018
Large deformity (Pediatric + AIS)			
Multi-center sublaminar study group	WP1	WP2	
Osteo-degenerative (adult patients)			
Mayo Clinic biomechanical studies - Efficiency of screw + JAZZ			
Instrumented thoracic & lumbar arthrodesis supplemented by JAZZ (Patient follow-up, Ohio State University)	WP1	WP2	
Economical & clinical benefit in older-aged patient spinal fusion using JAZZ (Patient follow-up - Multicentric-TFS international)	Recruitments	WP1	WP2

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 IPO, is becoming a real technological platform which can expand its field of applications to cover many surgical indications.



JAZZ CLAW

Jazz Claw is an extension of the Jazz platform which provides a solution for upper assembly fixations usually done with pedicle screws or hook systems. It speeds up upper assembly fixation, with the Jazz module ensuring solid, durable anchorage upon insertion. Competing solutions have the disadvantages of hooks and pedicle screws. Jazz Claw, which is marketed as an extension to the deformity surgery range, should prove to be a natural source of additional revenue in each operation.

JAZZ LOCK

Jazz Lock is a major innovation which expands the Jazz technological platform. This protected breakthrough technology allows the fixation of the braid without the use of a rod or screw, using inter-laminar lacing techniques, especially at the cervical level. Unlike competing solutions which use thin wire, Jazz Lock offers a large surface area for optimal contact and pressure on the lamina, avoiding all risk of bone fracture. Through its characteristics, Jazz Lock is a unique solution which should rapidly capture market share, given the limits of the existing implants described above.

JAZZ AUTOSTABLE

Jazz Autostable is a new implant dedicated to degenerative disorder surgery. This vertebral fusion implant is a complementary upper-assembly solution aimed at securing the upper level without any connection to the rod when the use of screws is not desirable or possible. The expected benefit for patients is to limit pedicle fixation and thus allow less invasive surgery. This new component of the Jazz platform will be used with existing Jazz instruments.

JAZZ MIS

Jazz MIS (new braid & instrument) is a solution aimed at facilitating the various surgical techniques, whether sublaminar or using the transverse processes of the thoracic region, in certain complicated anatomical cases frequently encountered in degenerative spine disorders.

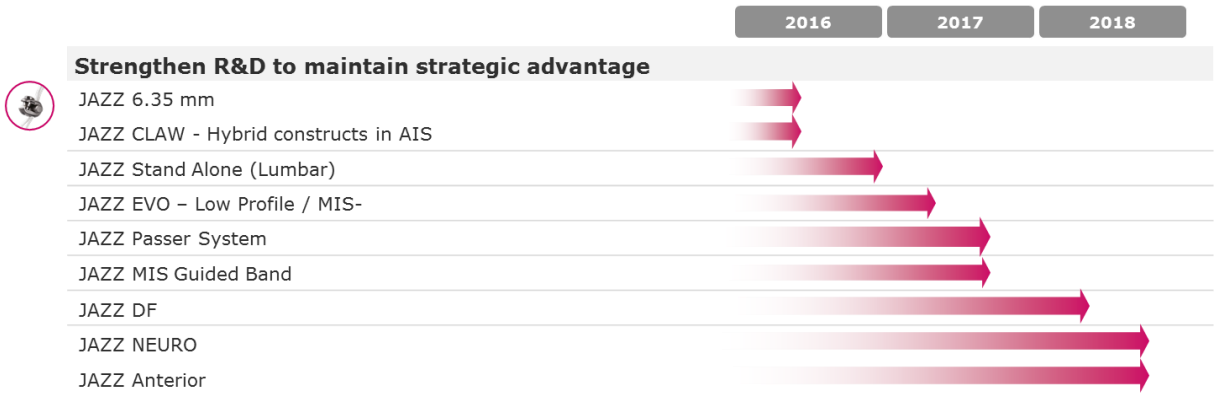
JAZZ EVO

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 DF

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.

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 organize its sales team and support staff for business partners (agents) in 2016, in particular with the arrival of Brian Ennis as Chairman of Implanet Inc. 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.

- **"REST OF THE WORLD" SALES ORGANIZATION.** The arrival in late 2014 of a Europe region export manager confirms the Company's intention to increase its sales efforts on that market. Armed with CE marking for its entire range, rapid progress is expected. 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[4]), the first Jazz operations performed at the end of 2015, and the 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.

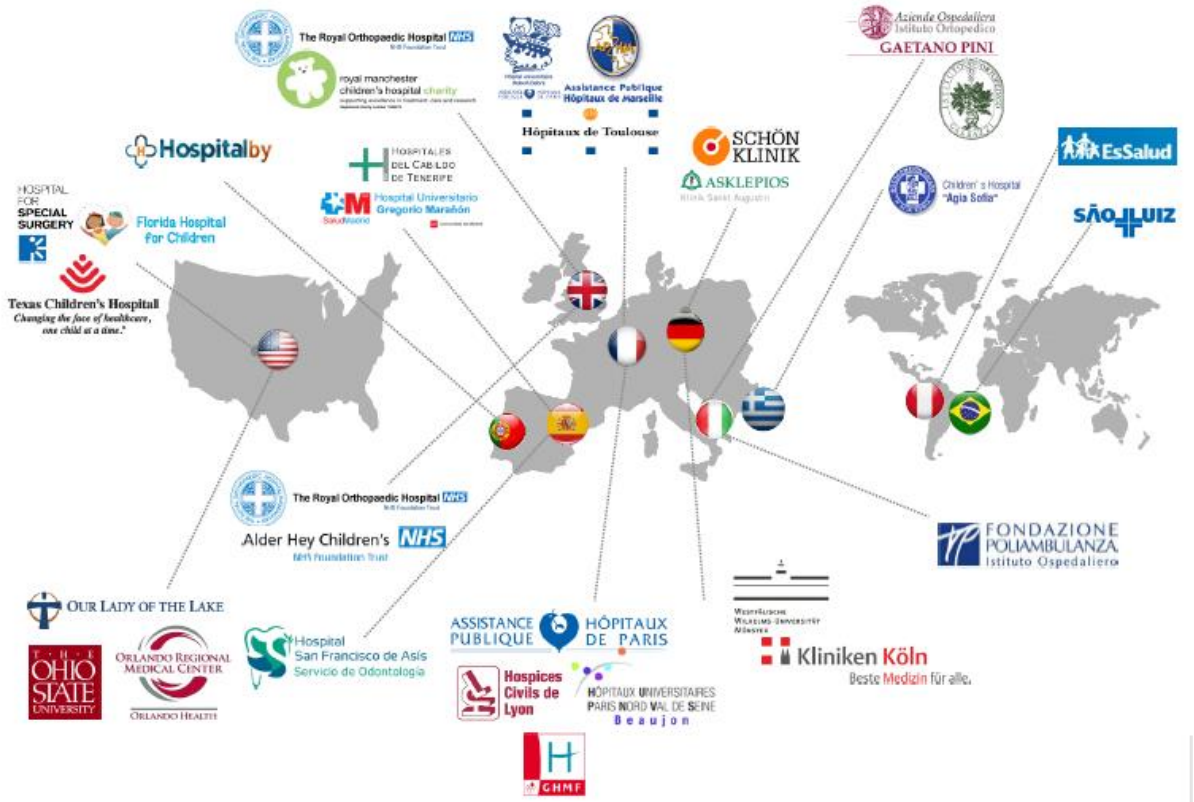
[4] Source: GlobalData, 2015 version, "Global Spinal Market 2005-2021".

- **INCREASED MARKETING.** The Marketing Department, organized around two Marketing Managers (Europe and the US), two 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.

- **JAZZ ACADEMY.** In order to facilitate the adoption of the Jazz technological platform and promote its marketing to surgeons, regardless of the applications (deformities or bone degeneration), the Company has recently set up a multi-media education program within the "Jazz Academy". In 2015, the Company organized 10 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.

JAZZ ACADEMY	Number
Sessions since the launch in Q2 2015	10
Total number of participants, of which:	58
Surgeons	*32*
Sales staff / agents / distributors	*26*

Implanet has numerous prestigious reference centers:



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.

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

6.3. THE KNEE RANGE – A SOURCE OF RECURRING REVENUE

6.3.1. A high-end range for knee surgery

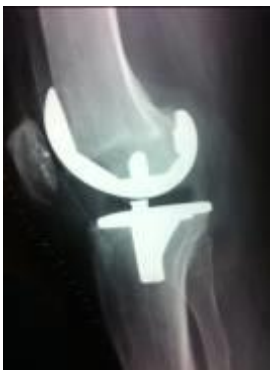
The Company wanted to offer national distributors a product range for knee surgery promoting independence from their historic partners, the American multinationals.

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 60,000 surgical procedures have been performed using the Company’s products since the commercial launch of lines destined for knee surgery.

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

Madison - The complete range of total knee prostheses



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

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

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

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 the knee activity

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

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. The Company's objective is to market this prosthesis no later than early 2017.

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
Germany	SET ORTHOPEDICS GMBH & CO KG
Greece	ORTHOMEDICAL SA
Iran	FANAVARAN ARYAN PYRAMID CO
Peru	IMPORTEK PERU SAC
Russia	EQVAL SA
Spain	PROTECTRAUMA S.L.
Switzerland	ADIF MEDICAL SARL

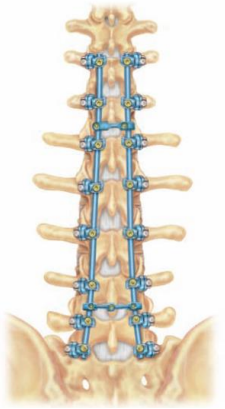
6.4. JAZZ: TECHNOLOGY FOR A MARKET WORTH OVER US$2 BILLION

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

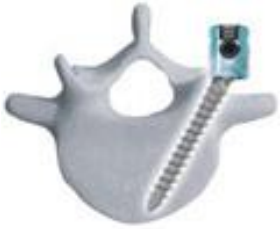
6.4.1. Introduction to spinal fusion surgery

Spinal surgery covers three main sectors:

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



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

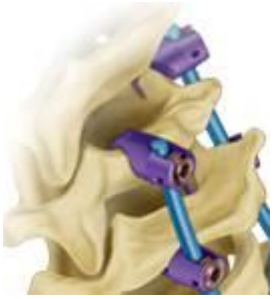


With deformities, whether degenerative or not, the technique involves repositioning the vertebrae in their normal alignment using a system of metal implants fixed to bone segments, then fusing the treated vertebrae. If there is no deformity, the technique involves fusing the operated vertebral segments,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

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

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

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



All these instrumentation techniques were first developed in the most complex area of spinal surgery: severe spinal deformities such as severe scolioses. In these applications, in addition to fixing rods to the vertebrae, the system must also facilitate "reduction" of the deformity, i.e. they must enable the spinal column to be repositioned in the desired anatomical conformation. Surgeons working on these severe deformities are always at the forefront of new technologies because they are dealing with extremely complex situations.
Once mastered for these demanding applications, the new techniques are then extended to less complex applications but which can be applied to more cases, such as degenerative spinal pathologies. The same applies to the Jazz implant.

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

- Quality and ease of attachment:
  - to the metal rod;
  - to the vertebrae, whether normal or pathological:
    - healthy vertebrae,

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

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

  - 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;
  - ease of reduction;
  - frontal reduction quality;
  - lateral reduction quality (profile);
  - stability over time of the correction obtained.

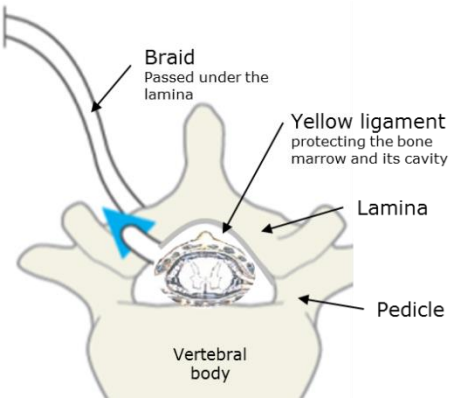
Screws and hooks are not always appropriate for these criteria.

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

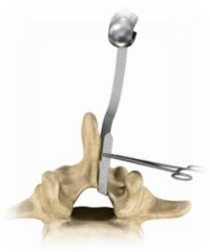
The Jazz implant, its instrumentation and surgical technique were developed for use in all situations, particularly the most complex surgery which, with screws and hooks, generally lasts for four to six hours.

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

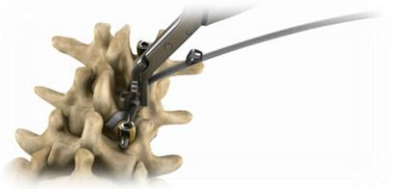
First the rods are attached at the top and base of the spine using traditional implants (screws at the base and double hooks at the top).

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.



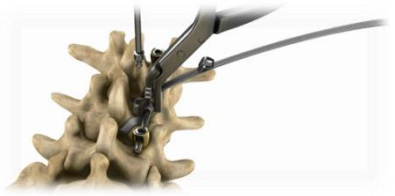
Once the braid has passed under the lamina, it is reinserted into the connector and closed on itself with a titanium part similar to a belt buckle. The braid can then be tightened and controlled as desired.

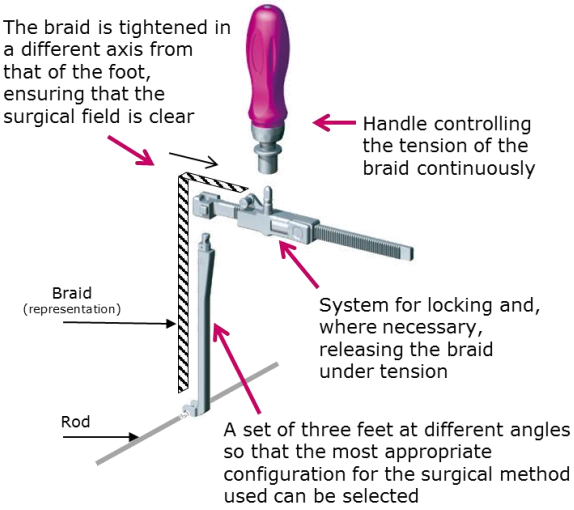


The Jazz device is then clipped to the rod using pliers provided for the purpose. The implant can easily be moved to position it in the optimal place without having to dismantle it.

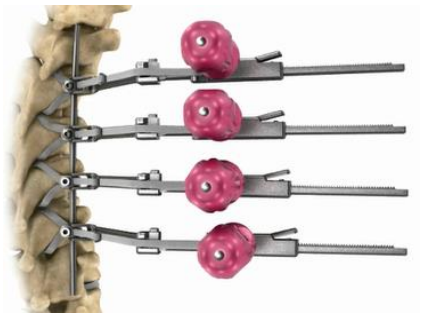
The locking screw is inserted without being tightened so that the implant can be tightened during the reduction phase.

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.

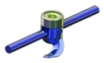
One important Jazz characteristic is its **patented clippable stirrup**. The fast method for attachment to the rod is used for initial positioning of the implant and, if necessary, repositioning throughout the surgical procedure without having to alter any or part of the system components.

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.

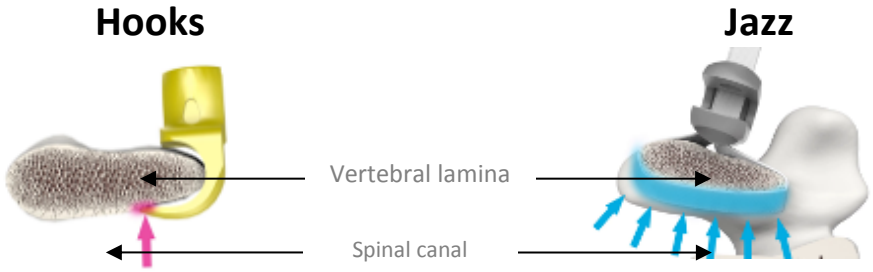
The following table shows Jazz's strong points that the Company judges to be specific relative to hooks and screws.

		 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 of over US$2 billion

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

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

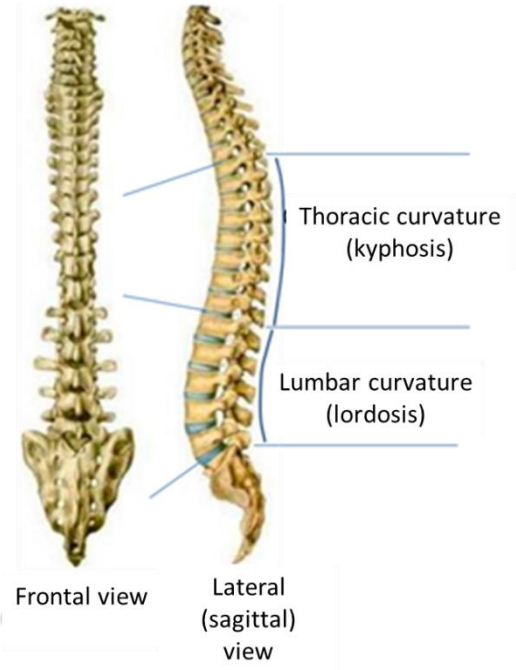
Annual global market potential by segment	No. potential cases	No. units per case	Total no. of units	Average unit price (US$)	Market in US$ millions	Sources see Sections
Scoliosis/Adult and pediatric major deformities	80,000	6	480,000	$ 1,000	$ 480	6.5.7
Osteoporotic degeneration	231,000	4	924,000	$ 1,000	$ 924	6.6.2
Degeneration: replacement of intermediary screw	200,000	2	400,000	$ 1,000	$ 400	6.6.3
Trauma/Tumors	80,000	4	320,000	$ 1,000	$ 320	6.7
TOTAL			**2,124,000**		**$ 2,124**	

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

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

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

Normal spine



Scoliotic spine

A normal vertebral column is characterized by:

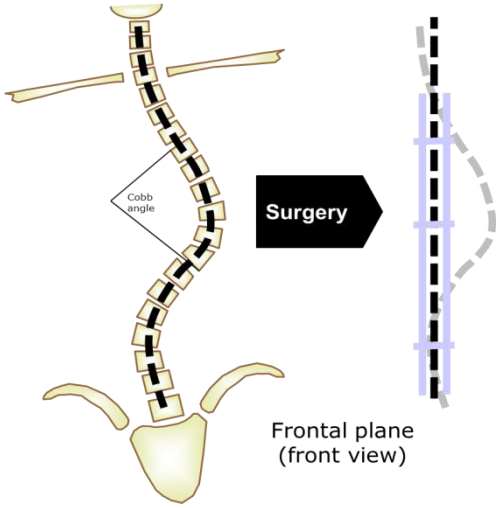
- vertebrae aligned vertically in the frontal plane;
- a large double curve in the sagittal plane. This double curve is necessary for the overall balance of the trunk and correct positioning of the center of gravity.

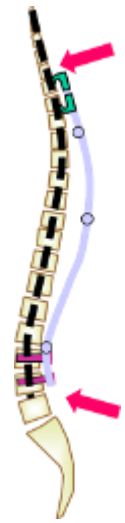
Scoliosis is characterized by a deformity in every plane in the area. Surgical treatment aims to restore the vertebrae to the anatomical position of a normal spine in both the frontal and sagittal planes. Whereas scoliosis affects 2 to 3% of adolescents, only the most severe cases (i.e. 0.2%, of which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

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

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

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





Sagittal plane

BUT the spine must also be realigned in its profile view

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

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

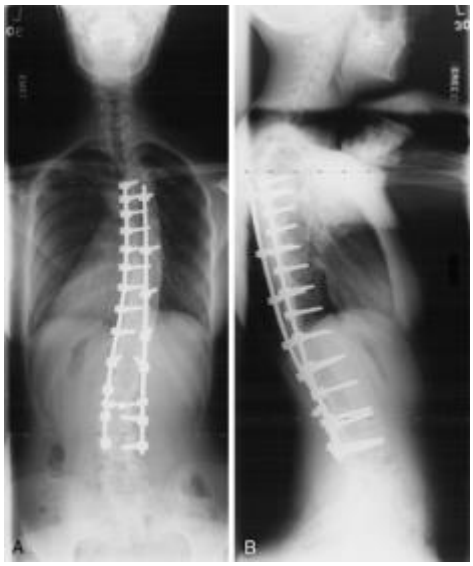
The two schools: "Screw only" systems or "Screw and Hook" hybrid systems

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

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

6.5.1. The "screw only" school

An example of a "screw only" assembly.



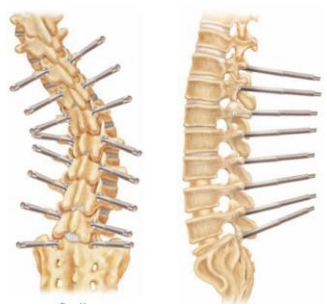
The advantages:

- Very good frontal correction
- A very stable system

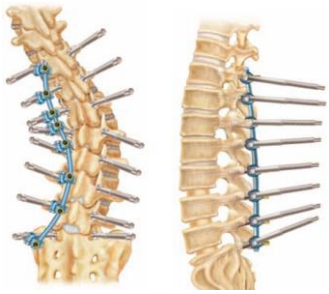
The disadvantages:

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

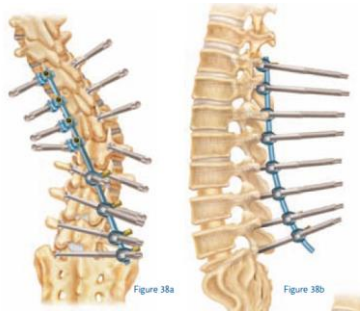
Example of "screw only" procedure as defined in the operating protocol for TSRH-3D implants from world leader Medtronic; note that the assembly has only 8 levels (as opposed to 13 in the above example):



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

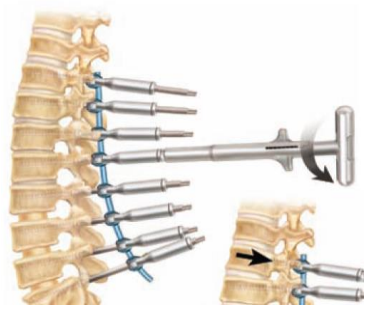


The rods, which have been preshaped, slide into the guides.

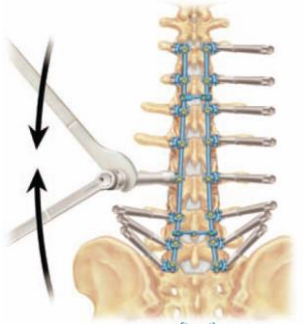


The rod is then lowered against the column to one of the ends (here, the top).

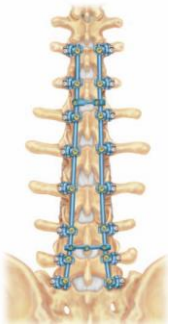
[8] Average over 7 studies and 188 patients: Crawford AH et al, Spine 2013 Epub ahead; Mattila M et al, J Bone Joint Surg Br. 2012; 94(10):1393-8.; Cheng I et al, Spine. 2005; 30(18):2104-12.; Liljenqvist U et al, Eur Spine J. 2002; 11(4):336-43; Dobbs MB, et al, Spine. 2006; 31(20):2400-4.; Mooney JF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



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



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



The assembly is verified by X-ray.

6.5.2. The hybrid "screw and hook" school

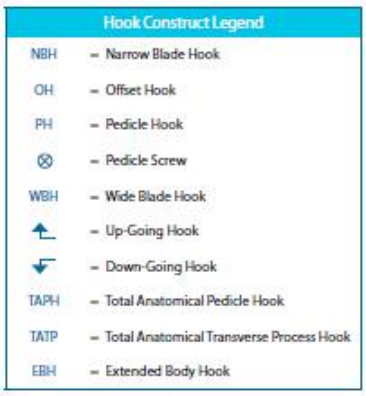
An example of a "screw and hook" assembly plan.

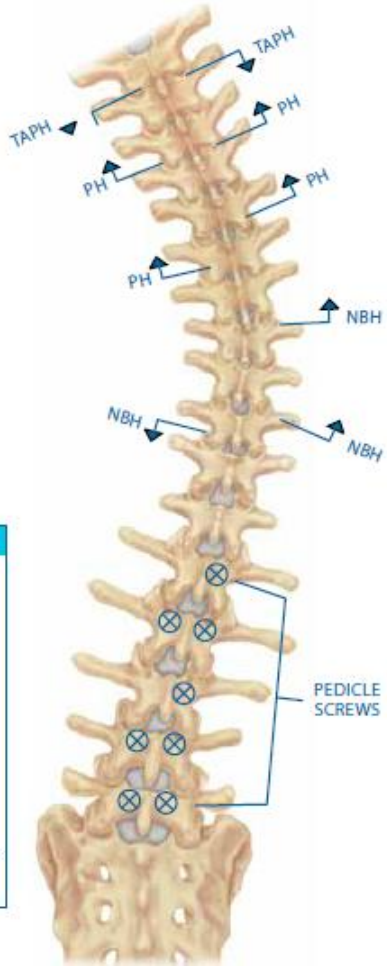
The advantages:

- sagittal correction is often superior, 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[9] on average), and
- difficult, less stable assembly.





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

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

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

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

Color-coding Size Reference

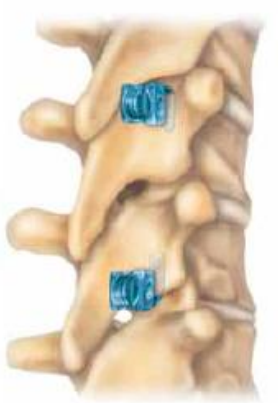
Extra Small	Small	Medium	Large
●	●	●	●

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

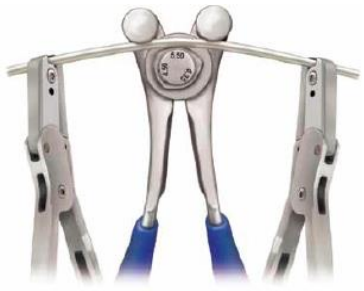
All the parts not implanted have to be cleaned and sterilized for reuse in another surgical procedure.

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

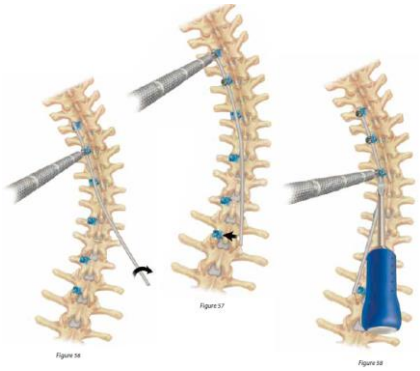
Some key stages in a hook assembly as defined in the procedure using Medtronic Solera implants.



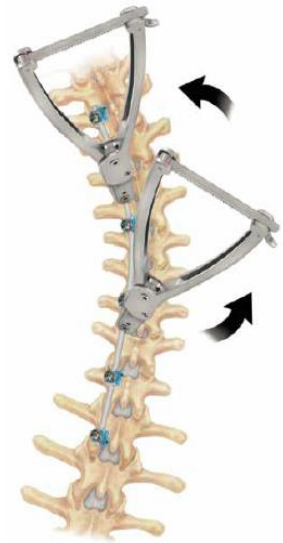
The hooks are inserted in the desired place, which is first prepared by removing parts of the bone that could get in the way.



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



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



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

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

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

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

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

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

6.5.4. Advantage of Jazz for severe scoliosis

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

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

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

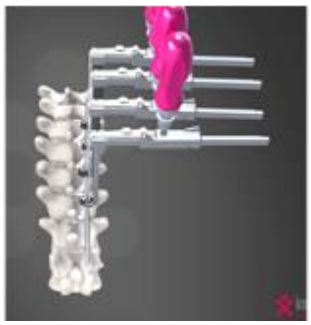
[12] Average over 7 studies and 245 patients: Crawford AH et al, Spine 2013 Epub ahead; Mattila M et al, J Bone Joint Surg Br. 2012; 94(10):1393-8.; Cheng I et al, Spine. 2005; 30(18):2104-12.; Liljenqvist U et al, Eur Spine J. 2002; 11(4):336-43; Dobbs MB, et al, Spine. 2006; 31(20):2400-4.; Ilharreborde,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

The technique for reducing spinal deformities with Jazz during surgery.

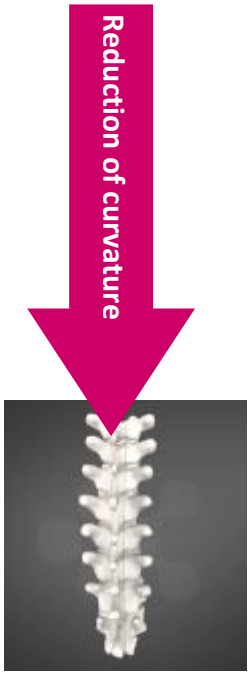
After installing braids at each stage in accordance with the procedure described above, each one is then tightened with its individual tensioners.

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

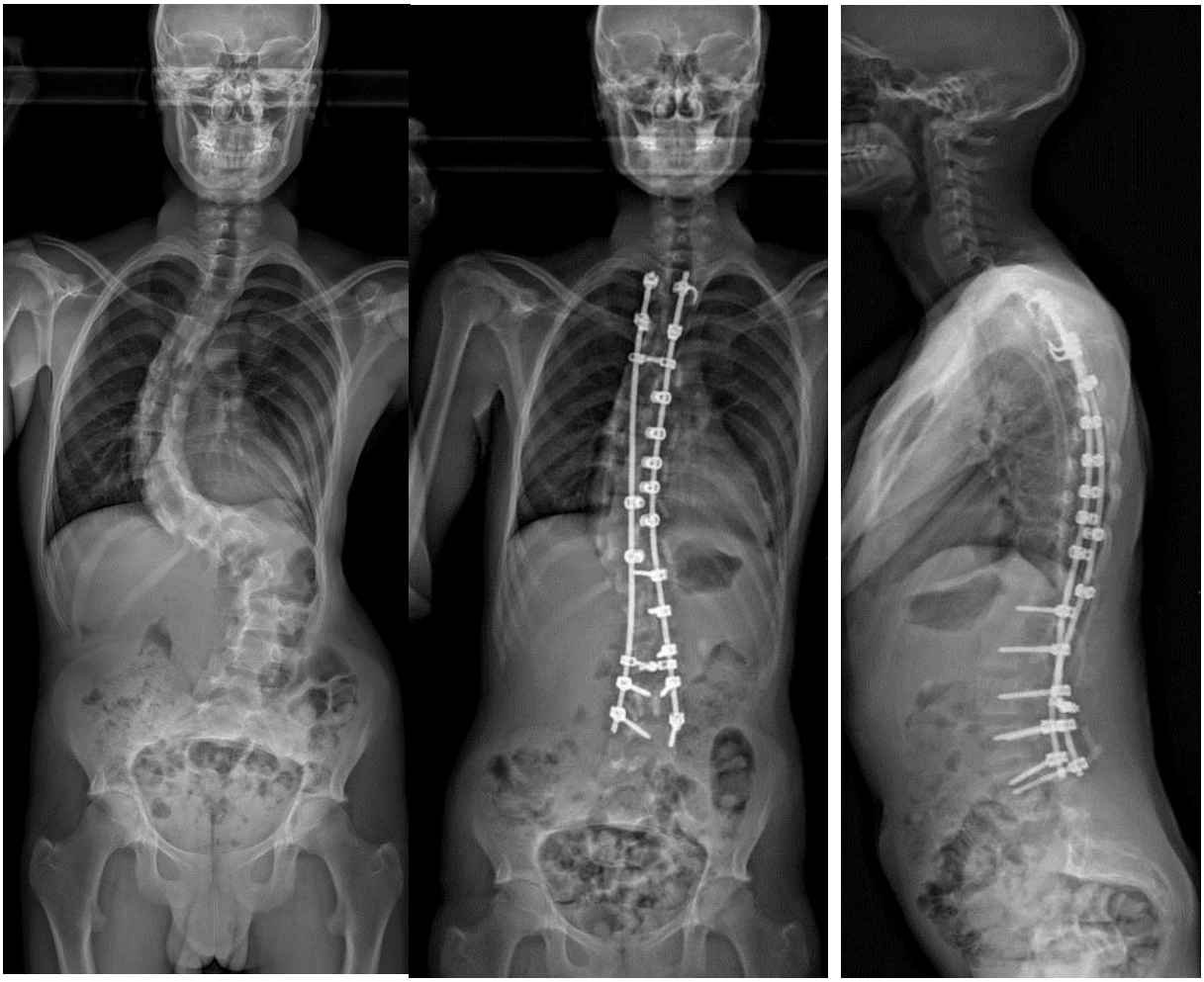
This reduction takes place evenly on all levels.



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.



An example of scoliosis correction performed using Jazz.

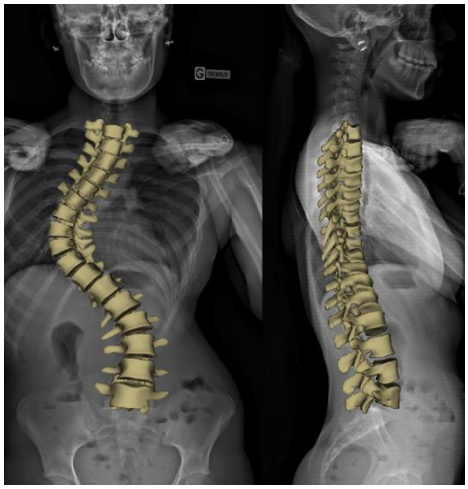
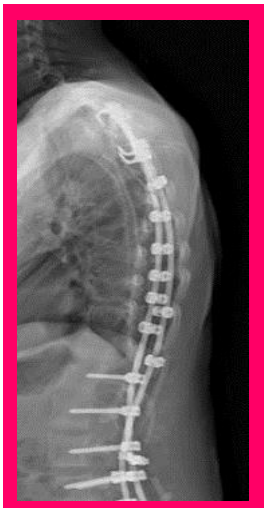
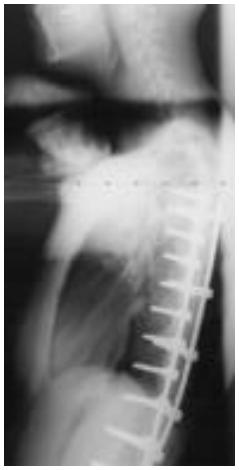
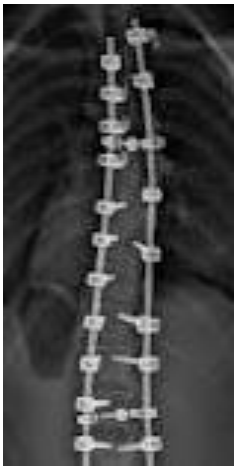


Pre-surgical image showing severe thoracic scoliosis.

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

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

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**[14]	"Screw only"[15]	"Screw + hook"[16]
				
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%**[17]	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%**[18] **Sagittal balance**	-44% Flat back	-5% Little correction

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

[14] 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

[15] 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

[16] 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.

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

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

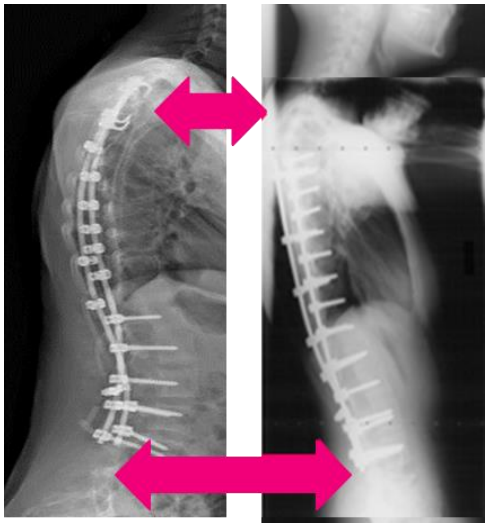
The above results demonstrate the proven **benefits**[19] **for patients with the use of braided implants** in the treatment of major deformities and scoliosis:

- **Surgery time reduced by more than 2 hours,** thereby:
  - Reducing blood loss and avoiding the need for transfusions[20]; 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 the risks of complications due to incorrect screw positioning, 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[21].

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

[20] Source 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.

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**[22] 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[23] surgical procedures for this pathology, a potential of 480,000 implants per year.

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

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

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

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

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

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

6.6. USING JAZZ IN DEGENERATIVE SPINAL DISORDER SURGERY

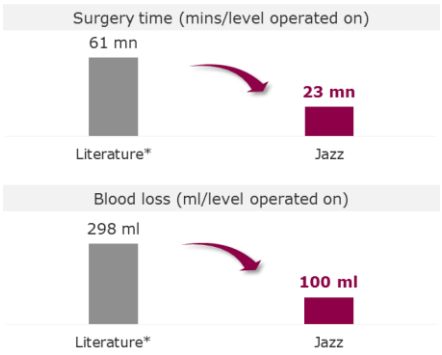
Annually, around 700,000[24] procedures are carried out worldwide on degenerative spines. With its Jazz implant, the Company is targeting three opportunities in particular.

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, and the rate of complications for this surgery is high. Moreover, unlike infantile scoliosis, the prevalence rate of degenerative scoliosis in patients aged over 60 is very high (more than 60%[25]).

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

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



The reduction obtained is safe, fast and easy to achieve. Compared with data from published literature on similar patients, the use of Jazz and its reduction system provides a significant reduction in surgery time, blood loss and the number of implants required. The graph opposite shows the key data from the study, comparing them with data from the literature referenced in the study[26]. In addition to its economic aspect, this reduction has a certain advantage because the duration of surgery and peroperative blood loss are known to be sources of a significant rate of later complications.

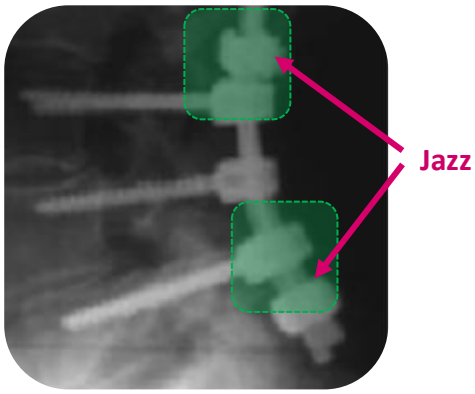
[24] Source i-Data for 2010: 702,761 procedures worldwide.

[25] *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.

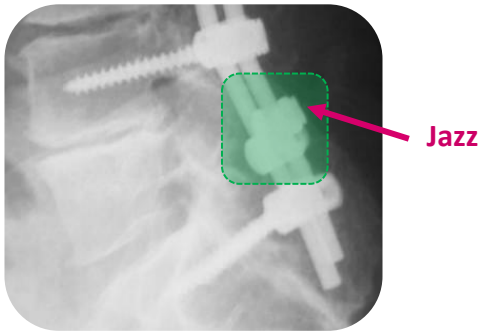
[26] Comparative studies: Cho K-J et al, Spine. 2007 / Daubs MD et al, Spine. 2007 Sep 15 / Wu C-H et al, J Spinal Disord Tech. 2008 Jul / Tang H et al, J Orthop Surg Res. 2014 (patients with complications) / Tang H et al, J Orthop Surg Res. 2014 (patients without complications) / Pellisé F et al, European 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[27]. The bones' fragility means that the assemblies are not very reliable and lead to a failure rate of more than 40%[28]. In this case, the rate of repeat surgery can rise as far as 60%[29]. 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.

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

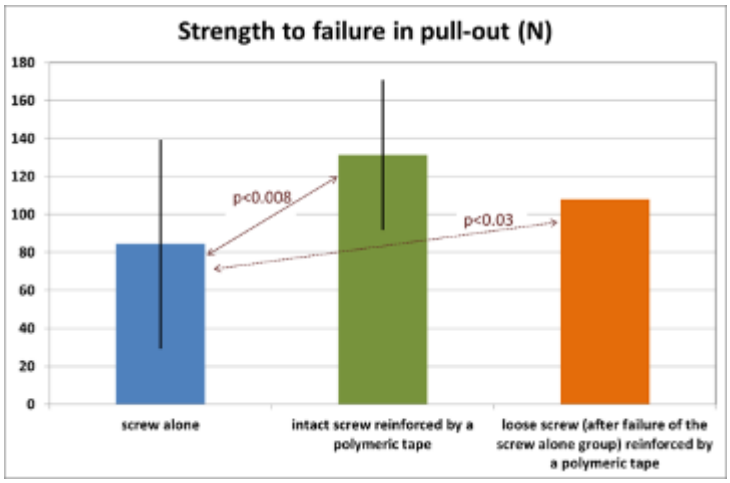
[28] Yadla S, Maltenfort MG, Ratliff JK, Harrop JS. Adult scoliosis surgery outcomes: a systematic review. Neurosurg Focus. 2010 Mar;28(3):E3.

[29] 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 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.

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.



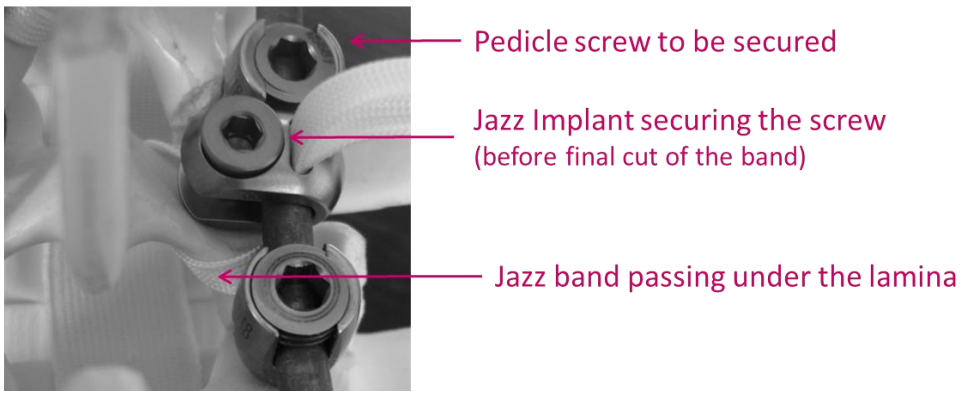
On the graph opposite, the left-hand column shows the force needed to pull out a screw. The center column shows that a force more than 60% greater is needed to pull out a screw secured by a knotted braid.

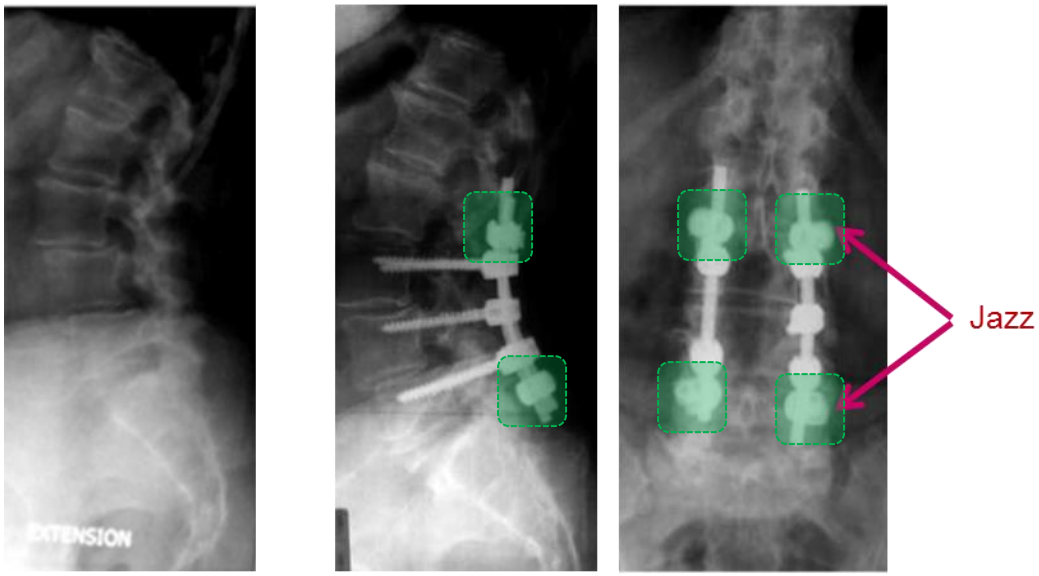
The right-hand column shows that a screw that has been pulled out and then held in place with a braid has greater holding strength (+30%) than the screw initially fixed into the vertebral bone.

These results are consistent with and corroborate the results of other studies, in particular the study published in 2010 by the Hamasaki 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:





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 five 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 the center.

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

No. of surgical procedures worldwide per year	Of which accessible surgical procedures	No. of implants per surgical procedure	Potential no. of implants per year
700,000[30]	**231,000** (33%[31])	**4**	**924,000**

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

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

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

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

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: US$400 million

No. of surgical procedures worldwide per year	Of which accessible surgical procedures	No. of implants per surgical procedure	Potential no. of implants per year
700,000[32]	**200,000** (29%[33])	**2**	**400,000**

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

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

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.

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

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

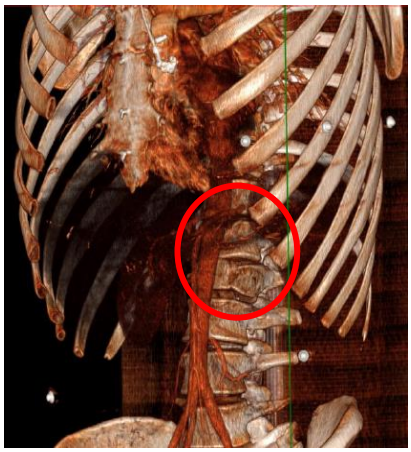
In this type of situation, braided implants and in particular the Jazz technology, have the following advantages:

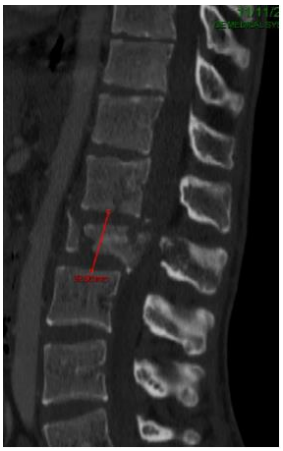
- a multipurpose implant which:
  - can be adapted to a very wide range of situations while always preserving optimal vertebral bone/braid contact and reducing volume in the medullary canal;
  - avoids the need for a complete set of implants to cope with different situations;
- adding Jazz to rod/screw 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[34].
- for patients who commonly have to undergo MRI or CT scan imaging of their bone marrow and/or the medullary canal after surgery, using Jazz instead of screws or hooks significantly reduces imaging artifacts linked to the presence of these implants close to the zones being studied. These artifacts may sometimes prevent correct interpretation of the fused clinical situation[35].

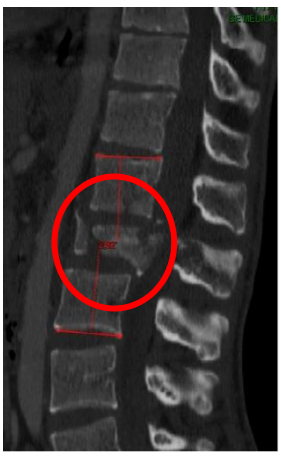
The use of the Jazz Band in these situations has a significant clinical advantage for patients, as it reduces the length of the assembly by two levels, thereby preserving two vertebrae and two discs. The preliminary post-operative results are positive and confirm Jazz's interest and the potential it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

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.

<u>Pre-op imagery (3D reconstruction)</u>



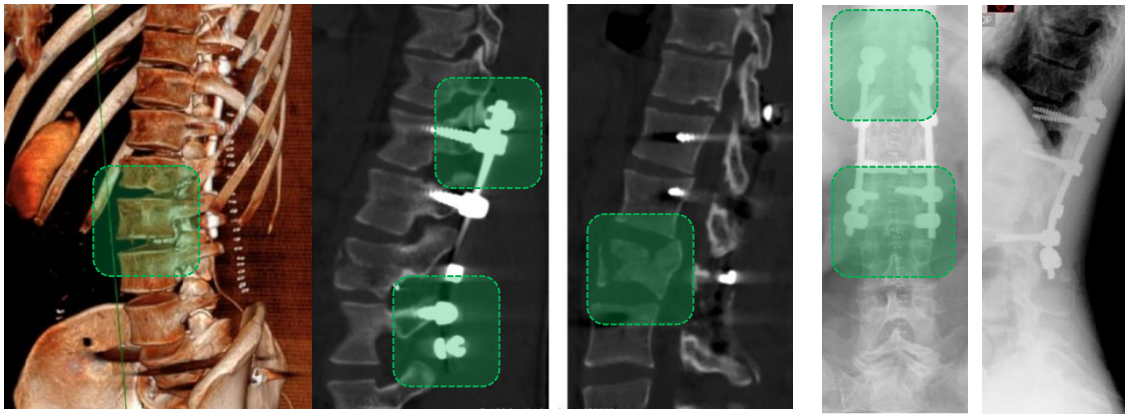




[34] Ilharreborde B et al, J Pediatr Orthop. 2012; 32(5):440-4.

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

Post-op imagery (3D reconstruction)



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

No. of surgical procedures worldwide per year	Of which accessible surgical procedures	No. of implants per surgical procedure	Potential no. of implants per year
80,000[36]	**80,000** (100%)[37]	**4**	**320,000**

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

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

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

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

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

Implanet is therefore very cautious regarding the possibility and speed of development of these markets. However, since market potential is very high and its Jazz product can be used in certain

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

[37] Company estimate of the number of procedures.

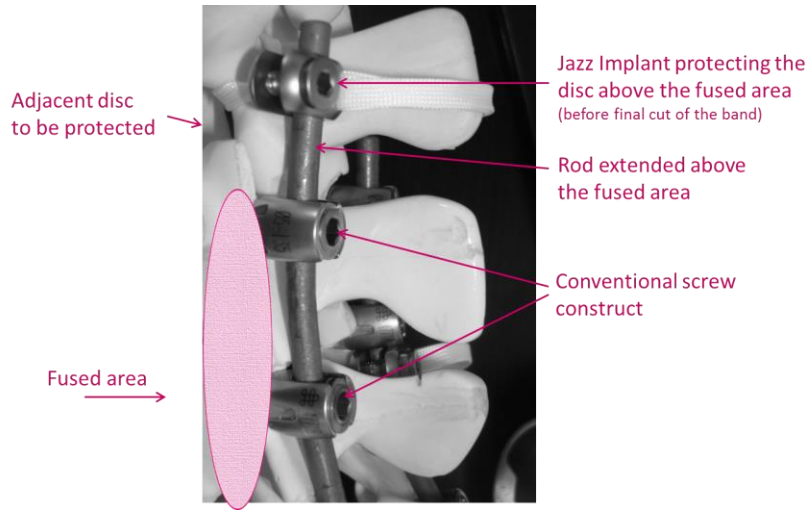
applications without new technical developments, the Company expects to position itself in these applications opportunistically.

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

Vertebral fusion leads to spinal rigidity in the fused levels. It has been shown that the vertebral discs above and below the assembly (called adjacent discs) are more stressed during body movements. In patients with a tendency to spinal degeneration, the adjacent discs therefore risk being damaged and in turn have to be fused during further surgery (25%[38] of cases involve complications associated with kyphosis or proximal junctional level following a spine fusion). Several products have also been developed to relieve adjacent discs, such as the DTO flexible systems developed by Zimmer. These products were not approved for the main market in the United States, but the principle of protecting adjacent discs still represents an opportunity for an appropriate technology.

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

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



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

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

[38] Source: Health Advances 2015 study

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

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

There are two main product families on the market:

- inter-spinal implants which are positioned between the dorsal spines of two vertebrae, limiting vertebral movements in flexion-extension; 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 four 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[39]. The initial development manager for the Universal Clamp, Régis Le Couëdic, is now Research and Development Director at Implanet. With his R&D team, Régis Le Couëdic developed Jazz by making the improvements requested by the first users of the implant and its instruments (ease of insertion, a more effective braid blocking system), all while ensuring that Jazz did not infringe the patent portfolio held by Zimmer following acquisition of the Universal Clamp.

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

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

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

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

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.

	JAZZ	UC ZIMMER	BENEFITS
1/ Implant Concept – Connector	• Open • Auto-stable • Profile : 10mm wide + ML	• Hinge design • No primary stability • Profile : 12mm wide + ML	**JAZZ:** Stability + User friendly + Time saving + Profile
2/ Braid Tightening Mode	2-in-1 (Braid + Connector)	2-in-1 (Braid + Connector)	
3/ Connector Tightening Mode	2-in-1	2-in-1	
4/ Braid Failure Mode during Traction	Buckle level	Buckle level	
5/ Failure Mode during Final Tightening	NONE	NONE	
6/ Passage of the Braid around Anatomical Structures	• Single • Sub-laminar	• Single • Sub-laminar • Stopped the double, «8» type Sub-laminar + transverse process	
7/ Tensioner	• Strong proven solution • No wear debris • Angulation choice • Can be disassembled	• Weak design • Cannot be disassembled • Generate wear debris • No angulation choice	**JAZZ:** Stronger + No wear debris + Surgeon choice + Easy to clean
8/ Mechanical Performance	Based on parallel mechanical testing with the UC Zimmer predicate device	Based on parallel mechanical testing with the UC Zimmer predicate device	**JAZZ:** Stronger – 20% mean increased performances

	JAZZ	LIGAPASS MEDICREA	BENEFITS
1/ Connector Concept	• Open • Auto-stable • Low profile – run on the rod and ML	• Closed • Auto-stable • Low profile – run on the rod	**JAZZ:** Stability + User friendly + Time saving **Ligapass:** Stability
2/ Braid Tightening Mode	• 2-in-1 (Braid + Connector)	• Independent, resulting in 2 tightening steps • Traumatic for the Braid - Tightening of the closer screw directly on the Braid	**JAZZ :** Atraumatic for the Braid - Compression between smooth surfaces with optimal constraint repartition + Time saving
3/ Connector Tightening Mode	2-in-1	Independent = 2 tightening steps	**JAZZ:** Time saving + Powerful
4/ Braid Failure Mode during Traction	Buckle level	Unpredictable	**JAZZ:** Reproducible – no need to change the implant even in case of Braid breakage
5/ Failure Mode during Final Tightening	NONE	YES – Connector level	**JAZZ:** Powerful + Atraumatic + Reproducible tightening
6/ Passage of the Braid around Anatomical Structures	• Single • Sub-laminar	• Double, «8» type • Sub-laminar + transverse process	**JAZZ:** Time saving + Powerful + Optimal connection to the anatomy
7/ Tensioner	• Strong proven solution • Can be disassembled • No wear debris • Angulation choice	• Powerful design ? • Cannot be disassembled ? • Generate wear debris ? • No angulation choice	**JAZZ:** User friendly and more usable especially in acute scoliosis

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 22 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 22 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 – R&D and RAQA [*Regulatory Affairs and Quality Assurance*] Director

Régis has 25 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.

Brian Ennis – *Chairman of Implanet Inc.*

Brian has over 30 years' experience in the development and growth of medical technology companies. After 11 years at Stryker Corporation in a variety of roles as Executive and Chairman in Europe and the United States, he is currently International Chairman of Wright Medical Group, which specializes in biotechnology and orthopedic devices; Chairman at Empi, a company specializing in electrotherapeutic medical solutions; Chairman and CEO at Etex Corporation for seven years, successfully managing the transformation of this start-up specializing in the Research & Development of biomaterials into a profitable and viable high-growth company.

Laurent Penisson - *Sales Director, OUS*

Laurent has 20 years' experience in regional sales management in the medical field and 16 years' experience in the sale of orthopedic equipment and implants (J&J, Stryker, Arthrex).

Nicolas Marin – *Marketing Director*

Nicolas has 17 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.

Franck Laporte - *Operations Director*

Franck has 16 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.

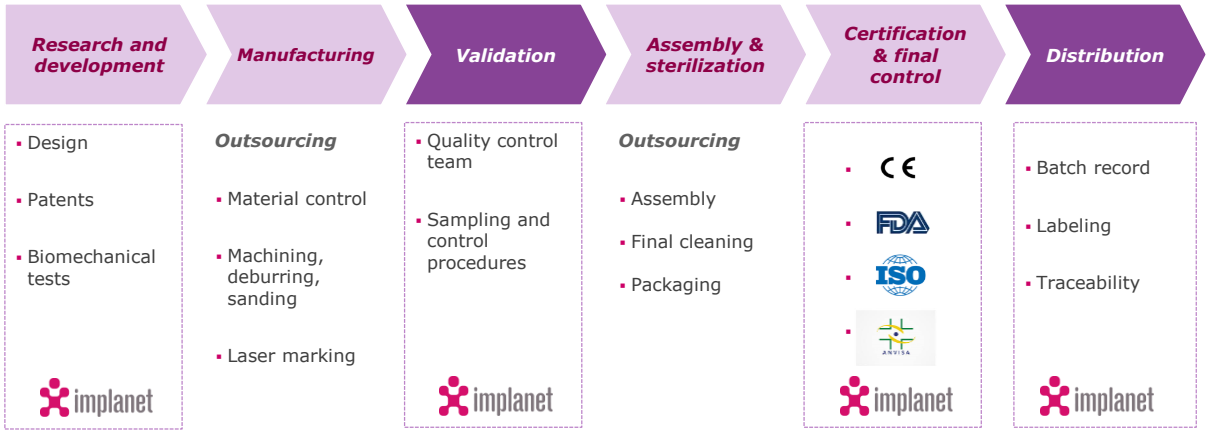
Implanet's activity is spread over two buildings:

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

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

The Company decided to extend the second building in order to bring its activities together. It will move into these new premises at the end of 2016. This new building will meet the requirements of the 2012 thermal regulation through the installation of high-performance equipment limiting energy loss.

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

Implanet also has a washer-disinfector allowing it to perform cleaning operations on surgical instruments in-house. This equipment is used to:

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

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

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

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

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

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. For its activities, Implanet has the following certifications:

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

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

Every three years, a complete audit of the quality system and its application to the products is conducted by the notified body. In October 2015, IMPLANET was successfully audited by LNE-GMED, enabling it to renew its certifications.

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

Concerning the American market, the Implanet Jazz and Implanet Spine System (ISS) products were first marketed in 2013. There is no quality certification system in the United States similar to the one used in Europe. Manufacturers must, however, apply the Quality System Regulations (QSR) described in the Code of Federal Regulations, 21 CFR PART 820. Verification of prosper compliance with these provisions is assessed by the FDA, which, when it so desires, initiates an inspection of the manufacturer. The power of the FDA is particularly substantial in the United States; failure to comply with a QSR requirement is considered as fraud. The power of the FDA may go as far as immediately blocking exports of products onto American soil.
In order to market Jazz and the ISS in the United States, Implanet therefore implemented within its quality system in order to meet the specific American requirements. In February 2014, Implanet was also audited by the FDA without any remark or non-conformity being noted.

Implanet complies with the Good Manufacturing Practices (GMPs) 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 audited the Company's facilities and procedures, with no comment or 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 can be used for extensions of this product range (new dimensions, new materials, changes in indications, for example). It should

be noted that, depending on their degree of complexity, further file submissions may very well be classified as "Special 510(k) 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.

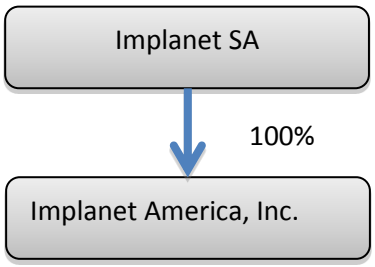
	Registered countries	Countries in the process of registration
Spinal ranges: JAZZ and traditional range	Australia, South Africa, Brazil, Europe, United States, India, Iran, Turkey	Mexico, Russia, Israel
Madison knee prosthesis	Brazil, Europe, Iran, Russia, Turkey	

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

7.3. GROUP FINANCIAL FLOWS

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

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

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

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

Other agreements are being drawn up concerning:

- **Rebilling of services**: an intragroup agreement will be signed by the end of 2016 between Implanet and Implanet America, Inc.

- **Financial flows**: a cash flow agreement will be signed by the end of 2016 by Implanet and Implanet America Inc. to set the terms and conditions for cash advances made by the Company to its subsidiary.

The transactions realized during 2015 between Implanet SA and Implanet America are as follows:

- Product sales from Implanet SA to Implanet America: €740 thousand,
- Management fees from Implanet SA to Implanet America: €179 thousand,
- Other charges invoiced by Implanet SA: €250 thousand.

The Implanet America related trade receivables and intercompany current account are amoutning to €1,719 thousand and €3,160 thousand (impaired to €1,287 thousand) respectively, as of December 31st, 2015.

8. PROPERTY, PLANT AND EQUIPMENT

8.1. PROPERTY AND EQUIPMENT

8.1.1. Leased property

Implanet SA leases an office building:

Address	Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France
Surface area	761 sq.m. of office space plus 32 parking spaces on a 2,757 sq.m. plot.
Term	October 8, 2007 - October 8, 2016
2015 Annual rent excl. VAT and charges	€136,058

Implanet SA leases a logistics building:

Address	Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France
Surface area	803 sq.m. exclusive space including outbuilding on a 5,244 sq.m. plot.
Term	December 15, 2010 – October 1, 2016
2015 Annual rent excl. VAT and charges	€126,398

The Company wants to bring together its administrative and logistics activities. It thus signed a new lease in February 2016 for the following building complex:

Address	Technopole Bordeaux Montesquieu, Allée François Magendie – 33650 Martillac, France
Surface 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	€212,000

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

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

Address	8 Faneuil Hall Market Place, 3rd Floor, Boston, Massachusetts, 02109, United States
Surface area	Variable depending on the number of offices used
2015 Annual rent excl. VAT and charges	€61,019

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 is described in Note 4 to the IFRS financial statements shown in Section 20.1.7 of the *Document de référence*.

8.1.3. Encumbrances on the Company's intangible fixed assets

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

8.2. ENVIRONMENTAL ISSUES

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

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

9. REVIEW OF FINANCIAL POSITION AND RESULTS

The following information on the financial position and results of the Company and its subsidiary should be read in conjunction with the complete *Document de référence*, and in particular with the consolidated financial statements prepared in accordance with IFRS for the fiscal year ending on December 31, 2015. Readers may also consult the notes to the financial statements in Section 20.1 of the *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 20.1the *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;
- OSEO innovation grants and subsidies;
- COFACE market prospection insurance covering the United States geographical region;
- a FEDER grant from the Aquitaine Regional Council (France);
- the French research tax credit;
- bond issues redeemable in shares, convertible or non-convertible bond issues;
- IPO on the Euronext Paris stock market in 2013, followed by a capital increase in 2015.

Moreover, in anticipation of future cash requirements, the Company set up an equity financing line with Kepler Cheuvreux in 2014. However, the OCABSA contract with L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND suspends the Company's capacity to use this equity line of credit.

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

The Company stopped marketing its hip surgery products in June 2014.

9.1.2. Research and development - Subcontracting

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

The Company estimates that in 2015, it devoted almost €1,391 thousand to the development, promotion, quality assurance and regulatory affairs of the Jazz range. Jazz is the system for posterior fixture and reduction of spinal deformation by means of a polymer sub-laminar band and a metallic connector (see Section 6.4 of the *Document de référence* for more information).

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

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

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

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

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

9.1.3. Main factors affecting the Company's business

Since its creation, Implanet's has aimed to develop an innovative range of orthopedic products. It has reported operating losses for the fiscal years from 2007 to 2015. Capital expenditure has been concentrated on:

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

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

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

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

9.2.1. Composition of the net operating income and net income

9.2.1.1. Revenue

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

REVENUE (Amounts in euros)	12/31/2015	12/31/2014
Spinal	2,805,947	1,930,012
Knee + Arthroscopy	3,847,428	4,343,096
Hip	-	765,308
Total revenue	**6,653,374**	**7,038,416**

For 2015, Implanet recorded sales of €6,653 thousand, a slight decrease (-5%) compared with the 2014 figure of €7,038 thousand, which included €765 thousand in residual Hip sales. Excluding this Hip activity, growth was up 6% compared with the adjusted 2014 sales figure of €6,273 thousand.

While the overall performance was affected by a decrease -11% in Knee activity to €3,847 thousand (compared with €4,343 thousand) in a highly-competitive environment, the 2015 performance was bolstered by the record level of Spine sales, which were up 45% to €2,806 thousand (vs. €1,930 thousand in 2014). Spine activity accounted for 42% of the Group's total 2015 sales, vs. 27% in 2014. The sharp growth in Spine revenue reflects consistent performance across all distribution channels in all Group markets: +47% to €1,203 thousand in the US (vs. €821 thousand), +47% to €952 thousand in France (vs. €648 thousand) and +41% in the rest of the world to €651 thousand (vs. €461 thousand).

Revenue by geographic region for the two years presented:

REVENUE (Amounts in euros)	12/31/2015	12/31/2014
France	2,852,681	3,984,975
Brazil	1,755,699	875,813
United States	1,203,200	820,880
Rest of the World	841,795	1,356,648
Total revenue	**6,653,374**	**7,038,416**

Over the year to 31 December, 2015, Implanet sold 843 JAZZ implants in the United States, 2,543 in France and 2,224 in the rest of the world, giving a total of 5,601 implants and growth by volume of +31% (vs. 4,260 implants over the year to 31 December, 2014).

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

9.2.1.2. Operating expenses by function

Cost of sales

COST OF SALES (Amounts in euros)	12/31/2015	12/31/2014
Purchases of raw materials and goods	(3,314,474)	(4,844,562)
Depreciation and amortization of ancillary devices	(755,590)	(771,925)
Reversal of provision for impairment of inventories	-	1,516,983
Cost of sales	**(4,070,063)**	**(4,099,504)**

In the 2014 fiscal year, the Company sold its entire "hip" product range. This amount is recognized in revenue in the income statement. The cost of the products in the "hip" range (€1,572 thousand), as well as the reversal of the corresponding provision (€1,517 thousand), were entered under cost of sales leading to the recognition of a 100% margin on this sale in 2014.

The Company's gross margin was 39% at 31 December 2015 vs. 42% at 31 December 2014 (after deduction of the "hip" figures for 2014). This change was mainly due to an increase in export sales, particularly to Brazil.

Research and Development expenses

Implanet conducts Research & Development to design innovative orthopedic implant devices. During the years under review, the Company committed a substantial portion of its resources to new product development.
Close to half of its Research and Development expenses (incurred and/or capitalized) in 2015 were accounted for by Jazz (approximately €420 thousand in 2015 and €663 thousand in 2014, according to its estimates).

Research costs are charged to expenses.
During the 2015 fiscal year, the Company considered that "Jazz Claw", "Jazz Lock" and "Madison Revision" fulfilled the capitalization criteria of IAS 38 and therefore decided to recognize the development costs under intangible fixed assets.

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

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

RESEARCH AND DEVELOPMENT (Amounts in euros)	12/31/2015	12/31/2014
Vehicle leases	(42,812)	(62,834)
Hardware, equipment and works	(11,961)	(13,910)
Studies and research	(167,342)	(234,319)
Intellectual property fees	(160,704)	(297,625)
Travel, assignments and entertaining	(37,227)	(59,212)
Duties and taxes	(633)	(5,603)
Payroll expenses	(631,151)	(774,411)
Capitalization of R&D expenses	233,211	99,433
Depreciation and amortization of capitalized R&D expenses	(100,796)	(100,796)
Depreciation and amortization of fixed assets	(2,260)	(10,766)
Share-based payments	(19,197)	(58,660)
Miscellaneous	(5,703)	(19,506)
Research and Development costs	**(946,574)**	**(1,538,209)**
Research tax credit	215,057	361,350
Subsidies	**215,057**	**361,350**
Research and Development costs, net	**(731,517)**	**(1,176,859)**

Research and Development expenses essentially comprise:

- payroll expense of engineers and the R&D Director;
- materials consumed in the course of their work;
- study, test and prototype costs (down €67 thousand compared to 2014 due to the nature or phases of the current projects);

- costs related to the protection of patents and the brand (down €137 thousand compared to the previous year due to major costs in 2014 relating to patent watch and the registration of significant patents in the US;
- the impact of the capitalization of R&D costs (up €134 thousand due to the capitalization of the cost of the "Madison Revision" project in 2015) and related amortization of capitalized costs.

The drop in R&D costs was accompanied by a drop in the amount of Research Tax Credit granted to the Group for its research activities in France (€215 thousand in 2015 versus €361 thousand in 2014).

Cost of Regulatory Affairs and Quality Assurance

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

COST OF REGULATORY AFFAIRS AND QUALITY ASSURANCE (Amounts in euros)	12/31/2015	12/31/2014
Materials and supplies not for stock	(79,819)	(81,613)
Miscellaneous rentals	(1,015)	(11,591)
Studies and research	(190,364)	(94,515)
Intermediary compensation Fees	(200,315)	(43,594)
Travel, assignments and entertaining	(8,104)	(11,029)
Payroll expenses	(395,696)	(475,180)
Capitalization of R&D expenses	39,739	6,747
Depreciation and amortization of capitalized R&D expenses	(63,963)	(63,963)
Depreciation and amortization of fixed assets	(15,763)	(12,264)
Share-based payments	(3,238)	(9,244)
Miscellaneous	(32,064)	(33,114)
Cost of Regulatory Affairs and Quality Assurance	**(950,602)**	**(829,361)**
Research tax credit	10,136	17,527
Subsidies	**10,136**	**17,527**
Cost of Regulatory Affairs and Quality Assurance, net	**(940,466)**	**(811,834)**

Regulatory affairs and quality assurance costs primarily comprise:

- payroll expenses for quality control officers (dimension inspection);
- product accreditation costs in different countries (the €157,000 increase in fees paid in 2015 compared to 2014 is due to the change in the certification bodies' requirements and specific consulting fees for the FDA extension in the United States);
- quality system costs in the Company (procedures, quality audit, etc.);
- the impact of the capitalization of R&D expenses and amortization related to capitalized expenses.

Jazz accounted for almost €329 thousand of the Company's total expenditure on regulatory affairs and quality assurance in 2015 (incurred and capitalized expenses), compared with €243 thousand in 2014.

Sales and Marketing expenses

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

SALES, DISTRIBUTION AND MARKETING (Amounts in euros)	12/31/2015	12/31/2014
Materials and supplies not for stock	(181,813)	(103,479)
Vehicle leases	(68,590)	(40,107)
Miscellaneous rentals	(8,517)	(2,889)
Hardware, equipment and works	(17,534)	(9,671)
Insurance premiums	(79,104)	(33,288)
Intermediary compensation Fees	(381,108)	(81,234)
Advertising	(222,927)	(218,429)
Transport	(3,067)	(23,805)
Travel, assignments and entertaining	(579,559)	(356,424)
Duties and taxes	(3,167)	(605)
Payroll expenses	(1,623,799)	(986,024)
Depreciation and amortization of fixed assets	(44,039)	(7,399)
Share-based payments	(124,624)	(325,666)
Litigation provision / reversal	(45,000)	-
Royalties	(115,596)	(177,985)
Sales commission	(678,871)	(518,210)
Impairment of trade receivables	(276,488)	(379,956)
Miscellaneous	(26,535)	(36,149)
Sales, Distribution and Marketing expenses	**(4,480,338)**	**(3,301,320)**

Sales and marketing expenses primarily comprise:

- sales force costs (up €638 thousand compared to the previous year due to the build-up of the sales team, particularly in the US, with three new hires in 2015);
- commission paid to sales agents;
- travel costs;
- the cost of seminars, national and international conferences;
- fees paid (up €300 thousand compared to 2014 due the conduct of strategic studies , particularly on the deployment of operations in the United States, and the set-up of surgeon training programs);
- marketing and communication expenses: advertising inserts, brochures, demonstration kits, website, etc.

Total sales and marketing expenditure for Jazz in 2015 amounted to €642 thousand, compared with €319 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 euros)	12/31/2015	12/31/2014
Materials and supplies not for stock	(16,241)	(24,782)
Equipment and real estate leases	(135,893)	(123,009)
Vehicle leases	(12,297)	(9,941)
Miscellaneous rentals	(1,877)	(22,210)
Hardware, equipment and works	(37,943)	(39,316)
Intermediary compensation Fees	(39,554)	10,692
Transport	(15,747)	(32,206)
Travel, assignments and entertaining	(6,977)	(11,925)
Payroll expenses	(570,052)	(528,343)
Depreciation and amortization of fixed assets	(117,497)	(138,694)
Share-based payments	(7,893)	(30,779)
Reversal of inventory provision	204,914	32,616
Miscellaneous	(34,638)	(4,035)
Operating costs	**(791,697)**	**(921,933)**

Operating costs primarily comprise:

- management of supplies, logistics and inventories;
- lease and maintenance of the logistics building;
- depreciation of dedicated assets (stackers, etc.);
- sales administration;
- impairment of inventories (significant improvement over 2014 due to optimized inventory management and the introduction of a screw re-sterilization process to increase their useful life).

General and administrative expenses

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

GENERAL AND ADMINISTRATIVE EXPENSES (Amounts in euros)	12/31/2015	12/31/2014
Materials and supplies not for stock	(60,452)	(54,626)
Real estate leases	(201,233)	(224,265)
Vehicle leases	(34,769)	(30,167)
Miscellaneous rentals	(72,879)	(1,913)
Hardware, equipment and works	(225,252)	(180,255)
Insurance policies	(227,921)	(226,745)
Intermediary compensation Fees	(988,393)	(1,009,105)
Advertising	(29,709)	(38,754)
Travel, assignments and entertaining	(286,101)	(152,606)
Postal and telecommunication expenses	(66,904)	(74,692)
Banking services	(33,037)	(66,663)
Duties and taxes	(98,802)	(77,599)
Payroll expenses	(984,195)	(983,860)
Attendance fees	(18,000)	(12,000)
Depreciation and amortization of fixed assets	(71,723)	(96,657)
Share-based payments	(16,203)	(127,878)
Gain on lapsed trade payable	201,388	-
Litigation provision / reversal	(10,000)	-
Miscellaneous	(47,261)	(5,510)
General and administrative expenses	**(3,271,443)**	**(3,363,295)**

General and administrative expenses primarily comprise:

- payroll expenses for general management, IT and Finance Department personnel;
- lease and maintenance of the administrative building;
- insurance;
- legal and other external consultancy fees;
- depreciation of office and computer equipment, furniture, software, fixtures and fittings;
- travel costs (up compared to 2014, due in particular to the increase in business in the United States);
- bank fees and commission;
- partly offset by the €201 thousand gain on a lapsed trade payable.

9.2.1.3. Net financial income

FINANCIAL INCOME AND EXPENSES (Amounts in euros)	12/31/2015	12/31/2014
Amortized cost of the loan	(641,175)	(571,500)
Changes in the fair value of derivative liabilities	35,774	70,308
Other financial expenses	(29,468)	(27,677)
Financial income	57,630	75,579
Foreign exchange gains and (losses)	201,828	218,033
Total financial income and expenses	**(375,411)**	**(235,257)**

Net financial income mainly breaks down as follows:

- The cost of the Kreos bond issue amounting to -€397 thousand in 2015 (amortized cost of the bond for -€405 thousand and changes in the fair value of the derivative liability for +€8 thousand) compared to -€501 thousand in 2014.
- The cost of the convertible bonds coupled with share subscription warrants issued in 2015 in favor of L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND amounting to -€209 thousand (amortized cost of the bond for -€236 thousand and changes in the fair value of the derivative liability for +€27 thousand).
- Foreign exchange gains mainly due to a favorable euro/dollar exchange rate.

9.2.1.4. Corporation tax

The Group has not recognized any corporate tax expense.

At December 31, 2015 the Group had tax losses that can be carried forward indefinitely amounting to:

- €51,985 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 corporation tax rate applicable to the Company is the current rate in force in France, namely 33.33%.

- US$4,026 thousand for the US subsidiary, including:
  - US$2,293 thousand constituted in 2015, expiring in 2035;
  - US$1,631 thousand constituted in 2014, with expiry in 2034;
  - US$102 thousand constituted in 2013, expiring in 2033.

  The corporation tax applicable to Implanet America Inc. is the current rate in force in the United States, namely 44%.

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

9.2.1.5. Basic earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to the Company's shareholders by the weighted average number of shares in circulation during the fiscal year. Instruments giving deferred access to capital (warrants (BSAs), 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 (Amounts in euros)	12/31/2015	12/31/2014
Net income for the year	(8,007,562)	(6,871,586)
Weighted average number of shares in circulation	9,692,216	5,399,522
Basic earnings per share (€/share)	**(0.83)**	**(1.27)**
Diluted earnings per share (€/share)	**(0.83)**	**(1.27)**

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

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

9.2.2. Balance sheet

9.2.2.1. Non-current assets

NON-CURRENT ASSETS (Amounts in euros)	12/31/2015	12/31/2014
Intangible fixed assets	634,732	622,212
Property, plant and equipment	1,426,061	2,041,878
Other non-current financial assets	985,949	3,131,053
Total non-current assets	**3,046,742**	**5,795,142**

Intangible fixed assets mainly consist of the capitalization of development expenses for a net value of €615 thousand at December 31, 2015, compared with €507 thousand at December 31, 2014. They mainly concern the "Jazz" project.

The gross amount recognized was €1,203 thousand at December 31, 2015, compared with €930 thousand at December 31, 2014. The development costs recognized in 2015, i.e. €273 thousand, relate to the "Jazz Claw", "Jazz Lock" and "Madison Revision" projects.

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

Non-current financial assets mainly comprise:

- Term deposits and medium-term notes totaling €650 thousand, pledged to banks under lease-back agreements or loans;
- A guarantee deposit in favor of Kreos for €191 thousand, as part of the implementation of the €5,000 thousand bond issue in 2013.

9.2.2.2. Current assets

CURRENT ASSETS (Amounts in euros)	12/31/2015	12/31/2014
Inventories	3,468,530	3,096,238
Trade receivables and related accounts	2,538,631	2,062,883
Other receivables	776,710	1,181,030
Current financial assets	5,309,067	308,116
Cash and cash equivalents	1,150,232	2,111,188
Total current assets	**13,243,171**	**8,759,456**

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 (€225 thousand in 2015 and €379 thousand in 2014), which have been repaid or will be repaid during the following fiscal year;
- deductible VAT and VAT credits for a total of €349 thousand in 2015 compared with €556 thousand at December 31, 2014;
- prepaid expenses relating to current expenditure.

Current financial assets consist of medium-term notes maturing in 2016 and 2019 with possible early redemption.

Cash and cash equivalents solely consist of bank accounts. At the close of the previous financial year, this item also included a term deposit of €1,000 thousand.

9.2.2.3. Equity

SHAREHOLDERS' EQUITY (Amounts in euros)	12/31/2015	12/31/2014
Capital	15,887,399	8,099,283
Paid-in capital	15,055,931	12,495,647
Translation reserve	(338,654)	(153,051)
Other comprehensive income	(23,131)	(29,069)
Reserves - Group share	(12,848,383)	(6,327,095)
Profit/(loss) - Group share	(8,007,562)	(6,871,586)
Shareholders' equity - Group share	**9,725,600**	**7,214,130**
Minority interests	-	-
Total shareholders' equity	**9,725,600**	**7,214,130**

The Company's share capital as at December, 31, 2015 was €15,887,398.50 divided into 10,591,599 fully subscribed and paid up shares with a nominal value of €1.50 each.

The net changes in the Group's shareholders' equity compared with 2014 mainly stem from:

- Capital increases totaling €10,335 thousand (net of costs) carried out during the year;
  - A capital increase of €9,875 thousand (net of costs) carried out in March 2015;
  - The conversion of 46 convertible bonds by L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND for €460 thousand;
- Annual losses, mainly reflecting the Company's R&D efforts for the Jazz products and the build-up of its sales force.

As at the date of the *Document de référence* and following the conversion of 24 convertible bonds by L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND in the 1st quarter 2016, the Company's share capital amounted to €16,104,678.00 divided into 10,736,452 shares with a nominal value of €1.50 each.

9.2.2.4. Non-current liabilities

NON-CURRENT LIABILITIES (Amounts in euros)	12/31/2015	12/31/2014
Amounts due to personnel	82,905	74,629
Non-current financial debts	1,720,685	1,722,170
Derivatives liabilities	154	8,530
Non-current liabilities	**1,803,745**	**1,805,329**

Amounts due to personnel consist of provision for retirement benefits.

Non-current financial liabilities mainly include:

- the non-current portion of the non-convertible bond issued to Kreos Capital IV (UK) LTD for €1,084 thousand at December 31, 2015 (compared with €1,085 thousand at the end of 2014);
- financial debts due in > one year under finance leases amounting to €298 thousand at December 31, 2015 (compared with €479 thousand at December 31, 2014);
- the non-current portion of a loan taken out with a credit institution in 2015 amounting to €254 thousand.

They also include the non-current portion of repayable advances (see Section 10.1.2 for further details on repayable advances).

9.2.2.5. Current liabilities

CURRENT LIABILITIES (Amounts in euros)	12/31/2015	12/31/2014
Current financial liabilities	1,872,614	2,473,224
Derivatives liabilities	120,264	-
Provisions	55,000	-
Trade and other accounts payable	2,134,519	2,297,232
Tax and social security liabilities	560,446	748,808
Other payables and miscellaneous debt	17,725	15,875
Current liabilities	**4,760,568**	**5,535,139**

Current financial liabilities mainly include:

- the debt linked to the convertible bond issue of October 2015 in favor of L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND amounting to €120 thousand at December 31, 2015;
- the current portion of the non-convertible bond issued to Kreos Capital IV (UK) LTD for €1,269 thousand at December 31, 2015 (compared with €1,931 thousand at the end of 2014);
- financial debts due in < one year under finance leases amounting to €295 thousand at December 31, 2015 (compared with €322 thousand at December 31, 2014);
- the current portion of a loan taken out with a credit institution in 2015 amounting to €165 thousand.

They also include the current portion of repayable advances and the financial liabilities linked to the factoring contract.

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

9.3.1. Implanet SA's Earnings

(Amounts in euros)	12/31/2015	12/31/2014
Operating income	7,165,507	10,306,056
of which revenue	*6,618,006*	*7,147,861*
Operating expenses	12,753,677	15,480,421
Operating net income	(5,588,170)	(5,174,365)
Net financial income	(1,464,133)	(469,168)
Non-recurring net income	50,466	(23,651)
Corporate tax	(225,193)	(378,877)
Total net income/(loss)	(6,776,643)	(5,288,306)

Operating income amounted to €7.2 million in 2015 versus €10.3 million in 2014, down €3.1 million. This change was mainly due to:

- A slight drop in revenue. It amounted to €6.6 million in 2015 versus €7.1 million in 2014 including €0.8 million in residual sales from the Hip business (sold at the end of June 2014). After adjustment to reflect the discontinuation of the Hip business, the growth in revenue stands at +4%, with a sharp rise in Spine revenue (+57%).

- Transfers of expenses dropped €1.2 million compared to 2014, due to the decrease in ancillary devices provided to healthcare institutions during the year;

- The 2014 impact of the full reversal of the impairment provision on "Hip" products amounting to €1.5 million, following the sale of these products. These sales led to a 100% margin over the course of the year 2014. Note that these products had been fully impaired in 2013 following a decision to gradually withdraw from sectors considered to be non-strategic and with low profitability profiles.

Operating expenses amounted to €12.8 million in 2015 versus €15.5 million in 2014, down €2.7 million.

After deduction of the Hip revenue, the gross margin remained stable compared with 2014.
Other operating expenses remained stable compared with the previous year.

The Company posted an operating loss of €5.6 million in 2015 versus an operating loss of €5.2 million in 2014.

It posted a financial loss of €1.5 million at December 31, 2015 versus a financial loss of €0.5 million at December 31, 2014. This change was mainly due to a combination of the following factors:

- Recording of an impairment provision of €1.3 million on the current account of the subsidiary Implanet America Inc. in anticipation of expected cash flows over the next five years (based on the subsidiary's growth prospects, in particular the expected development of the Jazz range).

- €0.2 million reduction in interest expense mainly due to the renegotiation of the Kreos bond in 2015.

Non-recurring net income of €0.1 million was recognized at December 31, 2015.

After recognition of a research tax credit of €0.2 million, the Company posted a net loss of €6.8 million in 2015 versus a net loss of €5.3 million in 2014.

9.3.2. Activity of the Subsidiaries

Implanet America was the group's only subsidiary at December 31, 2015, and its summary accounts are as follows:

(Amounts in euros)	12/31/2015	12/31/2014
Operating income	1,203,200	822,076
of which revenue	*1,203,200*	*820,894*
Operating expenses	(3,390,675)	(2,076,187)
Operating net income	(2,187,475)	(1,254,111)
Net financial income	322	-
Non-recurring net income	-	(256)
Corporate tax	878,161	534,086
Total net income/(loss)	(1,309,314)	(720,281)

Operating income amounted to €1.2 million in 2015 versus €0.8 million in 2014, up 46%. On a constant currency basis, revenue increased 25% compared with 2014. This significant increase was due to the increased volumes of Jazz implants.

Operating expenses amounted to -€3.4 million in 2015 versus -€2.1 million in 2014, up €1.3 million. On a constant currency basis, operating expenses increased €0.8 million. This rise was mainly due to:

- The sharp growth in business in 2015;
- A €0.2 million increase in payroll expenses with the bolstering of the sales force with three new employees in 2015;
- A €0.1 million increase in fees paid (on a constant currency basis) for strategic consulting, in particular for the deployment of operations in the United States.

After recognition of a deferred tax credit of €0.9 million from the utilization of the tax loss which can be carried forward for a period of 20 years, the net loss stands at €1.3 million.

10. NET CASH AND SHAREHOLDERS' EQUITY

See Notes 8, 10 and 12 to the IFRS annual financial statements which can be found in Section **20.1** of this *Document de référence*.

10.1. SHAREHOLDER EQUITY, CASH AND FINANCING SOURCES

As at December, 31, 2015, the Company held net cash and cash equivalents (cash and cash equivalents less bank overdrafts) of €1,150 thousand compared to €2,111 thousand as at December, 31, 2014.

10.1.1. Equity financing

The Company received a total of €64,822 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 2016, from the listing on the stock market in 2013 and the capital increase of March 2015.

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	140	Founders' contribution
2007 - 2008	13,360	First round of financing
2009	7,620	Second round of financing
2010	8,008	Third round of financing
March-April 2011	2,823	Fourth round of financing
September 2011	2,429	Fifth round 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 – March 2016	700	Conversion of 70 convertible bonds by L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND
Total	**64,822**	

(1) Total amount corresponding to the subscription of (i) bonds redeemable in shares issued on February 1, 2013, and (ii) bonds convertible into shares issued on May 21, 2013 and July 19, 2013.

(2) The listing on the Paris Euronext stock market incurred fees of €2.4 million.

(3) The capital increase in February 2015 entailed costs of €1.3 million.

10.1.2. Repayable advances and subsidies

The Company has concluded three conditional advances since it was founded:

- two repayable innovation loans from French innovation financing agency OSEO;
- a "prospecting insurance" repayable advance from COFACE to support sales prospecting in the United States region.

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

The second repayable advance was granted by OSEO on February 25, 2010. This was a €350 thousand interest-free, repayable innovation loan "to develop a three-compartment knee prosthesis for first-line treatment and the related instruments". A first installment of €280 thousand was received on March 1, 2010, followed by the balance paid upon completion of the work on May 9, 2011. Following the project's technical and commercial success, this advance is being repaid through quarterly installments from 2013 to 2017.

The third repayable advance was agreed with COFACE on December 28, 2009 under what is known as a "market prospection insurance policy" covering the United States region. Implanet benefits from a coverage period of four years, during which its prospecting expenditure is guaranteed within the limit of a defined budget. At the end of this phase, there begins an amortization phase of five years, during which Implanet reimburses the advance obtained on the basis of a percentage of the sales revenues earned in the regions concerned. On February 10, 2011, Implanet received a €194,268 advance for the first fiscal year of cover of these expenses. Following the disposal of its Beep N Track business, COFACE requested cancellation of the market prospection insurance policy and the repayment of the advances received in 2013.

CHANGES IN REPAYABLE ADVANCES (Amounts in euros)	OSEO Knees	OSEO - Beep N Track	Total
At December 31, 2013	**278,574**	**248,043**	**526,617**
(+) Subscription			-
(-) Repayment	(60,000)	(250,000)	(310,000)
Subsidies			-
Financial expenses	8,206	1,957	10,162
(+/-) Other movements			-
At December 31, 2014	**226,779**	**-**	**226,779**
(+) Subscription			-
(-) Repayment	(70,000)	-	(70,000)
Subsidies			-
Financial expenses	6,474	-	6,474
(+/-) Other movements			-
At December 31, 2015	**163,253**	**-**	**163,253**

10.1.3. Research tax credits

RESEARCH TAX CREDIT (Amounts in euros)	12/31/2015	12/31/2014
Research tax credit	225,193	378,877

The Company has received research tax credits since it was first created. The research tax credit (CIR) for 2014 was repaid in 2015.

Repayment of the 2015 CIR is expected in 2016.

10.1.4. Borrowings

10.1.4.1. Non-convertible bond issued to Kreos Capital IV (UK) LTD

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

These transactions were implemented as follows:

- the €5 million bond, by issuing 5 million non-convertible bonds with a nominal value of €1 each to KREOS was approved at the Company's Board of Directors meeting of July 19, 2013 and wholly subscribed by KREOS on July 24, 2013;

- the free issue of 65,000 share subscription warrants in the Company to KREOS was resolved by the Extraordinary General Shareholders' Meeting of July 19, 2013;

- the Company's business (i.e. fonds de commerce) was pledged on July 19, 2013.

This contract provided for fixed monthly installments of €190,735.43 from January 1, 2014 until June 1, 2016. The bond issue bears interest at the rate of 11.5%.

On April 16, 2015, the Company and Kreos Capital IV (UK) LTD concluded an amendment to the venture loan agreement dated July 19, 2013, 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.

(see Section 22.3.3 of the *Document de référence* for further information on the features of the bond issue following said rescheduling).

This loan 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 2015, for a total of €1,419 thousand in 2015.

10.1.4.2. Convertible bond coupled with share subscription warrants ("OCABSA") issued in favor of L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND

On October 14, 2015, the Company entered into a financing agreement with L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND allowing potential funding of €5 million, at the Company's discretion, through the issue of OCABSA.

On the same day, a first tranche of 100 OCABSA totaling €1.0 million was subscribed by L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND. The bonds thus issued are convertible at any time and have a maturity of twelve months. The Company is required to redeem any bonds which have not been converted into shares by their maturity date.

Moreover, the Company may issue 400 warrants in favor of L1 European Healthcare Opportunities Fund, liable to result in a bond issue of an additional maximum of €4 million (via a number of tranches of no more than €250,000, with the understanding that L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND may ask to increase the unitary amount of one of these tranches by €100,000 subject to:

- necessary approval being granted at the next annual shareholders' meeting due to be held no later than June 30, 2016,

- direct and indirect investments by L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND in the Company's capital do not exceed 3% of the capital and voting rights given the number of potential shares resulting from the conversion of convertible bonds,
- the previous tranche must be repaid or converted or there must be a period of 35 days after drawing down the previous tranche (excluding the first tranche), and
- both the closing price and weighted average price over the five trading days preceding the issue request being at least €1.10.

The 100 OCA issued in 2015 have the following characteristics:

- Par value of each OCA: €10,000
- OCA subscription price: 99% of par value
- Maturity: 12 months
- 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.

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

In 2015, 46 bonds were converted into shares, generating a capital increase of €460 thousand, including the issue premium.

10.1.4.3. KEPLER CHEUVREUX financing line

The Company opened an optional equity line of credit with Kepler Cheuvreux on July 9, 2014. IMPLANET has the option to ask Kepler Cheuvreux to subscribe for new shares that may be issued in tranches over the 24 month following the set-up of the agreement, within the overall limit of 530,000 shares. Kepler Cheuvreux has made a firm subscription undertaking at the exclusive request of IMPLANET. The Company had not drawn on this financing line on the date the *Document de référence* was filed.

Following the set-up of the OCABSA agreement with L1 European EUROPEAN HEALTHCARE OPPORTUNITIES FUND, the Company's use of this equity financing line was suspended.

See Section 21.1.4 for further details on the terms and conditions and the way this instrument works.

10.1.4.4. Finance leases

Over the course of its life, the Company has arranged finance leases on software, fixtures, furnishings, equipment and tools.

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

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

CHANGES IN FINANCIAL DEBT - FINANCE LEASES (Amount in euros)	Financial liabilities - lease-financing contracts
At December 31, 2013	**392,821**
(+) Subscription	750,400
(-) Repayment	(341,756)
At December 31, 2014	**801,466**
(+) Subscription	139,239
(-) Repayment	(347,420)
At December 31, 2015	**593,285**

10.1.4.5. 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, 2015 were as follows:

Vehicle leases	**Less than one year**	**From 1 to 5 years**	**More than 5 years**
Off-balance sheet commitments at 12/31/2015 (amount in euros)	77,536	53,532	-

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:

					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 12/31/2015	Due in less than 1 year	From one to five years	Due in more than five years
MARTILLAC	Administration building	10/8/2007	10/8/2016	136,058	103,416	-	-
MARTILLAC	Logistics building	12/15/2010	10/1/2016	126,398	94,797	-	-
MARTILLAC	Real estate complex (administrative & logistics buildings)	10/1/2016	09/30/2026	-	53,000	848,000	371,000
BOSTON	Administration building	12/1/2014	5/31/2016	61,019	27,739	-	-

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, 2015 and December 31, 2014 was €6.8 million and €5.3 million respectively.

10.2.2. Cash flows from investing activities

Cash flows from investing activities amounted to a negative €3.2 million versus a positive €7.5 million at December 31, 2014.

Cash burn from investing activities in 2015 relates to the following:

- Financial placement of the cash generated by the capital increase of March 2015 (term deposit and medium-term notes) amounting to €2.9 million, net of withdrawals;
- Acquisition of property, plant and equipment and intangible fixed assets for a total of €0.3 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;
- Recognition of development expenses of €0.3 million.

Cash generated in 2014 by investing activities came mainly from a combination of the following:

- Demobilization of term deposits and marketable medium-term warrants for €7.7 million;
- Acquisition of property, plant and equipment and intangible fixed assets (€0.2 million).
- Recognition of development expenses (-€0.1 million).

10.2.3. Cash flows from financing activities

The Company carried out a number of capital increases since it was founded in 2006 (see Section 10.1.1) and received advances or subsidies in 2010 and 2011 (see Section 10.1.2). It also took out cash loans (see Section 10.1.4), issued bonds (see Section 10.1.4), was listed on the Euronext Paris stock market in November 2013 and carried out a capital increase in March 2015.

Cash flows from financing activities are shown below:

CASH FLOW FROM FINANCING ACTIVITIES (Amounts in euros)	12/31/2015	12/31/2014
Capital increase, net of conversion of bonds into shares	11,177,006	-
Share subscription warrants (BSA)	12,963	10,821
Expenses relating to capital increase	(1,301,569)	(5,000)
Repayment of the KREOS bonds	(1,129,437)	(1,860,324)
Gross financial interest paid	(309,660)	(440,371)
Issue of convertible bonds, net of expenses	907,962	-
Bank borrowings	500,000	-
Repayment of conditional advances	(70,000)	(310,000)
Repayment of finance leases	(347,420)	(341,756)
Repayment of bank loans	(81,320)	
Other financing flows (factoring)	(85,994)	(111,094)
Other financing flows (change in the liquidity contract)	-	173,557
Cash flows related to financing activities	**9,272,531**	**(2,884,167)**

Cash generated in 2015 by investing activities came mainly from a combination of the following:

- A capital increase of €9.9 million (net of costs) carried out in March 2015;
- Issue of a bond to L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND in the amount of €0.9 million, net of costs;
- KREOS bond repayment maturities amounting €1.1 million.

In 2014, cash requirements were essentially linked to the repayment maturities of the KREOS bonds for €2.3 million.

10.3. LOAN TERMS AND FINANCING STRUCTURE

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

10.4. RESTRICTIONS ON THE USE OF SHAREHOLDERS' EQUITY

The Company is obliged to use the proceeds of the €5,000 thousand bond issued to KREOS to finance its working capital requirements. (See Section 22.3.3 of the *Document de référence* for further information on these obligations).

10.5. EXPECTED SOURCES OF FINANCING FOR FUTURE INVESTMENTS

Given its stage of development and to finance its future capital expenditures, the Company may resort to equity financing.

11. RESEARCH AND DEVELOPMENT, PATENTS, LICENSES AND OTHER INTELLECTUAL PROPERTY RIGHTS

11.1. RESEARCH AND DEVELOPMENT

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

Every action taken by the Implanet R&D Department is compliant with ISO 9001 and ISO 13485 quality standards, in which the Company is certified:

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

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

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

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

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

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

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

	2014	2015
R&D costs (€ thousands)	1,538	947
Gross capitalized R&D costs (€ thousands)	99	233

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

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

11.2. INDUSTRIAL PROPERTY

11.2.1. Protection of industrial property rights

The Company's success depends, at least in part, on its ability to protect its inventions. This means obtaining and maintaining patents in Europe and other key markets for the Company's implants (notably Jazz in the United States). Implanet therefore attaches special importance to the protection and maintenance of its intellectual property rights, particularly its portfolio of patents, one of the key elements of its commercial development strategy. It has an extremely proactive and rigorous policy of protecting its inventions through patent filings. Implanet has entrusted the management of its entire patent and brand portfolio with the firm Benech (Paris), which is supported by a strong network of correspondents abroad, including the firm Banner & Witcoff in the United States.

The Company follows an active policy of simultaneously protecting products under development and trying to protect itself against any potential entry of alternative products. This active policy of filing industrial property titles has two objectives: (i) protect its new technologies and (ii) maintain its competitive advantage vis-à-vis companies in the same sector.

Implanet usually files an initial patent application in France, followed by a PCT extension and the subsequent national and regional phases, which always include the United States and Europe. Other countries may be added on a case by case basis, such as Australia, Japan, South Korea or others that are considered relevant for the invention being patented. All patent applications are filed at a very early stage of product development to maximize protection in an extremely competitive market.

Patents are valid for 20 years from their filing date (initial date or date of international extension where required).

To date, Implanet patent applications have been filed for six inventions covering 12 distinct product families. Implanet's portfolio is thus made up of 57 patents and patent applications belonging to the Company, most of which are still pending, although some have been issued.

11.2.2. Type and extent of the Company's patents

The patents and patent applications held and exploited by Implanet are designed to cover very specifically the different aspects of the four product ranges that it has developed:

- the "Madison knee prosthesis" range;
- the "Jazz" range;
- the "Other spinal implants" range;
- and the "Arthroscopy" range.

11.2.2.1. The "Madison knee prosthesis" range

The "Madison knee prosthesis range" includes a family of implants that allow surgeons to carry out total knee arthroplasties. It includes femoral, tibial and patellar implants in cemented or cementless bearing as well as infixed or mobile bearing. Polyethylene tibial inserts allow doctors to preserve the cruciate ligaments or to apply more or less restrictive degrees of stabilization. The protected invention allows the Company to use the same insert in mobile or fixed bearing, which not only reduces the need for inventory by half, but also eliminates any possibility of error in the operating room or when selecting implants for insertion. The patent filings covering this product range are as follows:

Product range	Filing date[40]	Title	Patent holder	Extensions			
				Country	Filing No.	Publication[41]	Grant of patent[42]
MADISON knee prosthesis	3/16/2010	Knee prosthesis having a mixed meniscal plate	IMPLANET	France	FR 10/01056	FR 2957518	
				PCT	PCT/FR2011/000148	WO 2011/114024 A1	
				Europe	11716284.2	EP 2547291	2547291
				USA	13/583,701	US 2013006374	
				South Africa	2012/06423		2012/06423
				South Korea	10(2012)(7024005)	KR20130006447	

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.

[40] The "*filing date*" of the patent is the date when the first application was filed. Subject to their acceptance, patents are granted for 20 years from their filing date i.e. the date on which the corresponding national, European or international filing was made. Note, however, that (i) international (PCT) and/or national (Europe, United States, etc.) patent applications must be filed within 12 months of the original national filing date to benefit from this filing, and (ii) when the products have been registered (i.e. authorized for sale) and meet certain criteria that vary from country to country, the period of protection conferred by the patent can be extended by periods ranging from six months to five years.

[41] *"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.

[42] *"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.

The Company's patent protects the implant, its method of operation and the main instrument used to insert it. Patent applications have also been filed on two potential alternatives.

The Jazz range includes seven filings in France, which have since been managed according to the procedure explained above. The first five filings resulted in five French invention patents (10/00040, 10/04786, 11/02072 and 13/60195). 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
JAZZ	1/6/2010	Vertebral attachment device	IMPLANET	France	FR 10/00040	FR 2954905	10/00040
				PCT	PCT/FR2011/000005	WO 2011/083261 A1	
				Europe	11703720.0	EP 2521500	EP 2521500
				USA	13/541,271	US 20120271354	
				South Africa	2012/04047		2012/04047
				Australia	2011204541	AU 2011204541	
				China	201180005413.3	CN102695467A	201180005413.3
				South Korea	10-2012-7017518	10-2012-0107984	
				India	5247/DELNP/2012		
				Japan	2012-547528		
	12/8/2010	Flexible band tensioning device	IMPLANET	France	FR 10/04786	FR 2968739	10/04786
				PCT	PCT/FR2011/000639	WO 2012/076771 A1	
				Europe	11807713.0		
				USA	13/906,550	US 20130261680 A1	US 8,728,083 B2
				USA	14/275,236		
	6/30/2011	Vertebral attachment device (looped implant)	IMPLANET	France	FR 11/02072	FR 2977138	11/02072
				PCT	PCT/FR2012/000259	WO 2013/001180 A1	
				Europe	12738485.7	EP 2725993	EP 2725993
				USA	14/128214	US 20140114356 A1	
				South Africa	2013/08615		
				Australia	2012277658		
				China	201280031789.6	Withdrawal	
				South Korea	10-2013-7034261		
				India	10048/DELNP/2013		
				Japan	2014-517867	2014-525769	
	10/28/2011	Disc tensioner	IMPLANET	France	FR 1103319	FR 2981841	
				PCT	PCT/FR2012/052454	WO 2013/06990 A1	
				Europe	12794370.2		
				USA	14/350387	US 20140277207 A1	
				China	201280053640.8		
				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, Loop blocking method with this type of system (linear JAZZ)	IMPLANET	France	FR 13/60195		
				Europe	14003529.6		
				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		
	1/20/2014	Device and method for attaching a flat band to a piece of bone (JAZZ Autostable)	IMPLANET	France	FR 15/50441		

11.2.2.3.The "Other spinal implants" range

The Company has also developed a range of spinal stabilization implants based on a more classic concept which uses pedicle screws and hooks. In the course of this project, the Company also invented a transverse connection device for connecting rods together to form a rigid frame.

The Company has also protected an innovative intersomatic implant that fits between two vertebrae to improve spinal stabilization and aid fusion. The shapes and tools developed make it easier to achieve anchoring than the process used by competing implants.

Patents and patent applications covering this product range are as follows:

Product range	Priority date	Title	Patent holder	Extensions			
				Country	Filing No.	Publication	Grant of patent
Other Spinal implants	4/8/2010	Transverse connection system and device for spinal column	IMPLANET	France	FR 10/01489	FR 2958532	10/01489
				PCT	PCT/FR2011/000200	WO 2011/124789 A1	
				Europe	11719595.8	EP 2555697	
				South Korea	10-2012-7026102	10-2013-0041778	
				India	8615/DELNP/2012		
				Japan	2013-503151	2013-523300 A	
	2/8/2012	Intersomatic implant and tool for installing such an implant (TLIF cage)	IMPLANET	France	FR 12/00385	2,986,416	12/00385
				PCT	PCT/FR2013/050254	WO 2013/117861 A1	
				Europe	13706645.2		
				USA	14/377198	US 20150012099 A1	

11.2.2.4.The “Arthroscopy” range

The two families in the table below relate to shoulder arthroscopy.

The first protects a positioning device for a stabilization anchor for the repair of rotator cuffs. The invention describes a device that protects the suture linked to the anchor during implantation.

The second family describes a “second tier” stabilization anchor that allows direct tendon suturing when being screwed in and the automatic tensioning of the sutures.

Patents and patent applications covering this product range are as follows:

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 2925286	709.089
	12/21/2007	Device for anchoring tissue in a bone	IMPLANET	France	FR 07/09090	FR 2925287	07/09090
				PCT	PCT/FR2008/001814	WO 2009/106741 A1	
				Europe	08/872893.6	EP 2229107	

11.2.3. Patents currently being exploited

The Company directly exploits all its patents and patent filings except the (i) "*Device for anchoring tissue in a bone"*, (ii)" *Disc tensioner",* and (iii) "*Intersomatic implant and tool for installing such an implant"* (see table above), which are not commercially exploited by the Company.

11.2.4. Protected territories

Since 2007, all patent applications have been initially filed in France. They are subsequently extended abroad if necessary, using the PCT procedure within 12 months of the filing date.

The selection of territories for national/regional phases varies depending on Implanet's strategy.

The territories covered by the patent application always include Europe and the United States. Generally, they also include Australia, Japan and South Korea and, when necessary, any other countries considered relevant to the invention being patented.

The tables in Section 11.2.2 above display the territories covered by each of the Company's patent families.

11.2.5. Litigation

To date, the Company has not been involved in any litigation for intellectual property rights either as plaintiff or defendant.

11.2.6. Licenses

Implanet has protected an industrial property portfolio to safeguard its innovations. It is the sole owner of all of its rights and no license has been granted on the Company's industrial property rights.

11.3. BRANDS, DRAWINGS AND MODELS

As part of its strategy, Implanet registers its brands, drawings and models either nationally or internationally. Brand registrations are generally granted for ten years, renewable indefinitely on payment of the corresponding fees and, in some countries, on condition that they are genuinely exploited. Registration of drawings and models is generally granted for five years, renewable for five-year periods up to a maximum of twenty-five 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, United Kingdom,
11/14/2007	Implanet (Logo)	France	9, 10, 42	07/3537412	Italy, Germany, Spain, United Kingdom, United States
11/14/2007	Implanet (verbal)	France	9, 10, 42	07/3537413	Italy, Germany, Spain, United Kingdom, United States
14/11/207	Implanet SMART SYSTEM	France	9, 10, 42	07/3543997	Italy, Germany, Spain, United Kingdom,
2/5/2009	Implanet + Logo + "Gold Standards For Everybody"	France	9, 10, 42	09/3627623	Italy, Germany, Spain, United Kingdom, United States
2/5/2009	Combination of colors: PINK 5rubine Red C) + Gray	France	10, 35, 42	09/3627625	
5/11/2009	Implanet + Logo + "Smarter Medical Device Company"	France	9, 10, 42	09/3649719	Italy, Germany, Spain, United Kingdom, United States, Japan

Implanet owns the following drawings and models:

Filing date	Title	Patent holder	Country	Filing No.	Registration date	Status
5/26/2009	Digital Assistant	IMPLANET	United States	D626550	11/2/2010	Granted
			United States	D626558	11/2/2010	Granted
			United States	D626551	11/2/2010	Granted

11.4. DOMAIN NAMES

Implanet owns the following domain names:

Domain names	Creation date	Expiry date	Date of last update
implanet.com	8/9/2007	4/24/2017	4/7/2015
implanet-institute.org	9/23/2008	9/23/2016	8/28/2015
implanet-invest.com	9/12/2013	9/12/2016	8/28/2015
implanet.org	2/19/2007	2/19/2017	12/21/2015
implanet.name	2/19/2007	2/19/2017	12/21/2015
implanet.fr	2/20/2007	1/5/2017	12/7/2015
implanet.biz	2/20/2007	2/19/2016	12/21/2015
implanet-spine.info	6/12/2007	6/12/2016	5/18/2015
implanet-spine.org	6/12/2007	6/12/2016	5/18/2015
implanet-spine.biz	6/12/2007	6/11/2016	5/18/2015
implanet-spine.com	6/12/2007	6/12/2016	5/18/2015
implanet-spine.us	6/12/2007	6/11/2016	5/18/2015
implanet-spine.net	6/12/2007	6/12/2016	5/18/2015
myscoliosis.org	12/3/2015	12/3/2016	12/3/2015
myscoliosis.us	12/3/2015	12/2/2016	12/3/2015
myscoliosis.info	12/3/2015	12/3/2016	12/3/2015
myscoliosis.me	12/3/2015	12/3/2016	12/3/2015
myscoliosis.fr	12/3/2015	12/3/2016	12/3/2015
myscoliosis.eu	12/3/2015	12/3/2016	12/3/2015

Domain names are indefinitely renewable annually or biannually.

11.5. PLEDGE OF INTELLECTUAL PROPERTY RIGHTS

To guarantee repayment of the Company's €5,000,000 bond issue subscribed by Kreos Capital IV (UK) LTD, the Company granted the lender a pledge on its goodwill on July 19, 2013, including all present and future intellectual property rights (patents, drawings and models, domain names, brands) as described in this Chapter 11 (see Section 22.3.3 11 the Document for the terms of said bond issue).

12. INFORMATION ON TRENDS

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

12.1.1. Press release dated Tuesday, January 26, 2016: The Company announces 2015 sales growth (excluding Hip) of +6% to €6.7 million and a strong growth in Spine (Jazz): +45% to €2.8 million

The Company announces revenue growth for the fourth quarter and for the year ending December 31, 2015.

Ludovic Lastennet, CEO of Implanet, says: "*Our annual performance shows buoyant sales growth in Spine, thanks to market share gains in pediatric scoliosis and our focus on the broader adult degenerative spine market, in which we are planning to launch a number of new products this year. Our 2016 prospects are excellent, we are confident in continued growth across all territories and the accelerated adoption of our technology by surgeons.*"

Sales (in € thousands - IFRS)	**2015**	2014	Change
1st quarter sales	**1,599**	2,047	-22%
2nd quarter sales	**1,707**	1,954	-13%
3rd quarter sales	**1,693**	1,188	+42%
Spine (JAZZ)	**561**	658	-15%
Knee + Arthroscopy	**1,093**	1,190	-8%
Hip	**-**	-	-
Total 4th quarter sales	**1,654**	1,848	-10%
Spine (JAZZ)	**2,806**	1,930	+45%
Knee + Arthroscopy	**3,847**	4,343	-11%
Hip	**-**	765	-
2015 annual sales	**6,653**	7,038	-5%
2015 annual sales excluding Hip	**6,653**	6,273	+6%

Our performance in Spine activity was up 78%, 54% and 101% over the first three quarters of the year. The 4th quarter was down compared with the same period of the previous year, a result of major inventory orders by several United States distributors at the end of 2014. Nevertheless, the number of JAZZ surgical procedures was up 56% compared with Q4 2014.

In terms of sequential quarterly growth, Spine activity continued to increase its share of the product mix, and accounted for 51% of total sales. Quarterly sales from this activity are continuing to grow at a pace that is in line with the Company's forecasts. Spine activity is continuing to record a strong upward trend in France and in the Rest of the world, with growth up by 34% to €219 thousand (vs. €163 thousand) and by 129% to €153 thousand (vs. €67 thousand) respectively.

For 2015, Implanet recorded sales of €6,653 thousand, a slight decrease (-5%) compared with the 2014 figure of €7,038 thousand, which included €765 thousand in residual Hip sales. Excluding this Hip activity, growth was up 6% compared with the adjusted 2014 sales figure of €6,273 thousand.

While the overall performance was affected by a decrease (-11%) in Knee activity to €3,847 thousand (compared with €4,343 thousand) in a highly-competitive environment, the 2015 performance was bolstered by the record level of Spine sales, which were up 45% to €2,806 thousand (vs. €1,930 thousand in 2014). Spine activity accounted for 42% of the Group's total 2015

sales, vs. 27% in 2014. The sharp growth in Spine revenue reflects consistent performance across all distribution channels in all Group markets: +47% to €952 thousand in the United States*, +47% to €1,203 thousand (vs. €821 thousand) in France* and +41% to €651 thousand (vs. €461 thousand) in the Rest of the world.

Over the year to 31 December, 2015, Implanet sold 843 JAZZ implants in the United States, 2,543* in France and 2,224 in the rest of the world, giving a total of 5,601 implants and growth by volume of +31% (vs. 4,260 implants over the year to 31 December, 2014).

*this should read:

- "up 47% €952 thousand in France, up 47% to €1,203 thousand in the United States (vs. €821 thousand)" instead of "up 47% to €952 thousand in the United States, up 47% to €1,203 thousand in France (vs. €821 thousand)"; and

- "2,534 in France" instead of "2,543 in France".

12.1.2. Press release dated January 28, 2016: the Company announces the successful outcome of the first idiopathic scoliosis operation performed in Brazil using the JAZZ platform

The Company announces the first successful idiopathic surgical procedure in Brazil using the JAZZ platform. This surgical procedure was successfully performed by Dr Raphael Pratali and his team at Hospital do Servidor Público Estadual, in São Paulo. New surgical procedures are already scheduled in Brazil.

"*JAZZ technology is an excellent alternative to screws in maximizing the correction of major spine deformities. Using JAZZ implants in a hybrid construction in idiopathic scoliosis surgery makes it possible to restore the patient's sagittal balance. By significantly reducing operating time, we provide the patient with additional safety. I will obviously be using JAZZ technology during my surgical procedures from now on," says Dr Pratali.*

Alvaro Tadeus, CEO of Importek, Implanet's commercial partner in Brazil: "*We are delighted by the unanimous consensus regarding this first surgical procedure, which was carried out by an eminent spine surgeon in Brazil. We will now be able to accelerate the marketing of JAZZ technology in this country, backed by our in-depth knowledge of the spine market*, our network of influential opinion leaders and our specific sales structure."

Ludovic Lastennet, Implanet Chief Executive Officer concluded: "*We are impressed by how quickly the first JAZZ surgery was performed following the regulatory approval received two months ago from the Brazilian health authorities. I am pleased to hear that Dr. Pratali and his team are delighted with the advantages our technology has provided. This will no doubt enable its adoption to spread among peers in this market, which saw close to 27,000 vertebral fusion surgeries in 2015."*

12.1.3. Press release dated February 1, 2016: the Company announces its participation at BIO CEO & Investor Conference 2016 in New York.

The Company announces that management will participate at BIO CEO & Investor Conference 2016 on February 8-9, 2016 at the Waldorf Astoria New York.

Ludovic Lastennet, CEO of Implanet will provide an overview of the Company's operations as he will be available to participate in one-on-one meetings with investors who are registered to attend the conference. BIO CEO & Investor Conference 2016 will have more than 200 publicly-listed and private participating along more than 650 institutional investors registered, coming from across the US and Canada.

12.1.4. Press release dated Monday, February 08, 2016: the Company announces the appointment of Brian T. Ennis to head up its subsidiary in the United States.

The Company announces the appointment of Brian T. Ennis as Chairman of Implanet America. As such, he will head Implanet America and his objective will be to optimize its organizational structure in order to accelerate the JAZZ technology's adoption and growth in this vital market.

Brian T. Ennis, Chairman of Implanet America: "*It is a true privilege to join the Implanet team. I welcome the opportunity to lead the division through an aggressive expansion in the U.S. market. I am quite confident that there is tremendous upside with respect to applying sub-laminar band technology to both the Deformity and Degenerative Spine market Segments."*

Ludovic Lastennet, Implanet Chief Executive Officer concluded: "*We are delighted to be able to welcome Brian to lead Implanet's U.S. management team. His experience, strategic vision and managerial skills will enable him to successfully execute Implanet's ambitious growth plan in the United States. During his career, he has proven his ability to meet every new challenge by obtaining outstanding results, whatever the issue. The successes he has recorded throughout his career make Brian a natural leader for our American subsidiary, which now has a solid sales team and more than 25 partner agencies covering 60% of the country. I am confident that Brian will be instrumental in helping us reach incremental major milestones in our development."*

12.1.5. Press release dated Wednesday, March 09, 2016: Implanet will take part in the 28th Annual ROTH Conference in the United States

The Company announces management will participate and present at the 28th Annual ROTH Conference in Laguna Niguel, CA, to be held from Monday, March 14 to Wednesday, March 16, 2016.

Ludovic Lastennet, CEO of Implanet will present on Wednesday, March 16, 2016 at 7:00 AM and will provide an overview of the Company's operations. He will also be available to participate in one-on-one meetings with investors who are registered to attend the conference.

ROTH Capital 28th Annual Conference is one of the largest of its kind in the US. Following the success of previous years' events, the ROTH Conference, with over 500 participating companies and over 3,000 attendees, will feature presentations from hundreds of public and private companies in a variety of sectors. The Company announces the appointment of Brian T. Ennis as Chairman of Implanet America. As such, he will head Implanet America and his objective will be to optimize its organizational structure in order to accelerate the JAZZ technology's adoption and growth in this vital market.

12.1.6. Press release dated Monday, March 14, 2016: launch of prospective and multicenter clinical study with TFS International

The Company announces the launch of a prospective, multicenter clinical study to document the outcomes of JAZZ technology in adult degenerative and adult deformity indications.

Implanet has partnered with TFS International, a prestigious CRO (Contract Research Organization) specializing in clinical trials, to design and execute a scientifically robust study.

Ludovic Lastennet, Implanet Chief Executive Officer: *"We are pleased to announce this important first step in the establishment of our prospective multicenter US study, partnering with a highly reputable CRO to initiate and manage the project with the highest standards of quality and rigor. The JAZZ Band® has tremendous potential as a tool for surgeons to augment spinal fusion in complex adult surgery. As the global leader in Band based technologies, we are excited to take a leadership position in both rapidly expanding our product portfolio and documenting clinical and economic outcomes.*

In addition to the partnership with TFS International, Implanet is finalizing agreements with eminent US spine centers with strong expertise in complex adult degenerative surgery and a deep interest in developing innovative spinal implant technology platforms.

Daniel Spasic, CEO of TFS International, adds: "*We are very pleased with Implanet's decision to partner with TFS on this multicenter US study. TFS will now, together with some of the most renowned medical centers in the country, work diligently to ensure the execution of a successful study and help to position Implanet as an innovator in complex spine surgeries."*

12.1.7. Press release dated Wednesday, March 30, 2016: The Company announces 2015 annual results

The Company announces its annual results for the financial year ending December 31, 2015, as approved by the Board on March 24, 2016.

Ludovic Lastennet, Implanet Chief Executive Officer: *"We are continuing the sales deployment of our JAZZ technology platform. The buoyant growth in our sales is the result of a direct access strategy in our two main markets, France and the United States, where the adoption of our technology accelerated over the second half of 2015. This growth should continue in 2016, notably thanks to the growing use of the JAZZ platform in the treatment of adult degenerative spine disorders. However, the strong growth of the spine business only partially offset the effect of stopping the Hip activity in 2014. On the financial front, we have carried out planned investments that should enable us to achieve significant growth while limiting operating expenses. The steady increase in the number of surgeon users allows us to be more confident than ever in the JAZZ technology platform's clinical value and in our sales growth over coming quarters."*

in € thousands - IFRS	**2015**	**2014**	Change
Revenue	**6,653**	**7,038**	**-5%**
of which: Spine	*2,806*	*1,930*	*+45%*
Cost of sales	-4,070	-4,100	-1%
Gross margin	**2,583**	**2,938**	**-12%**
Gross margin %	*38.8%*	*41.7%*	
Research & Development	-732	-1,177	-38%
Regulatory matters, Quality control	-940	-812	+16%
Sales, distribution, marketing	-4,480	-3,301	+36%
Operating costs	-792	-922	-14%
General and administrative expenses	-3,271	-3,363	-3%
Net operating income	**-7,632**	**-6,637**	-15%
Total net income/(loss)	-8,008	-6,872	-28%

Note: audit procedures on the consolidated accounts have been performed. The certification report is being issued

2015: JAZZ growth acceleration

The Company recorded another excellent annual performance in Spine (JAZZ), Implanet's core activity, thanks to further market share gains in pediatric scoliosis (with market share already exceeding 10% in France) and to the growing use of the JAZZ platform in the treatment of adult degenerative spine disorders, a market accounting for 80% of vertebral fusion surgical procedures worldwide.

Record sales in the Spine activity in 2015, up 45% to €2,806 thousand, enabled Spine activity to account for 42% of total sales, versus 27% in 2014. This growth was driven by a strong performance in each of the Company's markets:

in € thousands	**2015**	**2014**	Change
Spine revenue	**2,806**	**1,930**	**+45%**
France	*952*	*648*	*+47%*
United States	*1,203*	*821*	*+47%*
Rest of the World	*651*	*461*	*+41%*

Operating expenses to support growth

The Company's expansion investments and the success of the JAZZ technology platform were principally focused on developing the US market. The spending of €1.5 million allowed the Company to expand its US sales coverage with a sales network of 30 sales agents as of December 31, 2015, and to undertake a major medico-economic study demonstrating JAZZ technology's clinical results for patients, as well as its cost benefits for healthcare facilities.

The Company also strengthened its commercial coverage for the distribution of its JAZZ technology platform in Europe and in Latin America, now with a network of fourteen distributors.

With operating expenses, which increased by €640 thousand to €10,215 thousand vs. €9,575 thousand in 2014, taken into account, Implanet recorded an operating loss of €7,632 thousand (vs. €6,637 thousand) and a net loss of €8,008 thousand (vs. €6,872 thousand) over the year to December 31, 2015.

Cash position and financial investments

As at December 31, 2015, Implanet had cash and financial investments of €7.1 million (versus €5.2 million as at December 31, 2014).

The Company also has the possibility of obtaining additional funding of €4.0 million from L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND in the form of convertible bonds coupled with equity warrants (OCABSA).

Significant progress and events in 2015

Clinical and training

- publication of the results of a comparative study showing JAZZ's efficacy in the treatment of idiopathic scoliosis by Professors Mazda and Ilharreborde's teams (APHP – Robert Debré Hospital);
- preliminary results of the biomechanics study undertaken by the Mayo Clinic demonstrating JAZZ's efficacy in the protection of screws implanted in poor-quality bones;
- training of 58 surgeons, sales agents and distributors in 10 sessions of the "Jazz Academy". The training of these worldwide experts should enhance the JAZZ platform's adoption rate in the near term.

Intellectual protection and regulatory approvals

- intellectual property on JAZZ technology definitively granted in Europe until 2031;
- CE marking in Europe and 510(k) clearance in the United States for the marketing of all JAZZ diameters and their use with 100% of existing thoraco-lumbar posterior fixation systems (screws and hooks);
- regulatory approval from the Brazilian health authority (ANVISA) to market the JAZZ technology platform.

2016 outlook

In 2016, Implanet will continue its expansion by pursuing a two-pronged development strategy: clinical and operational.

Clinical development

Accelerate market share gains in the treatment of adult degenerative spine disorders, a market of some 700,000 surgical procedures per year worldwide:

- publication of the preliminary results of clinical follow up of more than 30 patients at Ohio State University;
- launch of a prospective multicenter clinical study in degenerative indications and correction of spinal deformities in adults. Enrollment of 125 patients in five prestigious US hospitals;
- further expansion of the JAZZ product platform with new product launches focused on the adult degenerative market.

Operational development

- optimization of the structure and acceleration in the adoption of JAZZ technology in the United States, notably with the appointment in early 2016 of Brian T. Ennis as Chairman of Implanet America;
- consolidation of the Company's geographical expansion in major markets such as Brazil (27,000 vertebral fusion procedures in 2015[43]), with the success of a first idiopathic scoliosis surgical procedure carried out in Brazil by Dr. Raphael Pratali and his team at the Hospital do Servidor Público Estadual in São Paulo;
- stabilization of the Company's historical Knee activity, allowing it to benefit from economies of scale on its organizational structure (sales & marketing, logistics, production, regulatory, etc.).

12.1.8. Press release dated Wednesday, April 5th, 2016: The Company announces the regulatory clearance in the U.S. (510k) and Europe (CE) for its new Jazz Lock® implant

The Company announces the regulatory clearance in the U.S. (510k) and Europe (CE) for its new Jazz Lock® implant

Jazz Lock® is the first of an innovative range of band products designed for degenerative spine disorder surgery. This new implant expands the JAZZ technological platform and allows Implanet to broaden its activity to the cervical spine, estimated at over $200 million worldwide[44]. Based on the polyester sublaminar braid platform, Jazz Lock® eliminates the mechanism's locking screw and connecting rod, thanks to a proprietary fastening locking system. Implanet thus offers surgeons a new implant with an optimized and reproducible surgical technique.

Régis Le Couedic, Implanet's Product Development & Manufacturing Director, says: "*Constant innovation is the essential component in maintaining our technological advantage. Over the last two years, we have focused our efforts on finalizing our range of Jazz Band implants, notably with the market's most extensive range of connectors, to ensure compatibility with all existing posterior fixation systems. A result of collaboration with leading surgeons, Jazz Lock represents a major breakthrough: an innovative, IP protected design offering surgeons a fusion device that no other company currently can.*"

Ludovic Lastennet, CEO of Implanet, adds: "*Obtaining regulatory clearances to market this new major component of our Jazz Band platform is a significant milestone in terms of product range expansion. Already established in the major spinal deformity segment, we are now accelerating our presence in the degenerative bone disorder segment, which is three times larger[45]. Jazz Lock is the first component of an innovative range of band products for degenerative spine disorder surgery targeted for launch in the near future, in line with our execution plan. Jazz Lock's commercial launch is underway and further expands the breadth of our product offering.*"

[43] Source: GlobalData, version 2015, "Global Spinal Market 2005-2021".
[44] Source: i-data 2010
[45] Source: i-Data 2010

12.1.9. Press release dated Wednesday, April 5th, 2016: The Company announces its Q1 2016 revenues

The Company announces its Q1 2016 revenues.

Ludovic Lastennet, CEO of Implanet, says: "*The solid growth in the Group's revenues is a result of the ongoing momentum and focus on the marketing of our JAZZ technological platform for spine surgery. Our current growth is based on solid fundamentals: validated clinical performance, a steady increase in the number of surgeons using our implants and an expanding JAZZ platform enabling a growing number of indications to be addressed.*"

Implanet recorded revenues growth of +24% to €1,988 thousand in Q1 2016 (vs. €1,599 thousand in Q1 2015), driven by a further buoyant increase in Spine activity in the United States, and by Knee activity's solid performance in France. International sales totaled €906 thousand and accounted for 46% of total revenues.

*In € thousands – IFRS**	**Q1 2016**	Q1 2015	Change
Spine (including JAZZ)	837	755	+11%
Knee + Arthroscopy	1,151	844	+36%
Total revenue	**1,988**	**1,599**	**+24%**

*Unaudited data

Significant JAZZ sales growth in the United States, notably in degenerative bone disorders, the largest spine surgery market

Sales from Spine activity increased by +11% to €837 thousand (vs. €755 thousand in Q1 2015). The United States, the Company's main growth focus, recorded a solid performance with JAZZ sales doubling (+106%) from €196 thousand to €403 thousand. In France, where the Company operates directly, JAZZ sales recorded growth of +21%, offsetting the slow activity in other spine implants. In the rest of the world, Spine sales fell to €175 thousand vs. €305 thousand, affected by the absence of sales in Brazil, where macro-economic factors are weighing on local performance.

The geographical split in quarterly Spine revenue highlights the substantial increase in the United States' contribution to the product mix, with this region accounting for 48% of total sales compared with 31% and 21% respectively for France and the rest of the world.

JAZZ sales dedicated to major adolescent deformity (scoliosis) increased over the quarter by +41% to €397 thousand (vs. €282 thousand) in the markets where the company's sales are direct (US and France). Encouraged by the success achieved on this highly-technical market, Implanet will continue to accelerate its focus on the degenerative bone disorder segment. This represents the largest global spinal fusion market segment, with almost half of the worldwide procedures carried out in the United States. These procedures, which aim to secure posterior spinal fixation, or to replace screws, generated growth of +141% to €222 thousand (vs. €92 thousand) over the quarter in the US and France, accounting for 36% of JAZZ sales.

In recent months, Implanet has also accelerated the recruitment of surgeons who regularly use JAZZ technology. On its 2 priority markets, the Company had 93 referring surgeons at March 31, 2016, 49 of them in the United States and 44 in France (vs. 21 and 29 respectively at March 31, 2015).

Substantial quarterly growth in Knee sales

Over the quarter, Knee sales increased by +36% to €1,151 thousand. 71% of these sales were in France, where revenue totaled €823 thousand vs. €523 thousand in Q1 2015. In the rest of the world, sales remained stable at €328 thousand vs. €322 thousand in Q1 2015.

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.

Denis Saint-Denis was first appointed Deputy CEO on October 15, 2014 and resigned on June 30, 2015.

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 five members:

Name	Corporate office	Main position in the Company	Main position outside the Company	Start and end date of term of office
Jean-Gérard Galvez 5, rue Malar 75007 Paris	Director	Chairman of the Board of Directors	General Manager of HM Conseils	Appointed as Director at the General Shareholders' Meeting of March 31, 2010 and reappointed at the General Shareholders' Meeting of April 30, 2013 for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2015. Appointed as Chairman of the Board of Directors on January 8, 2014 for the term of his appointment as Director
Ludovic Lastennet 15, route de Bordeaux 33360 Latresne	Director	Chief Executive Officer and Marketing Director	N/A	Appointed as Director at the General Shareholders' Meeting of January 22, 2013 for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2015.
Brian Ennis 1465 East Massey Road, Memphis, TN 38120 (USA)	Director*	-	Strategy consultant	Appointed as Director by the Board of Directors on January 8, 2014 for the remaining term of his predecessor, i.e. until the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2015. Appointment ratified at the General Shareholders' Meeting of June 10, 2014.
Jan Egberts	Independent	-	Chief Executive Officer	Appointed as Director at the General Shareholders' Meeting of March 31, 2010

Name	Corporate office	Main position in the Company	Main position outside the Company	Start and end date of term of office
Koninginneweg 4 2243 Hb Wassenaar (Netherlands)	Director		of Octoplus	and reappointed at the Meeting of April 30, 2013 for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2015.
Paula Ness Speers 187 Grove Street, Wellesley, Massachussetts 02482 (USA)	Independent Director	-	Partner of Health Advances	Appointed as Director at the General Shareholders' Meeting of June 10 2014 for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2016.

*Mr Brian Ennis entered into an employment contract with Implanet America Inc. from January 1, 2016 and is therefore no longer considered an independent director from this date.

** Refer to section 16.3.1 for the the criteria description for independent Directors as defined by the MiddleNext Corporate Governance Code for Small and Medium Capitalization as published in December 2009 and approved as code of practice by the AMF (the "MiddleNext Code")

Kreos Capital IV (UK) Limited, represented by Maurizio Petitbon, was appointed as a non-voting member for a period of three years to expire after the General Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2015.

14.1.2. Other corporate offices

Other current corporate offices

Name	Office	Company*
Jean-Gérard Galvez	Director Director Director General Manager	Echosens SA Biophytis SA(1) Polaris SA HM Conseils
Ludovic Lastennet	None.	None.
Brian Ennis	Chairman	EnniTech LLC
Jan Egberts	Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Chief Executive Officer	CHDR Lead Pharma Agendia Pharming, Entrepreneur Fund(2) Veritas Investment
Paula Ness Speers	Partner Director Director Member of the Supervisory Board	Health Advances Partners Continuing Care Friends of Korea For His Children
Kreos Capital IV (UK) Limited, represented by Maurizio Petitbon	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
Brian Ennis	CEO	Etex Corporation
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	OctoPlus Acertys EndoSense Skyline Diagnostics 3i NovaDel(1) Bmeye
Paula Ness Speers	None.	None.
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 US$300 million with a US$2 billion market capitalization.

Jean-Gérard Galvez was also a director of French start-up OKYZ, which specializes in 3D technologies. The Company was sold to Adobe in 2005.

Since returning to France in 2006, Jean-Gérard has sat on the boards of several companies and regularly advises on corporate finance and restructuring transactions.

Jean-Gérard Galvez is a chemical engineering graduate of the Institut National Polytechnique, Nancy, he holds a DEA in management (also from the INP Nancy) and he holds an MBA from the Stanford Executive Program (California).

Ludovic Lastennet – Chief *Executive Officer and Director*

Ludovic has 19 years' experience in the medical field: equipment, reconstructive orthopedics and dental implantology.

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

He is a graduate of the Paris ISG International Business School, 1990.

Brian ENNIS - *Member of the Board of Directors*

Brian brings to Implanet with more than 30 years of success in developing and growing medical technology companies. After 11 years at Stryker Corporation in a variety of roles as Executive and Chairman in Europe and the United States, he is currently International Chairman of Wright Medical Group, which specializes in biotechnology and orthopedic devices; Chairman at Empi, a company specializing in electrotherapeutic medical solutions; Chairman and CEO at Etex Corporation for seven years, successfully managing the transformation of this start-up specializing in the Research & Development of biomaterials into a profitable and viable high-growth company.

Jan Egberts – *Independent Director*

Jan Egberts has spent most of his career in the United States. He began at McKinsey (Mergers & Acquisitions) and then worked in Merck's marketing unit. Subsequently, he was VP Global Business Development at Johnson & Johnson Medical. He is one of the founders of US company GHX. In 2000, he oversaw the LBO of Johnson & Johnson's surgical non-wovens business and its subsequent merger with Mölnlycke Health Care. The merged business was subsequently sold to Regent Medical for US$1.25 billion. He then served as CEO of NovaDel, and returning to Europe, joined venture capital firm 3i as Partner and Senior Consultant Industry. In 2009, he became CEO of Dutch-based company OctoPlus (NYSE: OctoPlus), which was recently bought by Dr. Reddy's Laboratories in a takeover bid. Dr. Egberts is non-executive Chairman of Acertys (Belgium) and Skyline Diagnostics (Netherlands) as well as a non-executive Director of EndoSense (Geneva). He was also a non-executive Director of Bmeye (sold to Edwards) and a number of other US companies specializing in healthcare.

Jan Egberts holds an MBA from the Stanford Graduate School of Business. He holds an MD in Medicine from the Erasmus University, Rotterdam, and did his clinical internship at Harvard Medical School.

Paula Ness Speers – *Independent Director*

With more than 30 years' experience in the United States providing strategy development for global companies, Paula Ness Speers has a wealth of expertise in the healthcare sector. During seven years at Bain & Company, Boston, Paula worked on strategy consulting projects for some of the leading innovative technology companies in the United States. While at Bain, she set up and managed the R&D consulting division, which supports the most innovative growth companies in the healthcare sector with their marketing, operational and financial development strategies.

Drawing on her ample experience, in 1992 Paula Ness Speers co-founded Health Advances, a healthcare strategy consultancy whose nearly 100 employees are based in Boston, San Francisco, Washington and Zurich. Health Advances' clients range from heads of entrepreneurial start-ups to major listed groups. Over her 23-year career, Paula has built up a significant network of medical technology, biotech companies, and specialist investors. She has built up special expertise in the fields of orthopedics and spinal surgery with industrial companies working in the sector. She has also run many cost-optimization studies and devised many strategies for penetrating healthcare markets. Paula holds an MBA from Columbia University.

14.1.3. Declarations regarding executives and directors

To the best of the Company's knowledge, there are no family relationships between the people listed above.

To the best of the Company's knowledge, none of these people has in the last five years:

- been convicted of fraud;
- been involved as executive or director in any bankruptcy, receivership or liquidation;
- been banned from management;
- been convicted or be subject to official public sanctions handed down by statutory or by regulatory authorities (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 17.2).

Related-parties transactions are described in Section 19 of the *Document de référence*.

To the best of the Group's knowledge, there is no actual or potential conflict of interest in the Group's administrative bodies and management between members' duties to the Group and their private interests and/or other duties, as set out 14.1paragraph 4.1 above. However, Rainer Strohmenger, Company Director, is also a partner in Wellington Partners, which is a shareholder of the Company.

To the best of the Company's knowledge, there is no agreement of any kind with shareholders, customers, suppliers or other parties that has led to the appointment of any of the executives or directors.

To the best of the Company's knowledge, at the Date of the *Document de référence*, there are no restrictions on the ability of the people 14.1section 4.1 "Executives and Directors" of the *Document de référence* to sell their stake in the Company's capital.

15. COMPENSATION AND BENEFITS

15.1. COMPENSATION OF CORPORATE OFFICERS

Table 1: Summary of compensation and share subscription warrants (BSA) and founders' warrants (BSPCE) allocated to each executive corporate officer

Summary table of the compensation, options and shares granted to each executive corporate officer		
	2014 fiscal year	**2015 fiscal year**
Ludovic Lastennet – CEO(1)		
Compensation due in respect of the fiscal *year (detailed in table 2)*	€194,104	€212,021
Valuation of the multi-year variable compensation awarded during the year	- €	- €
Valuation of the options awarded during the year *(detailed in table 4)*	€362,494	- €
Valuation of the free shares granted during the year *(detailed in table 6)*	- €	- €
Total	**€556,598**	**€212,021**
Jean-Gérard Galvez – Chairman of the Board of Directors(2)		
Compensation due in respect of the fiscal year (*detailed in table 2)-(3)*	€60,000	€72,000
Valuation of the multi-year variable compensation awarded during the year	- €	- €
Valuation of the options awarded during the year *(detailed in table 4)*	€105,330	- €
Valuation of the free shares granted during the year *(detailed in table 6)*	- €	- €
Total	**€165,330**	**€72,000**
Denis Saint-Denis - Deputy CEO(4)		
Compensation due in respect of the fiscal *year (detailed in table 2)*	€170,400	€95,801
Valuation of the multi-year variable compensation awarded during the year	- €	- €
Valuation of the options awarded during the year *(detailed in table 4)*	€70,566	- €
Valuation of the free shares granted during the year *(detailed in table 6)*	- €	- €
Total	**€240,966**	**€95,801**

(1) Appointed as Chief Executive Officer by the Board of Directors' Meeting of November 27, 2012.

(2) Appointed as Chairman of the Board of Directors by the Board of Directors' meeting of April 6, 2011.

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

(4) Appointed Deputy CEO by the Board of Directors on October 15, 2014; resigned with effect from June 30, 2015.

Table 2: Compensation each paid to each executive corporate officer

The tables below show compensation owed and paid to each executive corporate officer in respect of the fiscal years ended December 31, 2014 and 2015.

Summary table of the compensation of each executive corporate officer				
	2014 fiscal year		2015 fiscal year	
	amounts owed(1)	amounts paid(2)	amounts owed(1)	amounts paid(2)
Ludovic Lastennet – CEO (3)				
Fixed compensation	€165,567	€165,567	€201,300	€201,300
Annual variable compensation	€22,500	- €	- €	€22,500
Multi-year variable compensation	- €	- €	- €	- €
Exceptional compensation (7)	- €	€45,000	- €	- €
Attendance fees	- €	- €	- €	- €
Benefits in kind (car)	€6,036	€6,036	€10,721	€10,721
TOTAL	**€194,104**	**€216,604**	**€212,021**	**€234,521**
Jean-Gérard Galvez – Chairman of the Board of Directors (4)				
Fixed compensation(5)	€60,000	€60,000	€72,000	€93,000
Annual variable compensation	- €	- €	- €	- €
Multi-year variable compensation	- €	- €	- €	- €
Exceptional compensation	- €	- €	- €	- €
Attendance fees	- €	- €	- €	- €
Benefits in kind (car)	- €	- €	- €	- €
TOTAL	**€60,000**	**€60,000**	**€72,000**	**€93,000**
Denis Saint-Denis - Deputy CEO(6)				
Fixed compensation	€150,000	€150,000	€93,101	€93,101
Annual variable compensation	€15,000	- €	- €	€15,000
Multi-year variable compensation	- €	- €	- €	- €
Exceptional compensation (7)	- €	€35,000	- €	- €
Attendance fees	- €	- €	- €	- €
Benefits in kind (car)	€5,400	€5,400	€2,700	€2,700
TOTAL	**€170,400**	**€190,400**	**€95,801**	**€110,801**

(1) owed in respect of the fiscal year.

(2) paid in the course of the year.

(3) Appointed as Chief Executive Officer by the Board of Directors' Meeting of November 27, 2012.

(4) Appointed as Chairman of the Board of Directors by the Board of Directors' meeting of April 6, 2011.

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

(6) Appointed Deputy CEO by the Board of Directors on October 15, 2014; resigned with effect from June 30, 2015.

(7) Exceptional compensation of €35,000 for Denis Saint-Denis and €45,000 for Ludovic Lastennet following the completion of the stock market listing in 2013.

Mr. Lastennet's bonus is determined at the annual review and based on a specific set of objectives (quantitative and qualitative criteria, such as cash balances, revenue, EBITDA, product approvals, etc.). These objectives are included in an additional clause to his employment contract. The size of the bonus is validated by the Compensation Committee on a proposal of the CEO.

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 2014 fiscal year**	**Amounts paid during the 2015 fiscal year**
Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski (1ter)	Attendance fees	€0	€0
	Other compensation	€0	€0
COFA-Invest represented by Marie Hélène Plais (1)	Attendance fees	€0	€0
	Other compensation	€0	€0
Rainer Strohmenger (1bis)	Attendance fees	€0	€0
	Other compensation	€0	€0
Luc Kerboull (2)	Attendance fees	€0	n/a
	Other compensation	€0	n/a
Seventure Partners, represented by Emmanuel Fiessinger (3)	Attendance fees	€0	n/a
	Other compensation	€0	n/a
Jan Egberts	Attendance fees	€0	€7,500
	Other compensation	€0	€0
Brian Ennis (4)	Attendance fees	€3,000	€7,500
	Other compensation (5)	$99,996	$117,986
Paula Ness Speers (6)	Attendance fees	€0	€7,500
	Other compensation (7)	€0	$237,450
Auriga Partners, represented by Philippe Peltier (non-voting member) (8)	Attendance fees	€0	n/a
	Other compensation	€0	n/a
Kreos Capital IV (UK) LTD, represented by Maurizio Petitbon (non-voting member)	Attendance fees	€0	€0
	Other compensation	€0	€0

(1) COFA-Invest resigned on April 13, 2015 from its corporate office as Company director with immediate effect.
(1bis) Resignation accepted at the Board of Directors' Meeting of March 24, 2016.
(1ter) Resignation accepted at the Board of Directors' Meeting of April 28, 2016.
(2) Resignation accepted at the Board of Directors' Meeting of January 8, 2014.
(3) Resignation accepted at the Board of Directors' Meeting of October 15, 2014 (with effect from October 7, 2014).
(4) Appointed to the Board of Directors on January 8, 2014 approved at the General Shareholders' Meeting of June 10, 2014.
(5) Other compensation paid (fees and expenses) is under the service provider agreement between the Company's subsidiary, Implanet America Inc. and the US company EnniTech LLC, of which Mr Brian Ennis is the Chief Executive Officer.
(6) Appointed by the General Shareholders' Meeting of June 10, 2014.
(7) Other compensation paid (fees and expenses) is under the service provider agreement between the Company's subsidiary, Implanet America Inc. and the US company Health-Advances LLC, of which Paula Ness Speers is a shareholder.
(8) Resigned on October 20, 2014.

Table 4: Share subscription warrants (BSA) or founders' warrants (BSPCE) granted to executive corporate officers by the Company or other Group companies in the fiscal years ended December 31, 2014 and 2015

Share subscription warrants (BSA) and founders' warrants (BSPCE) granted to executive corporate officers by the issuer or other Group companies						
Executive corporate officers	**No. and date of plan**	**Type of warrant (BSA or BSPCE)**	**Black & Scholes valuation of warrants (in €)**	**Number of warrants allocated ***	**Exercise price****	**Exercise period**
Ludovic Lastennet – Chief Executive Officer	BCE 01/2014 1/8/2014 - 1	Founders' warrant (BSPCE)	€3,288	1,258	€5.75	Until 01/08/2024
	BCE 01/2014 1/8/2014 - 4	Founders' warrant (BSPCE)	€359,206	137,414	€5.75	Until 01/08/2024
Jean-Gérard Galvez - Chairman of the Board of Directors	BCE 01/2014 1/8/2014 - 4	Founders' warrant (BSPCE)	€105,330	40,294	€5.75	Until 01/08/2024
Denis Saint-Denis - Deputy CEO (1)	BCE 01/2014 1/8/2014 - 4	Founders' warrant (BSPCE)	€70,566	26,995	€5.75	Void
TOTAL			**€538,390**	**€205,961**		

** 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.*

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

(1) The founders warrants granted to Mr Denis Saint-Denis became void following his resignation with effect from June 30, 2015.

Table 5: Share subscription warrants (BSA) or founders' warrants (BSPCE) exercised by executive corporate officers in the fiscal years ended December 31, 2014 and 2015

None.

Table 6: Free shares granted to executive corporate officers in the fiscal years ended December 31, 2014 and 2015

None.

Table 7: Free shares granted to executive corporate officers that have become available in the fiscal years ended December 31, 2014 and 2015

None.

Table 8: History of previous allocations of share subscription warrants (BSA) or founders' warrants (BSPCE) to executive corporate officers

See tables in Sections 21.1.4.1 and 21.1.4.2 of the *Document de référence*.

Table 9: Share subscription options or founders' warrants (BSPCE) granted to or exercised by the top ten employees who are not corporate officers, and warrants exercised by them

OPTIONS GRANTED TO OR EXERCISED IN 2015 BY THE TOP TEN EMPLOYEES WHO ARE NOT CORPORATE OFFICERS	Total number of options allocated / shares subscribed or purchased	Weighted average subscription price per share	No. and date of plan	Total number of options allocated/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)*	22,500	€2.66	Stock Options 7/15/2015	22,500
Options held in the issuer and the companies referred to previously, exercised during the fiscal year by the ten employees of the issuer and of these companies, for whom the number of options thereby purchased or subscribed is the highest (overall information)	-	-	-	-

*3 employees of Implanet America Inc. were awarded share subscription options in 2015

OPTIONS GRANTED TO OR EXERCISED IN 2015 BY THE TOP TEN EMPLOYEES WHO ARE NOT DIRECTORS	Total number of options allocated / shares subscribed or purchased	Weighted average subscription price per share	No. and date of plan	Total number of options allocated/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)	77,830	€5.75	$BCE_{01/2014-1}$ 1/8/2014	35,708
			$BCE_{01/2014-2}$ 1/8/2014	10,961
			$BCE_{01/2014-4}$ 1/8/2014	31,161
Options held in the issuer and the companies referred to previously, exercised during the fiscal year by the ten employees of the issuer and of these companies, for whom the number of options thereby purchased or subscribed is the highest (overall information)	-	-	-	-

Table 10: Past free share allocations

None.

Table 11:

The table below shows details of the terms and conditions of compensation and other benefits received by executive corporate officers:

Executive corporate officers	Employment contract		Supplementary retirement scheme		Compensation or 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 – Chief Executive Officer	X			X	X (1)		X (2)	
Appointment start date:	First appointment: November 27, 2012							
Appointment end date:	Undetemined							
Jean-Gérard Galvez - Chairman of the Board of Directors		X		X		X		X
Appointment start date:	First appointment: April 6, 2011							
Appointment end date:	At the end of the General Meeting convened to approve the financial statements for the year ended December 31, 2015							
Denis Saint-Denis – Deputy Chief Executive Officer	X			X		X	X (3)	
Appointment start date:	First appointment: October 15, 2014 retroactive to October 1, 2014							
Appointment end date:	Resignation effective June 30, 2015							

(1) The Company took out a GSC unemployment insurance policy for the Company's senior members beginning on October 1, 2014. This contract include a daily compensation indemnity of 70% of the tranche A and B of the net fiscal income and 55% of the tranche C of the net fiscal income. Based on the 2015 net fiscal income and a maximum duration of 12 months, the amount of this compensation indemnity is estimated at approximately €133,894.

(2) Non-compete compensation is 60% of total compensation earned in the 12 months preceding departure. The Company's commitments were assessed on December 31, 2015 at €140,713.

(3) Mr Denis Saint-Denis resigned from office with effect from June 30, 2015. The Company waived Mr Denis Saint-Denis' non-compete obligation and therefore is not required to pay him the non-compete compensation stipulated in his employment contract.

Ludovic Lastennet entered into an employment contract with the Company on April 2, 2007. He was appointed Chief Executive Officer during the Board meeting of November 27, 2012. The Board of Directors decided to retain him in his position as salaried sales director, as his employment contract relates to technical functions that are distinct from the functions exercised under his corporate office.

Mr. Saint-Denis entered into an employment contract with the Company on January 2, 2014. He was appointed Deputy Chief Executive Officer during the Board meeting of October 15, 2014. He resigned from office with effect from June 30, 2015.

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

Except for the mandatory legal retirement obligations set out in Note 13 to the IFRS financial statements on December 31, 2015 in Section 20.1 of the *Document de référence*, the Company has made no provision for pensions, retirement benefits or other benefits payable to its Directors.

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

15.3. SHARE SUBSCRIPTION AND PURCHASE OPTIONS; WARRANTS AND FOUNDERS' WARRANTS

The table below shows a summary of all unlapsed securities or rights giving access to the Company's share capital at the date of the *Document de référence*, of whatever type, issued by the Company to its corporate officers.

	$BSA_{09/2012}$*	$BSA_{01/2013}$*	$BSA_{01/2014}$	$BSA_{07/2015}$	$BSPCE_{01/2014(1)}$	$BSPCE_{01/2014(4)}$	$BSPCE_{03/2016}$	$Options_{03/2016}$	Number of potential shares issuable as a result of these rights**
Jean-Gérard Galvez	50,000	25,000	-	-	-	40,294	-	-	55,441
Ludovic Lastennet	-	-	-	-	1,258	137,414	140,000	-	300,859
Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski	-	-	-	-	-	-	-	-	0
Brian Ennis	-	-	16,199	-	-	-	-	60,000	78,790
Jan Egberts	50,000	-	-	-	-	-	-	-	5,800
Paula Ness Speers	-	-	-	16,199	-	-	-	-	16,199

(1) Details of the terms and conditions of the plans shown above can be found in Section 21.1.4 "Convertible or exchangeable securities or securities with warrants" of the Document de référence.

** Following the reverse share split approved by the Extraordinary General Shareholders' Meeting of July 19, 2013, ten warrants entitle the holder to subscribe for one share with a nominal value of €1,50.*
*** Taking into account the reverse share split and after adjusting the number of shares that may be subscribed upon exercise of share subscription warrants (BSA) and founders' warrants (BSPCE) following the capital increase while maintaining the shareholders' preferential subscription right, in accordance with Article L. 228-99 of the French Commercial Code.*

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 in its dealings with third parties.

Mr Denis Saint-Denis, who was appointed Deputy CEO on October 15, 2014, resigned from office on June 30, 2015.

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 Company

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

Brian Ennis entered into an employment contract with Implanet America Inc. from January 1, 2016.

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

16.2.2.1. Services agreement between Implanet America Inc. and EnniTech LLC

Implanet America Inc., a fully-owned subsidiary of your Company, entered into a service agreement with the US company EnniTech LLC, whose Chief Executive Officer is Brian Ennis. As the services provided constitute regulated agreements, they were ratified by the Company's General Shareholders' Meeting on June 24, 2015 and was subject to a special report by the Company's statutory auditors (see Section 3 of the *Document de référence*).

Under this agreement, EnniTech LLC will provide the Company with support and consultancy services including, for example, the drafting of a two-year strategic plan aimed at developing the Company's sales in the American market, identifying business partners in the United States, identifying opinion leaders who could sit on the Company's scientific board, helping with the selection of reference centers in order to offer them surgeon training programs.

EnniTech provides these services for a fixed monthly fee of US$12,000 excl. VAT. As of the date of the *Document de référence*, the Company had paid EnniTech LLC for services rendered under this agreement:

- US$99,995.93 excl. VAT for fees for the period February 1, 2014 to December 31, 2014 (including reimbursement of costs incurred by EnniTech LLC within the framework of the services mentioned above);

- US$117.986,10 excl. VAT for fees for the period January 1, 2015 to December 31, 2015 (including reimbursement of costs incurred by EnniTech LLC within the framework of the services rendered under the terms of the agreement).

The corresponding amounts were subsequently reimbursed by Implanet America Inc. to Implanet SA.

The above agreement ended on December 31, 2015.

16.2.2.2.Services agreement entered into between the Company and HM Conseils

The Company has also 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' Meeting on July 19, 2013 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 instance, the preparation and the definition of the Company's various budgets, definition and implementation of the Company's development strategy in preparation for its operations in the United States, the identification and selection of investment banks in preparation of the Company's stock market listing and its capital increase carried out in March 2015 and the preparation of documentation relating to these plans.

HM Conseils provides these services for a flat rate of €9,000 per day 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, 2014, the Company paid HM Conseils under this contract:

- €60,000 excl. VAT in fees for the year 2014;
- €72,000 excl. VAT in fees for the year 2015;
- €27.000 excl. VAT for fees for the period January 1, 31 to March 31, 2016.

16.2.2.3.Services agreement entered into between the Company and Health-Advances LLC

The Company has entered into an unwritten services agreement with Health-Advances LLC, a US company of which Paula Ness Speers is a partner. This agreement underwent the procedure for controlling regulated agreements and was approved by the Board of Directors meeting on April 8, 2015, prior to its conclusion.

Under this agreement, Health-Advances LLC will provide the Company with support and consultancy services including, for instance, the study of the economic model to be used by the Company and its subsidiary Implanet America with respect to the sale of the Company's products in the United States.

The services are provided by Health-Advances LLC on the basis of estimates previously accepted by the Company, it being specified that each estimate must correspond to a specific and one-time mission.

As of the date of the *Document de référence*, the Company had paid US$237,450 in fees under this agreement for the period from January 1, 2015 to December 31, 2015. No services were provided under the terms of this agreement over the period from January 1, 2016 to March 31, 2016.

16.3. BOARD OF DIRECTORS AND SPECIAL COMMITTEES – CORPORATE GOVERNANCE

16.3.1. Board of Directors

For the fiscal year ended December 31, 2014, the Company's Board of Directors met 8 times with an average attendance rate of 90.8%. For the fiscal year ended December 31, 2015, the Company's Board of Directors met 11 times with an average attendance rate of 90.1%.

Director	Attendance rate to the 2015 Board Meetins
Jean-Gérard Galvez	100,0%
Ludovic Lastennet	100,0%
Paula Ness Speers	81,8%
Brian Ennis	100,0%
Jan Egberts	81,8%
Edmond de Rothschild Investment Partners représentée par Raphaël Wisniewski	81,8%
COFA-Invest représentée par Marie Hélène Plais	100,0%*
Rainer Strohmenger	81,8%

** being precised that this rate have been calculated on the period from January 1st 2015 to April 13th, 2015 corresponding to the COFA-Invest resignationfrom its mandate of Director.*

The composition of the Board of Directors and the information about its Members can be found in the developments described14 in Chapters 4 "Administrative, Management, Supervisory and Executive Bodies" and 21.2 "Act of 21.2 and Bylaws" of the *Document de référence*.

Directors may be recompensed by attendance fees, which are allocated between the Directors according to their attendance at the Board meetings and their contribution to the Special Committees.

Rules of procedure were adopted on April 11, 2013 and amended on June 7, 2013 to define the role and composition of the Board of Directors, the rules of conduct and the obligations of the members of the Company's Board of Directors. All members of the Board of Directors commit to maintaining independence of reasoning, judgment and action and to actively participate in the Board's work. They will inform the Board should they come up against any conflicts of interest. All Board members must declare all direct or indirect transactions on the Company's shares transacted to the Company and the French financial markets authority (AMF).

The Company believes that Paula Ness Speers and Jan Egberts meet the criteria for independent Directors as defined by the MiddleNext Code, inasmuch as Paula Ness Speers and Jan Egberts :

- are not, and over the last three years have not been, employees or executive Directors of the Company or of a Group company;
- are not important clients, suppliers, or bankers of the Company or clients, suppliers, or bankers for whom the Company or its Group represents a significant share of its business;
- are not reference shareholders of the Company;
- do not have any close family relationship with a corporate officer or reference shareholder; and
- have not been Company auditors in the course of the previous three years.

16.3.2. Special Committees

16.3.2.1. Audit Committee

Composition

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

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

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

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

- Jean-Gérard Galvez, Chairman of the Board of Directors;
- Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski, Member of the Board of Directors; and
- Jan Egberts, Director.

16.3.2.1.1. *Roles and responsibilities*

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

The main responsibilities of the Audit Committee include:

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

16.3.2.1.2. *Operating procedures*

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

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

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

16.3.2.1.3. *Reports*

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

The annual report will include a summary on the Committee's work over the year.

If, during its work, the Audit Committee should detect a major risk which it believes has not been properly managed, the Chairman will immediately notify the Chairman of the Board of Directors.

16.3.2.2. Compensation Committee

16.3.2.2.1. *Composition*

The members of the Compensation Committee have adopted rules of procedure, amended by a decision of the Board of Directors on June 7, 2013, as described below. Where possible, this committee is composed of at least two members of the Board of Directors appointed by the Board of Directors.

It is hereby stated, for whatever purpose it may serve, that no Member of the Board of Directors exercising a management function within the Company can be a member of the Compensation Committee.

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

- Jean-Gérard Galvez, Chairman of the Board of Directors;
- Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski, Member of the Board of Directors; and
- Paula Ness Speers, director.

16.3.2.2.2. *Roles and responsibilities*

The main duties of the Compensation Committee are:

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

16.3.2.2.3. *Operations of the Committee*

The Compensation Committee meets at dates set by its Chairman to discuss an agenda decided by its Chairman, which is sent to the Compensation Committee members at least seven days ahead of the meeting. A meeting can also be called by its Chairman, or two of its members, or by the Board of Directors.

The non-executive Directors who are not members of the Compensation Committee are free to attend any of these meetings.

The Chairman of the Company's Board of Directors, if he/she is not a committee member, can be invited to attend the committee meetings. The Committee invites him/her to put forward proposals. He/she has no vote and does not attend deliberations about his/her own situation.

The Compensation Committee can ask the Chairman of the Board of Directors for permission to invite to the meeting any Executive Officer with the expertise required to handle a specific agenda item. The Chairman of the Compensation Committee or of the meeting will highlight the confidentiality obligations incumbent on all attendees.

The Compensation Committee met once during fiscal year 2014 and once during fiscal year 2015.

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	Compliant	Non-compliant
I. Executive Power		
R 1: Combination of an employment contract with a Director position	X(1)	
R 2: Definition and transparency of the compensation of executive corporate officers	X	
R 3: Golden handshakes	X	
R 4: Supplementary retirement schemes	X	
R 5: Stock options and free shares		X(2)
II. Supervisory Power		
R 6: Introduction of Board Rules of Procedure	X	
R 7: Director ethics	X	
R 8: Composition of the Board – Independent Directors	X	

R 9: Choice of directors	X
R 10: Term of office of Board members	X
R 11: Board member information	X
R 12: Creation of committees	X
R 13: Board and committee meetings	X
R 14: Directors' compensation	X
R 15: Introduction of Board evaluation	X(3)

(1) The Board of Directors has authorized the Chief Executive Officer 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 (BSPCE) granted to some of its executives since its stock market listing. The Company does, however, intend to adhere to this recommendation for any profit-sharing instruments that may be granted to executives in the future.

(3) In 2015, the Board set up a tool to assess its capacity to meet the expectations of the shareholders who appointed it to run the Company. This tool periodically reviews the composition, organization and operation of the Board.

16.5. REPORT ON INTERNAL CONTROL

In accordance with Article 222-9 of the General Regulation of the French financial markets authority (AMF) and pursuant to Article L.225-37 of the French Commercial Code (see Section 26.1 of this *Document de référence*), the Chairman of the Board of Directors delivered a report on the composition of the Board, including application of the principle of balanced representation of men and women on the Board, the preparation and organization of the Board of Directors' work and the Company's internal control and risk management procedures.

The Company has internal control procedures in place as of the date of the *Document de référence*.

Organization of the Finance and Accounting Department

The Finance and Accounting Department is made up of four people, including the Chief Financial Officer.

This team is responsible for all accounting, fiscal and corporate matters (production and filing of the various declarations). The payroll is subcontracted to an external service provider.

The Company maintains internal separation between the preparation and oversight of the financial statements and calls on independent experts to evaluate complex accounting entries or which involve subjective hypotheses.

The accounts are produced internally and then submitted to the Company's Statutory auditors for review.

The accounting operations of the subsidiary Implanet America Inc. are entrusted to a firm of chartered accountants.

The Finance Division reports direct to the Chairman of the Board of Directors (see the organizational chart in Section 17.1.1 17.1.1the *Document de référence*).

The budget and "monthly reporting" procedure

The Company draws up an annual budget, which is reviewed quarterly in the form of projections, based on actual figures and any adjustments required for revenue and expenditure still to be incurred. These figures are sent to each revenue or cost center manager.

The Company's accounting system is based on French accounting standards, with sales broken down by product line and costs broken down by center and type, which allows it to monitor the budget very closely.

The Company draws up "monthly reports" including an operating account, a balance sheet and cash forecasts. These reports are submitted to the Management Committee comprising Ludovic Lastennet (Chief Executive Officer), David Dieumegard (Chief Financial Officer), Régis Le Couëdic (Research and Development Director and Clinical & Scientific Affairs Director) and Franck Laporte (Operations Director).

Delegation of powers

Each cost center manager has a capped expenditure authorization, which must be approved by the Company's general management as soon as the threshold is reached. These purchase requests are then checked off against the invoices and delivery notes for the goods before payment is approved.

16.6. INFORMATION REQUIRED BY ARTICLE L.225(100)(3) OF THE FRENCH COMMERCIAL CODE

16.6.1. Structure of the Company's share capital

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

16.6.2. Legal Restrictions on the exercise of voting rights and share transfers or clauses of which the Company is aware pursuant to Article L. 233-11 of the French Commercial Code

None.

16.6.3. Direct or indirect shareholdings in the Company's capital of which it is aware by virtue of Articles L. 233-7 and L. 233-12 of the French Commercial Code

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

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

The Company is not aware of any special control rights.

16.6.5. Control mechanisms planned in potential personnel shareholding arrangements, when the control rights are not exercised by the latter

The Company has not implemented any personnel shareholding arrangements likely to contain control mechanisms when control rights are not exercised by the personnel.

16.6.6. Agreements between shareholders of which the Company is aware and which may lead to restrictions on share transfers and the exercise of voting rights

The Company is not aware of any such agreements.

16.6.7. Rules on the appointment and replacement of members of the Board of Directors and modification of the Bylaws

See section 21.2. "Articles of incorporation and Bylaws" of this *Document de référence*.

16.6.8. Powers of the Board of Directors, Particularly the Issuing or Purchase of Shares

Powers granted by the Company's General Shareholders' Meeting to the Board of Directors in these areas are shown in Sections 21.1.3 "Number, book Value and nominal value of shares held by the Company or on its behalf" and 21.1.5 "Acquisition rights and/or obligations connected to share capital issued but unpaid, and commitment to capital increase".

16.6.9. Agreements signed by the Company which change or end in the event of a change in Control of the Company

The Company may have to enter into agreements containing clauses which, under certain conditions, could lead to their being terminated early or changing in the event of a change in the Company's control.
Refer to the description of the contract in Section 22.3 of this *Document de référence*.

16.6.10. Agreements providing for indemnities for members of the Board of Directors or employees, if they resign or are unfairly dismissed, or if their employment ends due to a takeover bid

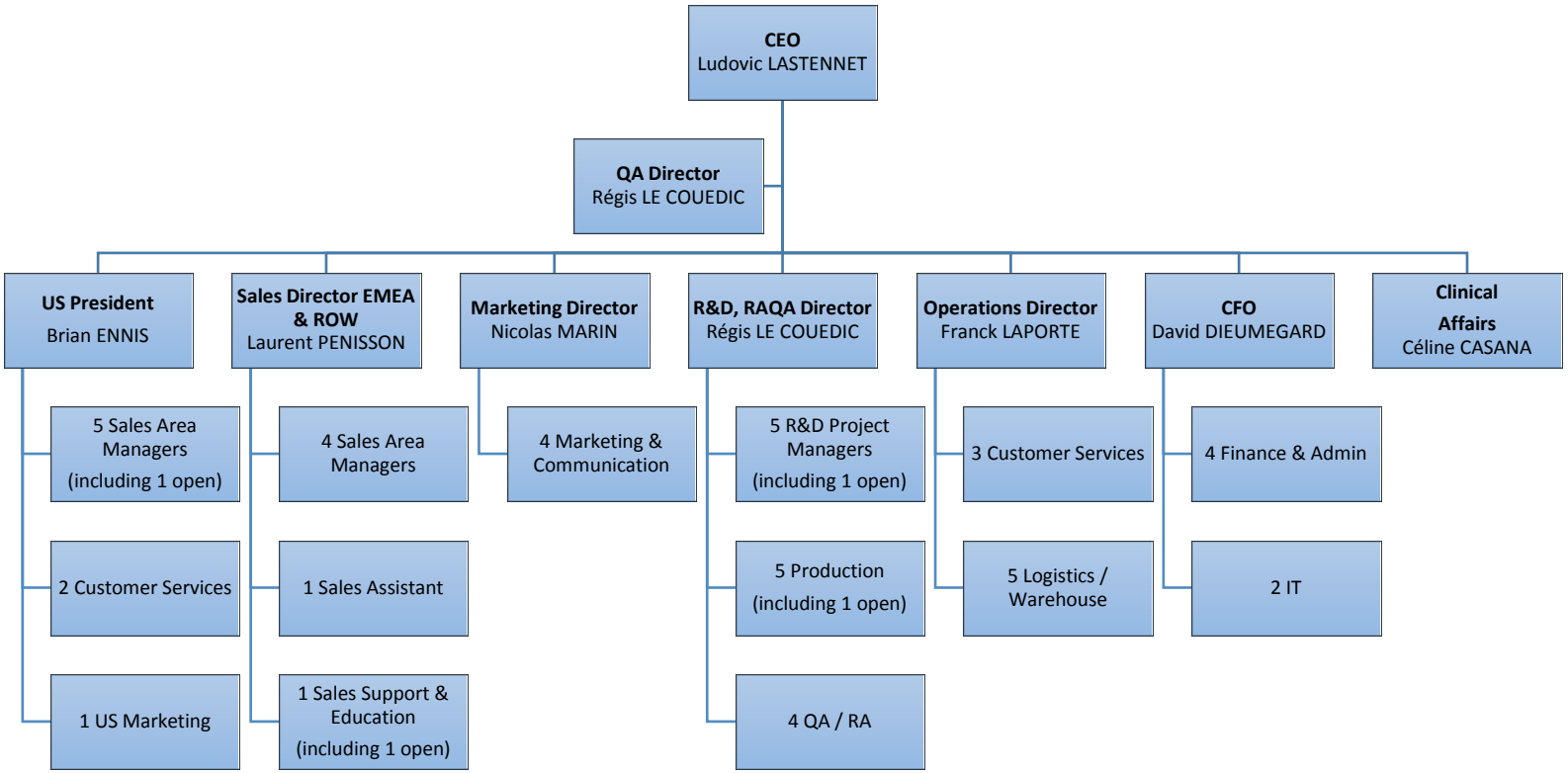
Please refer to Section 15.1, table 11 of this *Document de référence*.

17. EMPLOYEES

17.1. NUMBER OF EMPLOYEES BY FUNCTION

17.1.1. Organizational chart

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	12/31/2014	12/31/2015
Administrative	8	8
Sales & Marketing "General orthopedics"	5	5
Sales & Marketing "Jazz"	8	10
Operational	10	11
Regulatory & Quality	8	9
Research & Development	6	5
TOTAL	**45**	**48**

As at December 31, 2015, Implanet had 41 employees in France and 7 in the United States.

17.2. MANAGEMENT SHAREHOLDINGS AND STOCK OPTIONS

See Chapter 4 – Administrative 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, 2015, there were no shareholdings by employees of the Company, calculated in accordance with Article L. 225-102 of the French Commercial Code (i.e. shares held as part of a company savings plan as provided for by Articles L. 3332-1 *et seq*. of the French Labor Code).

17.4. PERSONNEL SHAREHOLDING ARRANGEMENTS

None.

18. MAIN SHAREHOLDERS

18.1. DISTRIBUTION OF THE SHARE CAPITAL AND THE VOTING RIGHTS

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

	Position on the Date of the *Document de référence* on a non-diluted basis		Position on the date of the *Document de référence* on a fully diluted basis					
	Number of shares	% of the share capital and voting rights*	number of shares likely to result from exercise of BSA** (1)	number of shares likely to result from exercise of BSPCE(1)	number of shares likely to result from exercise of options(1)	number of shares likely to result from exercise of OCA	number of shares likely to result from exercise of BSA, BSPCE, options and OCA(1)	% of the share capital and voting rights after exercise of BSA, BSPCE, options and OCA
Founders and historical investors	**193,189**	**1.80%**	**749**				**193,938**	**1.57%**
Edrip***	644,004	6.00%					644,004	5.22%
Wellington***	644,004	6.00%					644,004	5.22%
Seventure Partners	391,013	3.64%					391,013	3.17%
Kreos Capital IV (Expert Fund) Limited			93,873				93,873	0.76%
L1 Capital			400,000			200,000	600,000	4.86%
Leilani Investments Partner	139,219	1.30%					139,219	1.13%
Other financial investors	55,376	0.52%					55,376	0.45%
Financial investors	**1,873,616**	**17.45%**	**493,873**			**200,000**	**2,567,489**	**20.81%**
Corporate officers, Employees and consultants	**84,635**	**0.79%**	**120,028**	**693,628**	**92,500**		**990,791**	**8.03%**
Other individual shareholders	**8,921**	**0.08%**					**8,921**	**0.07%**
Free Float****	**8,482,011**	**79.00%**					**8,482,011**	**68.75%**
Treasury shares	**94,080**	0.88%					94,080	0.76%
Total	**10,736,452**	**100%**	**614,650**	**693,628**	**92,500**	**200,000**	**12,337,230**	**100%**

** The percentage of voting rights is equal to the percentage of share capital held.*
*** Excluding any shares created by exercise of the warrants issued under the equity credit line with Kepler Cheuvreux.*
**** Investments held as bearer shares.*
***** Without taking into account the Edrip and Wellington bearer investments listed above.*
(1) After adjusting the number of shares that may be subscribed upon exercise of share subscription warrants (BSA) and founders' warrants (BSPCE) following the increase in capital while maintaining the shareholders' preferential subscription right, in accordance with Article L. 228-99 of the French Commercial Code.

In a letter received on January 27, 2015, the company Auriga Partners, acting on behalf of the Auriga Ventures III venture capital mutual fund under its management, declared that on January 22, 2015 its shareholding dropped below the thresholds of 10% of the Company's share capital and voting rights, and that it held, on account of said mutual fund, 535,057 Implanet shares representing as many voting rights, or 9.91% of the share capital and voting rights in the Company. The crossing of these thresholds followed the disposal of Implanet shares on the market.

In a letter received on February 13, 2015, the public limited company CM-CIC Capital Privé, acting on behalf of funds under its management, declared that on February 11, 2015 its shareholding dropped below the thresholds of 5% of the Company's share capital and voting rights, and that it held, on account of said mutual funds, 257,845 Implanet shares representing as many voting rights, or 4.78% of the Company's share capital and voting rights. The crossing of these thresholds followed the disposal of Implanet shares on the market.

In a letter received on March 20, 2015, the company Auriga Partners, acting on behalf of the Auriga Ventures III innovation mutual fund under its management, declared that on March 20, 2015 its shareholding dropped below the thresholds of 5% of the Company's share capital and voting rights, and that it held, on account of said mutual fund, 419,370 Implanet shares representing as many voting rights, or 4.05% of the share capital and voting rights in the Company. The crossing of these thresholds followed an increase in Implanet's share capital.

In a letter received on March 23, 2015, the Dutch private limited liability company Nyenburgh Holding B.V. declared that on March 20, 2015 its shareholding crossed above the thresholds of 5% of the Company's share capital and voting rights, and that it held 893,632 Implanet shares representing as many voting rights, or 8.62% of the share capital and voting rights in the Company. The crossing of these thresholds followed the subscription to an increase in Implanet's share capital.

In a letter received on April 23, 2015, the Dutch private limited liability company Nyenburgh Holding B.V. declared that on April 22, 2015 its shareholding dropped below the thresholds of 5% of the Company's share capital and voting rights, and that it held 480,094 Implanet shares representing as many voting rights, or 4.63% of the share capital and voting rights in the Company. The crossing of these thresholds followed the subscription to an increase in Implanet's share capital.

In a letter received on April 23, 2015, supplemented by a letter received on April 24, 2015, the company Edmond de Rothschild Investment Partners, acting on behalf of funds under its management, declared that on March 20, 2015 its shareholding dropped below the thresholds of 10% of the Company's share capital and voting rights, and that it held, on account of said mutual funds, 752,822 Implanet shares representing as many voting rights, or 7.26% of the Company's share capital and voting rights. The crossing of these thresholds followed the subscription to an increase in Implanet's share capital.

18.2. MAIN SHAREHOLDERS NOT REPRESENTED ON THE BOARD OF DIRECTORS

None.

18.3. VOTING RIGHTS OF THE MAIN SHAREHOLDERS

As of the date of the *Document de référence*, the voting rights of each shareholder were equal to the number of shares held by each of them. 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-PARTY TRANSACTIONS

19.1. INTRA-GROUP TRANSACTIONS

Implanet America Inc., the Company's only subsidiary, was incorporated in New York State in February 2013. It began operations at the end of the first half of 2013.

See Section 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. Services agreement between Implanet America Inc. and EnniTech LLC

Implanet America Inc., a fully-owned subsidiary of your Company, entered into a service agreement with the US company EnniTech LLC, whose Chief Executive Officer is Brian Ennis. As the services provided constitute regulated agreements, they were ratified by the Company's General Shareholders' Meeting on June 24, 2015 and was subject to a special report by the Company's statutory auditors (see Section 3 of the *Document de référence*).

Under this agreement, EnniTech LLC will provide the Company with support and consultancy services including, for example, the drafting of a two-year strategic plan aimed at developing the Company's sales in the American market, identifying business partners in the United States, identifying opinion leaders who could sit on the Company's scientific board, helping with the selection of reference centers in order to offer them surgeon training programs.

EnniTech provides these services for a fixed monthly fee of US$12,000 excl. VAT. As of the date of the *Document de référence*, the Company had paid EnniTech LLC for services rendered under this agreement:

- US$99,995.93 excl. VAT for fees for the period February 1, 2014 to December 31, 2014 (including reimbursement of costs incurred by EnniTech LLC within the framework of the services mentioned above);

- US$117.986,10 excl. VAT for fees for the period January 1, 2015 to December 31, 2015 (including reimbursement of costs incurred by EnniTech LLC within the framework of the services rendered under the terms of the agreement).

The corresponding amounts were subsequently reimbursed by Implanet America Inc. to Implanet SA.

The above agreement ended on December 31, 2015.

19.2.2. Service provider agreement between the Company and HM Conseils

The Company has also 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' Meeting on July 19, 2013 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 instance, the preparation and the definition of the Company's various budgets, definition and implementation of the Company's development strategy in preparation for its operations in the United States, the identification and selection of investment banks in preparation of the Company's stock market listing and its capital increase carried out in March 2015 and the preparation of documentation relating to these plans.

HM Conseils provides these services for a flat rate of €9,000 per day 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, 2014, the Company paid HM Conseils under this contract:

- €60,000 excl. VAT in fees for the year 2014;
- €72,000 excl. VAT in fees for the year 2015,
- €27,000 excl. VAT for fees for the period January 1, 31 to March 31, 2016.

19.2.3. Services agreement entered into between the Company and Health-Advances LLC

The Company has entered into an unwritten services agreement with Health-Advances LLC, a US company of which Paula Ness Speers is a partner. This agreement underwent the procedure for controlling regulated agreements and was approved by the Board of Directors meeting on April 8, 2015, prior to its conclusion.

Under this agreement, Health-Advances LLC will provide the Company with support and consultancy services including, for instance, the study of the economic model to be used by the Company and its subsidiary Implanet America with respect to the sale of the Company's products in the United States.

The services are provided by Health-Advances LLC on the basis of estimates previously accepted by the Company, it being specified that each estimate must correspond to a specific and one-time mission.

As of the date of the *Document de référence*, the Company had paid US$237,450 in fees under this agreement for the period from January 1, 2015 to December 31, 2015. No services were provided under the terms of this agreement for the period from January 1, 2016 to March 31, 2016.

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, 2015

INKIPIO AUDIT
19, rue des Tuiliers
69003 Lyon
Simplified joint-stock company (SAS) with a capital of €300,000

Statutory auditors
Member of the
Lyon regional company of auditors

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie - Paris - La Défense 1
Simplified joint-stock company (SAS) with variable capital

Statutory auditors
Member of the
Versailles regional company of auditors

IMPLANET
Registered office: Technopole Bordeaux Montesquieu
Allée François Magendie
33650 - Martillac

Registered in the BORDEAUX Trade and Company Register (RCS) under No. 493 845 341

Statutory auditors' special report

on regulated agreements and commitments with related parties

General Shareholders' Meeting called to approve the accounts for the fiscal year ended 12/31/2015

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, to assess the benefits resulting from these agreements and commitments and decide whether to approve them.

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

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

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL AT THE GENERAL SHAREHOLDERS' MEETING

Agreements and commitments authorized during the past fiscal year

In accordance with Article R. 225-40 of the French Commercial Code, we were informed of the following agreements and commitments, which have been previously approved by your board of directors.

- Agreement with Health Advances LLC

Person concerned: Mrs Paula Ness Spears, Director of Implanet and shareholder of Health Advances LLC.

Prior authorization: by the Board of Directors' Meeting of April 08, 2015.

Nature and purpose: agreement between your Company and US company Health-Advances LLC relating to support and consultancy services including, for instance, the study of the economic model to be used by the Company and its subsidiary Implanet America with respect to the sale of the Company's products in the United States.

Terms and conditions: for support and consulting services rendered under this agreement, Implanet paid fees of US$237,450 excl. VAT for the fiscal year ended December 31, 2015.

Interest for the Company: the services are provided by Health-Advances LLC on the basis of estimates previously accepted by the Company, it being specified that each estimate must correspond to a specific and one-time mission.

- Agreement with HM Conseils

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

Prior authorization: by the Board of Directors' Meeting of September 15, 2015.

Nature and purpose: amendment to the consultancy agreement made 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 (compared to €5,000 excl. VAT to 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, 2015, Implanet incurred fees of €72,000 excl. VAT.

Interest for the Company: The services rendered by the company HM Conseils fall within the framework of proper Company governance and notably include preparing and defining the Company's various budgets, defining and implementing the Company's development strategy, looking for additional funding, identifying and selecting investment banks in preparation for a new capital increase and preparing documentation relating to these plans.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED AT THE GENERAL SHAREHOLDERS' MEETING

Agreements and commitments approved during previous fiscal years and in effect during the past fiscal year

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

- Agreement with EnniTech LLC

Person concerned: Mr. Brian Ennis, Director of Implanet and Chief Executive Officer of EnniTech LLC.

Nature and purpose : agreement between your Company and US company EnniTech LLC relating to support and consultancy services including, for instance, the drafting of a two-year strategic plan aimed at developing the Company's sales in the American market, identifying business partners in the United States, identifying opinion leaders who could sit on the Company's scientific board, helping with the selection of reference centers in order to offer them surgeon training programs.

Terms and conditions: for support and consulting services rendered under this agreement, your Company has paid to the company EnniTech LLC fees of US$117,986.10 excl. VAT during the fiscal year ended December 31, 2015.

Lyon and Paris-La Défense, March 31, 2016

The Statutory auditors

Inkipio audit	**ERNST & YOUNG Audit**	
Clément ALBRIEUX	Franck SEBAG	Jean-Pierre CATON

»

19.3.2. Statutory auditors' special report on regulated agreements for the fiscal year ended December 31, 2014

"To the shareholders,

In our capacity as Statutory auditors of your Company, we hereby report on the regulated agreements and commitments with related parties.

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

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

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

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL AT THE GENERAL SHAREHOLDERS' MEETING

Agreements and commitments authorized during the past fiscal year

No new agreements or commitments were reported to us as having been authorized during the past fiscal year and requiring approval at the General Shareholders' Meeting under Article L. 225-38 of the French Commercial Code.

Agreements and commitments not previously authorized

In accordance with Articles L. 225-42 and L. 823-12 of the French Commercial Code, we inform you that the following agreements and commitments were not previously authorized by your Board of Directors.

We are required to inform you why the authorization process was not followed.

Person concerned: Mr. Brian Ennis, Director of Implanet and Chief Executive Officer of EnniTech LLC.

Nature and purpose: Implanet America Inc., a fully-owned subsidiary of your Company, entered into a service agreement with the US company EnniTech LLC.

Terms and conditions: For support and consulting services rendered under this agreement, your Company has paid to EnniTech LLC fees of US$€99,995.93 excl. VAT for the fiscal year ended December 31, 2014.

The authorization procedure for this agreement was not followed by your Board of Directors by omission.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED AT THE GENERAL SHAREHOLDERS' MEETING

Agreements and commitments approved during previous fiscal years and in effect during the past fiscal year

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

Agreement with HM Conseils

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

Nature and purpose: amendment to the consultancy agreement made on March 31, 2010 between Implanet and HM Conseils.

Terms and conditions: for consulting and coaching services provided to your Company's management during the year ended December 31, 2014, Implanet incurred fees of €60,000 excl. VAT.

Lyon and Paris-La Défense, April 2, 2015

The Statutory auditors

INKIPIO AUDIT	**ERNST & YOUNG Audit**
Clément ALBRIEUX	Franck SEBAG"

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

20.1. CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

20.1.1. Balance sheet

IMPLANET Balance sheet	Notes	12/31/2015 €	12/31/2014 €
ASSETS			
Intangible fixed assets	3	634 732	622 212
Property, plant and equipment	4	1 426 061	2 041 878
Other non-current financial assets	5	985 949	3 131 053
Total non-current assets		**3 046 742**	**5 795 142**
Inventories	6	3 468 530	3 096 238
Trade receivables and related accounts	7.1	2 538 631	2 062 883
Other receivables	7.2	776 710	1 181 030
Current financial assets	5	5 309 067	308 116
Cash and cash equivalents	8	1 150 232	2 111 188
Total current assets		**13 243 171**	**8 759 456**
Total Assets		**16 289 913**	**14 554 598**
LIABILITIES			
Equity			
Capital	10	15 887 399	8 099 283
Paid-in capital	10	15 055 931	12 495 647
Translation reserve	10	(338 654)	(153 051)
Other comprehensive income	10	(23 131)	(29 069)
Reserves - Group share	10	(12 848 383)	(6 327 095)
Profit/(loss) - Group share	10	(8 007 562)	(6 871 586)
Shareholders' equity - Group share		**9 725 600**	**7 214 130**
Minority interests		-	-
Total shareholders' equity		**9 725 600**	**7 214 130**
Non-current liabilities			
Amounts due to personnel	13	82 905	74 629
Non-current financial debts	12	1 720 685	1 722 170
Derivative instrument liability	12	154	8 530
Non-current liabilities		**1 803 745**	**1 805 329**
Current liabilities			
Current financial liabilities	12	1 872 614	2 473 224
Derivative instrument liability	12	120 264	-
Provisions	14	55 000	-
Trade and other accounts payable		2 134 519	2 297 232
Tax and social security liabilities	15.1	560 446	748 808
Other payables and miscellaneous debt	15.2	17 725	15 875
Current liabilities		**4 760 568**	**5 535 139**
Liabilities related to assets held for sale		-	-
Total Liabilities		**16 289 913**	**14 554 598**

20.1.2. Income Statement

IMPLANET Income Statement	Notes	12/31/2015 12 months €	12/31/2014 12 months €
Revenue	16	6,653,374	7,038,416
Cost of sales	17.1	(4,070,063)	(4,099,504)
Gross margin		**2,583,311**	**2,938,912**
Research and Development expenses			
Research and Development expenses	17.3	(927,377)	(1,479,549)
Share-based payments	17.3	(19,197)	(58,660)
Subsidy	17.3	215,057	361,350
Cost of regulatory affairs and quality assurance			
Cost of regulatory affairs and quality assurance	17.4	(947,364)	(820,116)
Share-based payments	17.4	(3,238)	(9,244)
Subsidy	17.4	10,136	17,527
Sales and marketing expenses			
Sales and marketing expenses	17.2	(4,355,714)	(2,975,653)
Share-based payments	17.2	(124,624)	(325,666)
Operating costs			
Operating costs	17.5	(783,804)	(891,153)
Share-based payments	17.5	(7,893)	(30,779)
General and administrative expenses			
General and administrative expenses	17.6	(3,255,240)	(3,235,417)
Share-based payments	17.6	(16,203)	(127,878)
Net operating income		**(7,632,150)**	**(6,636,329)**
Financial expenses	19	(670,643)	(599,177)
Financial income	19	57,630	75,579
Change in the fair value of the derivative	19	35,774	70,308
Foreign exchange gains and losses	19	201,828	218,033
Net income before taxes		**(8,007,562)**	**(6,871,586)**
Tax expense	20	-	-
Total net income/(loss)		**(8,007,562)**	**(6,871,586)**
Group share		*(8,007,562)*	*(6,871,586)*
Minority interests		-	-
Weighted average number of shares in circulation		9,692,216	5,399,522
Basic earnings per share (€/share)	21	**(0.83)**	**(1.27)**
Diluted earnings per share (€/share)	21	**(0.83)**	**(1.27)**

20.1.3. Statement of comprehensive income

IMPLANET - IFRS Statement of consolidated comprehensive income	12/31/2015 12 months €	12/31/2014 12 months €
Net income/(loss) for the period	**(8,007,562)**	**(6,871,586)**
Actuarial differences	5,938	(30,250)
Items non-recyclable in profit or loss	**5,938**	**(30,250)**
Translation differences	(185,603)	(164,424)
Items recyclable in profit or loss	**(185,603)**	**(164,424)**
Other comprehensive income (net of taxes)	**(179,665)**	**(194,674)**
Total comprehensive income	**(8,187,227)**	**(7,066,260)**
Group share	*(8,187,227)*	*(7,066,260)*
Minority interests	-	-

20.1.4. Changes in shareholders' equity

IMPLANET Changes in shareholders' equity	Capital *Number of shares*	Capital	Additional paid-in capital	Reserves and net income	Translation differences	Actuarial differences	Shareholders' equity - Group share	Interest	Shareholders' equity
		€	€	€	€	€	€	€	€
At December 31, 2013	*5,399,522*	**8,099,283**	**12,489,826**	**(6,733,196)**	**11,374**	**1,181**	**13,868,468**	-	**13,868,468**
2014 net income				(6,871,586)			(6,871,586)		(6,871,586)
Other comprehensive income					(164,424)	(30,250)	(194,674)		(194,674)
Comprehensive Income		-	-	**(6,871,586)**	**(164,424)**	**(30,250)**	**(7,066,260)**	-	**(7,066,260)**
Share subscription warrants (BSA)			10,821				10,821		10,821
Change in treasury shares				(146,127)			(146,127)		(146,127)
Share-based payments				552,228			552,228		552,228
Costs of the fund raising project			(5,000)				(5,000)		(5,000)
At December 31, 2014	*5,399,522*	**8,099,283**	**12,495,647**	**(13,198,681)**	**(153,050)**	**(29,069)**	**7,214,130**	-	**7,214,130**
2015 net income				(8,007,562)			(8,007,562)		(8,007,562)
Other comprehensive income					(185,604)	5,938	(179,666)		(179,666)
Comprehensive Income		-	-	**(8,007,562)**	**(185,604)**	**5,938**	**(8,187,228)**	-	**(8,187,228)**
Issue of shares	*4,967,558*	7,451,337	3,725,669				11,177,006		11,177,006
Conversion of bonds	*224,519*	336,779	123,222				460,000		460,000
Share subscription warrants (BSA)			12,963				12,963		12,963
Change in treasury shares				18			18		18
Share-based payments				171,156			171,156		171,156
Share issue costs			(1,301,569)				(1,301,569)		(1,301,569)
Issue of BSAs on bonds				179,124			179,124		179,124
At December 31, 2015	*10,591,599*	**15,887,399**	**15,055,931**	**(20,855,945)**	**(338,654)**	**(23,131)**	**9,725,600**	-	**9,725,600**

20.1.5. Cash flow statement

IMPLANET - IFRS Consolidated cash flow statement	Notes	12/31/2015 €	12/31/2014 €
Cash flow generated from operations			
Total net income/(loss)		**(8,007,562)**	**(6,871,586)**
(-) Elimination of depreciation, amortization and impairment on intangible fixed assets	3	(296,559)	(230,743)
(-) Elimination of depreciation and amortization on property, plant and equipment	4	(875,178)	(916,490)
(-) Allocations to provisions	13	(69,214)	(9,576)
(-) Reversals of provisions	14	-	144,631
(-) Expense related to share-based payments	11	(171,156)	(552,228)
(-) Gross financial interest paid		(309,660)	(440,370)
(-) Financial interests		52,818	74,440
(-) Change in the fair value of the derivative		35,774	70,308
(-) Capital gains or losses on disposals of fixed assets		(5,360)	(3,391)
(-) Other (accretion of advances, impact of amortized cost, etc.)		(351,659)	(153,161)
Free cash flow before cost of net financial indebtedness and taxes		**(6,017,366)**	**(4,855,005)**
(-) Change in the working capital requirement (net of impairment of trade receivables and inventories)		793,970	438,114
Cash flow generated from operations		**(6,811,336)**	**(5,293,119)**
Cash flow generated from capital investment			
Acquisition of intangible fixed assets	3	(10,703)	(60,439)
Capitalization of development expenses	3	(272,950)	(106,179)
Acquisition of property, plant and equipment	4	(287,374)	(869,719)
Demobilization of term accounts classed as other current and non-current financial assets		3,395,197	7,698,861
Subscription of term accounts classed as other non-current financial assets		(6,250,000)	-
Disposals of fixed assets		137,739	750,400
Financial interests		52,818	74,440
Cash flows from investing activities		**(3,235,273)**	**7,487,364**
Cash flows related to financing activities			
Capital increase, net of conversion of bonds into shares	10	11,177,006	-
Share subscription warrants (BSA)	11	12,963	10,821
Expenses relating to capital increase		(1,301,569)	(5,000)
Redemption of Kreos bond	12.3	(1,129,437)	(1,860,324)
Gross financial interest paid		(309,660)	(440,371)
Issue of convertible bonds, net of expenses	12.3	907,962	-
Bank borrowings	12.4	500,000	-
Repayment of conditional advances	12.2	(70,000)	(310,000)
Repayment of finance leases	12.1	(347,420)	(341,756)
Repayment of bank loans	12.4	(81,320)	-
Other financing flows (factoring)	12	(85,994)	(111,094)
Other finance flows (change in the liquidity contract)		-	173,557
Cash flows related to financing activities		**9,272,531**	**(2,884,167)**
Impact of variations in exchange rates		(186,877)	(164,424)
Increase (reduction) in cash		**(960,956)**	**(854,346)**
Cash and cash equivalents at the start of the year (including overdraft facilities)	8	2,111,188	2,965,534
Cash and cash equivalents at the year end (including overdraft facilities)	8	1,150,232	2,111,188
Increase (reduction) in cash		**(960,956)**	**(854,346)**

20.1.6. Detailed analysis of the changes in the working capital requirement (WCR)

Details of the change in the working capital requirement	12/31/2015	12/31/2014
Other non-current assets	1,027	(8,632)
Inventories (net of inventory impairment)	372,292	(131,090)
Trade receivables and related accounts (net of impairment of trade receivables)	475,748	(274,235)
Other receivables	(404,321)	31,809
Trade and other accounts payable	162,713	919,655
Tax and social security liabilities	188,362	(85,213)
Other payables and miscellaneous debt	(1,850)	(14,179)
Total variations	**793,970**	**438,114**

20.1.7. NOTES TO THE IFRS FINANCIAL STATEMENTS

(Unless indicated otherwise, the amounts shown in these notes are in euros.)

Note 1: Presentation of the business and significant events

The information set out below constitutes the Notes to the consolidated IFRS financial statements which form an integral part of the financial statements presented for the fiscal year ended December 31, 2015.

The consolidated financial statements of Implanet were approved by the Board of Directors on March 24, 2016 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.

Implanet has been listed on the regulated Euronext market in Paris since November 25, 2013.

Address of the registered office:

Technopole Bordeaux Montesquieu - Allée François Magendie - 33650 MARTILLAC, France

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, 2015

November 2015:

- Regulatory approval obtained from the Brazilian health authority (ANVISA) to market its JAZZ Band™ platform.

October 2015:

- New financing operation set up involving the issue of convertible bonds with warrants attached ("OCABSA") to raise a potential maximum of €5 million, at the Company's discretion under certain usual conditions, which may be revised upwards by an equivalent amount if the share subscription warrants issued under this operation are exercised. The purpose of this new financing operation, handled by L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND, is to fund the development of the JAZZ BAND technology platform and its commercial roll-out worldwide.

September 2015:

- 510(k) clearance by the Food and Drug Administration (FDA) in the United States for use of the JAZZ platform with all thoraco-lumbar posterior fixation systems (screws, rods and hooks) available on the market.

May 2015:

- CE marking and FDA approval in the United States for all new JAZZ diameters.

April 2015:

- Definitive clinical results of a comparative study showing the efficacy of the JAZZ implant in the treatment of idiopathic scoliosis.

March 2015:

- The Company carried out a secondary fund-raising while maintaining the preferential subscription right for an amount of €11,177 thousand, issue premium included. 4,967,558 new shares were issued as part of the offer.

February 2015:

- The Company announces that it had definitively obtained intellectual ownership of its JAZZ technology in Europe until 2031 (patent number EP 2521500).

1.3 Post balance sheet events

March 2016:

- The Company announced the launch of a prospective, multicenter clinical study in partnership with TFS International, a prestigious CRO (Contract Research Organization) specializing in clinical trials, to document the outcomes of JAZZ technology in adult degenerative and adult deformity indications.

February 2016:

- The Company announces the appointment of Brian T. Ennis as Chairman of Implanet America. As such, he will head Implanet America and his objective will be to optimize its organizational structure in order to accelerate the JAZZ technology's adoption and growth in this vital market.

January 2016:

- The Company announces the first successful idiopathic surgical procedure in Brazil using the JAZZ platform. This surgical procedure was successfully performed by Dr Raphael Pratali and his team at Hospital do Servidor Público Estadual, in São Paulo. New surgical procedures are already scheduled in Brazil.

Note 2: Accounting principles, rules and methods

The financial statements are presented in euros unless indicated otherwise.

2.1 Principle for preparation of the financial statements

Declaration of compliance

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

This referential, available on the website of the European Commission (http://ec.europa.eu/internal_market/accounting/ias_fr.htm), incorporates the international accounting standards (IAS and IFRS), and the interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Interpretations Committee (IFRIC).

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

Principle for the preparation of the financial statements

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

Going concern principle

The **going concern principle** was used by the Board of Directors in view of the following factors enabling the Company to cover its future cash requirements:

- the Group's available cash (€1.2 million);
- its cash balances in other non-current financial assets for €5.3 million;
- use of the credit line through the issue of convertible bonds with warrants attached ("OCABSA").
  Under this financing arrangement entered into in October 2015, the Company may issue 400 additional warrants to L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND, which may give rise to a bond issue of a maximum additional amount of €4 million (in several tranches of a maximum amount of €250,000 each, it being stipulated that L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND may ask for the amount of one of these tranches to be increased by €100,000), subject to certain conditions:
  - the necessary authorizations must be obtained at the next annual General Shareholders' Meeting to be held before June 30, 2016,
  - direct and indirect investments by L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND in the Company's capital do not exceed 3% of the capital and voting rights given the number of potential shares resulting from the conversion of convertible bonds,
  - the previous tranche must be repaid or converted or there must be a period of 35 days after drawing down the previous tranche (excluding the first tranche), and
  - both the closing price and weighted average price over the five trading days preceding the issue request being at least €1.10.

Moreover, the Company is examining the possibility of obtaining additional funding for its new developments, which may involve a capital increase, especially if the Company was no longer able to use the OCABSA financing line, or if it decided 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: 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 financial statements for the fiscal year ended December 31, 2014, 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, 2015:

Standards, amendments to standards and interpretations applicable with effect from the fiscal year commencing on January 1, 2015

The Group has applied the following new standards, amendments to standards and interpretations with effect from the start of the 2015 fiscal year:

- IFRIC 21: Levies
- Improvements to IFRS (2011 and 2013 Cycle)

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

Standards and interpretations adopted by the European Union but not yet mandatory for the 2015 financial statements

- Amendment to IAS 19: Employee contributions to defined benefit plans
- Amendments to IAS 16 and IAS 41: Bearer plants
- Amendments to IFRS 11: Acquisition of an interest in a joint operation
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization
- Amendment to IAS 1: Presentation of financial statements: “Disclosure initiative”
- Improvements to IFRS (2010 and 2012 Cycle)
- Improvements to IFRS (2012 and 2014 Cycle)

The Group is currently in the process of assessing the impacts resulting from the first application of these new texts. It does not anticipate any significant impact on its financial statements.

Furthermore, the Group does not apply any of the standards and interpretations published by the IASB that have not yet been adopted by the European Union.

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, 2015.

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 11.

- Determination of the fair value of the derivative liability:
    - the determination of the fair value of the derivative liability is based on the Black & Scholes option valuation model, which takes into account assumptions about complex and subjective variables. In particular, these variables include the value of the Company's shares and the expected volatility of the share price over the lifetime of the instrument. There exists a high inherent subjectivity risk arising from the use of an option valuation model for the determination of the fair value of the derivative liability in accordance with IAS 39;
    - the valuation assumptions used are presented in Note 12.

- Recognition of development expenses in assets:
    - the Company dedicates significant effort to Research and Development. In this respect, the Company has to make judgments and interpretations to determine the Research and Development expenses to be capitalized as soon as all the six criteria defined by IAS 38 are fulfilled;
    - the accounting principles and the amount of the capitalized costs are presented in Notes 2.8 and 3.

- Impairment of inventories :
    - the Company recognizes a provision for the impairment of stocks based on an analysis of the probable net realizable value of its stocks, which is calculated based on historical and forecast data. In this respect, the Company may be called upon to make use of assumptions (particularly in terms of the future consumption of products up until the expiry date of the said products) and to make interpretations;
    - the accounting principles and the amount of the provisions are presented in Notes 2.12 and 6 respectively.

- Impairment of trade receivables :
    - the Company makes an analysis of its trade receivables in order to establish on a case-by-case basis the level of provision for impairment, based on the risk of non-recovery. In this respect, the Company may be called upon to make use of subjective assumptions and to make judgments for the determination of the receivables which need to be provisioned, and the level of such provision;
    - the accounting principles and the amount of the provisions are presented in Notes 2.18 and 7.1 respectively.

- Recognition of revenue :
    - the Company recognizes income when the amount can be estimated reliably, when it is probable that the future economic benefits will accrue to the Company and when the specific criteria are fulfilled for the Company's business. The Company must make use of its judgment and its interpretation in order to determine that the criteria for the recognition of income, defined by IAS 18, are fulfilled;
    - the accounting principles applied by the Company in terms of recognition of income are specified in Note 2.26.

- Provisions for liabilities and expenses :
    - the Company may be involved in judicial, administrative or regulatory proceedings during the ordinary course of its activities. A provision is recognized by the Company where there is a sufficient probability that such disputes may lead to costs for the Company. The Company uses judgments and interpretations in order to make its best estimate of the risk incurred and to establish the level of provisioning for risk;
    - the provisions for liabilities and expenses are presented in Note 14.

2.4 Consolidation scope and methods

Subsidiaries

The subsidiaries are all the entities for which the Company has the power to direct the financial and operating policies, a power generally accompanied by the holding of more than one half of the voting rights. The subsidiaries are fully consolidated with effect from the date on which the Company acquires control of them. They are de-consolidated with effect from the date on which control ceases to be exercised.

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

On the date of publication of the annual consolidated financial statements, the Company only has one wholly-owned subsidiary, Implanet America Inc., which it created at the end of February 2013.

2.5 Functional reporting currency

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

2.6 Conversion method

2.6.1 Recognition of transactions in foreign currencies

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

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

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

The translation differences relating to the loan granted to the subsidiary Implanet America Inc. are recognized directly in equity for the loan portion considered as long-term net investment (the oldest elements).

2.6.2 Conversion of the financial statements of foreign subsidiaries

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

The resulting exchange gains and losses are directly recognized in shareholders' equity under "Foreign currency translation reserves".

The following exchange rates were used during the 2015 and 2014 fiscal years:

USD – US Dollar	**12/31/2015**	**12/31/2014**
Closing rate	1.0887	1.2141
Average rate	1.1166	1.3049

2.7 Distinction between current and non-current

The Company applies a balance sheet presentation that distinguishes between the current and noncurrent parts of the assets and liabilities.

The distinction between current and non-current items was carried out on the basis of the following rules:

- the assets and liabilities constituting the working capital requirement falling within the normal business cycle are classified as "current";
- assets and liabilities outside the normal cycle of operations are presented as "current", on the one hand or as "non-current" on the other hand, depending on whether their due date is in more or less than one year or in accordance with the application of the specific cases referred to in IAS 1.

2.8 Intangible fixed assets

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

Research and Development expenses

Research costs are charged to expenses.

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

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

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

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

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

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

The depreciation charge for capitalized development expenses is presented under the "Cost of regulatory affairs and quality assurance" and "Research and Development expenses" categories, depending on the origin of the capitalized expense.

Software

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

Other intangible fixed assets

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

Depreciation term and expense

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

Items	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:

- administrative expenses for software and accounting software packages;
- Research and Development expenses for the depreciation of capitalized development expenditure.

2.9 Property, plant and equipment

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

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

The depreciation terms and methods used are principally the following:

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

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

The latter are recognized under property, plant and equipment when they are delivered to healthcare facilities.

Where this is not the case, they are presented under inventories and are considered to be available for sale.

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

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

2.10 Leasing contracts

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

Leasing contracts, for which essentially all the risks and benefits are retained by the lessor, are classified as operating leases. Payments made for these operating leases, net of any incentives, are recognized under expenses in the income statement on a straight-line basis over the term of the contract.

2.11 Recoverable value of the non-current assets

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

The depreciated assets are subject to an impairment test every time that there is any internal or external indication that an asset may have lost some of its value.

The impairment test consists of comparing the carrying amount of the tested asset with its recoverable value. The test is carried out at the level of the Cash Generating Unit (CGU), which is the smallest group of assets that includes the asset and whose continued use generates cash inflows largely independent of those generated by other assets or groups of assets.

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

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

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

and the specific risks of the assets. The terminal value is determined based on the discounting to infinity of the last cash flow in the test.

2.12 Financial assets

The Company's financial assets are classified into two categories based on their type and the reason for their holding:

- financial assets at fair value in the income statement;
- loans and receivables.

All financial assets are initially recognized at cost, which corresponds to the fair value of the price paid, plus any acquisition costs.

All regular way purchases and sales of financial assets are recognized on the date of settlement.

Financial assets at fair value through the income statement

This category includes marketable securities and medium-term notes (MTN).

They represent assets held for trading purposes, i.e. assets acquired by the business with the intention of disposing of them in the short term. They are valued at their fair value and variations in fair value are recognized in profit or loss. Certain assets may also be the subject of voluntary classification in this category.

Loans and receivables

This category includes other loans and receivables and trade receivables.

Non-current financial assets include advances and guarantee deposits given to third parties, as well as term deposits which are not deemed to be cash equivalents. Advances and guarantee deposits are non-derivative financial assets with determined or determinable payments, which are not listed on an active market.

Such assets are recognized at amortized cost, using the effective interest rate method. Gains and losses are recognized in profit or loss when the loans and receivables are written off or impaired.

2.13 Liquidity contract

Following its listing on the NYSE Euronext Paris stock market, the Company signed a liquidity contract on November 20, 2013 with Banque Oddo et Cie in order to limit the intra-day volatility of Implanet shares.

For this purpose, the Company entrusted €400,000 to this institution in order that the latter can take long or short positions in the Company's shares. The part of the contract that is invested in the Company's treasury shares by this service provider is recognized as a deduction from the Company's consolidated shareholders' equity at December 31, 2015, for their acquisition cost.

Income from the disposal of these treasury shares is also recognized directly in shareholders' equity.

The cash reserve related to the liquidity contract is presented under "Other non-current financial assets".

2.14 Inventories

Inventories are measured using the weighted average unit cost method.

Inventories are recognized at the lower of their purchase cost or net realizable value.

In the latter case, the loss in value is recognized in profit or loss.

A provision for the impairment of inventories is determined based on the probable net realizable value of its inventories, which is calculated based on historical and forecast data: average consumption period for products in inventories and its potential impact on the term remaining until the expiry date of said products.

2.15 Cash, cash equivalents and financial instruments

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

Cash investments with a maturity date of more than three months (term deposits and medium-term notes) are presented in other current or non-current financial assets depending on their maturity dates.

Cash equivalents are made up of term deposits. Cash equivalents are held for transactional purposes, are easily convertible into a known cash amount and are subject to negligible risk of change in value. They are valued at fair value and any variations in value are recognized in net financial income.

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

2.16 Fair value of financial instruments

The marketable securities qualified as cash equivalents at the end of the fiscal year as well as the cash investments presented under other financial assets (term deposits and medium-term notes) are recognized at fair value in profit or loss, their fair value being based on their market value.

Loans and financial debts (excluding derivative liabilities) are recognized at amortized cost, calculated using the effective interest rate (EIR).

Derivative liabilities are recognized at fair value in the income statement, the fair value being determined using the Black & Scholes valuation model.

The fair value of trade receivables and trade payables is deemed to be their balance sheet value, in view of the very short payment maturities of these outstandings. The same is true for other receivables and other current liabilities.

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

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

Instruments recognized at fair value in profit or loss held by the Company are:

- cash equivalents, term deposits and MTN falling into the level 1 category;
- derivative liabilities, falling into the level 3 category.

2.17 Government subsidies receivable

Conditional advances

The Company benefits from a certain amount of government aid, in the form of subsidies or conditional advances. The detail of this aid is supplied in Note 12.2.

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

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

The subsidies are presented at the level of the category:

- "Research and Development" for those relating to innovation aid and the financing of research activities;

- "Sales, distribution and marketing" for those relating to prospecting in new geographical regions.

These advances are recognized in "Non-current debt" and "Current debt" depending on their maturities. In the event of a bad debt, the waiver of the receivable is recognized as a subsidy.

Subsidies

Subsidies received are recognized as soon as the corresponding receivable becomes certain, taking account of the conditions imposed for the grant of the subsidy.

Operating subsidies are recognized in ordinary income taking account, where applicable, of the rate of the corresponding expenses in such a way as to comply with the principle of matching expenses to income. Operating subsidies are presented in the income statement according to the nature of the subsidized expenses.

Research tax credit

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

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

The part of the research tax credit relating to capitalized R&D expenses is recognized as a deduction from assets.

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

Business competitiveness tax credit

The business competitiveness tax credit (CICE) is a French tax scheme. The income is recorded as a deduction of payroll expenses.

The Company used this tax credit in Research and Development.

2.18 Receivables

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

Trade receivables are partially the subject of transfers under the terms of a factoring contract. In accordance with the provisions of IAS 39, this transfer does not give rise to derecognition since Implanet retains substantially all the risks and benefits of the transferred assets. Consequently, the entirety of the transferred asset appears at the level of trade receivables and a current financial liability is recognized for the amount of the cash received.

Other receivables comprise the nominal value of the research tax credit, which is recognized under assets in the year of acquisition corresponding to the fiscal year during which eligible expenses giving rise to the tax credit were incurred.

2.19 Capital

Classification under shareholders' equity depends on the specific analysis of the characteristics of each instrument issued. Ordinary shares and preference shares can therefore be classified as equity instruments.

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

2.20 Share-based payments

Since its creation, the Company has put in place several equity-settled remuneration plans in the form of share subscription warrants (BSA), founders' warrants (BSPCE) or stock options awarded to employees, executives, consultants and members of the Board of Directors.

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

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

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

The full assumptions used for the evaluation of the plans are described in Note 11.

2.21 Provisions

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

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

2.22 Employment-related commitments

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

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

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

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

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

2.23 Loans

Financial liabilities are classified in two categories:

- financial liabilities recognized at amortized cost;
- financial liabilities are recognized at fair value in the income statement.

Financial liabilities recognized at amortized cost

Bonds and other financial liabilities, such as conditional advances, are recognized at amortized cost calculated using the effective interest rate. The fraction of financial debts due in less than one year is presented in "Current debts".

Financial liabilities recognized at fair value in the income statement.

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 then recognized under derivative liabilities at fair value on the issue date, with variations in this fair value recognized in financial income.

The Company has to financial instruments classified as financial derivatives:

- share subscription warrants (BSA) issued in favor of KREOS on July 19, 2013 (see Note 12.3);
- conversion option attached to OCABSA issued in respect of L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND on October 12, 2015 (see Note 12.3).

2.24 Receivables and liabilities denominated in foreign currencies

The liabilities and receivables denominated in foreign currencies are recognized using the exchange rate at the time of the initial transaction. At the year-end, the corresponding assets and liabilities are valued at the year-end exchange rate.

2.25 Corporation tax

The tax assets and liabilities payable for the fiscal year and the previous fiscal years are valued at the amount which the Company expects to recover from or pay to the tax authorities.

The tax rates and the tax regulations used for determining these amounts are those which have been adopted or are in the course of adoption at the year-end date.

Deferred taxes are recognized, using the balance sheet liability method, for all temporary differences existing at the year-end date between the tax base of assets and liabilities and their carrying amount on the balance sheet, as well as on tax losses carried forward.

The principal temporary differences are related to the tax losses carried forward.

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

2.26 Revenues

The Company's income results from the sale of orthopedic implants.

Income from ordinary activities corresponds to the fair value of the consideration received or to be received in respect of the goods sold during the ordinary course of the Company's business. The income from ordinary activities is shown net of value added tax, product returns, rebates and discounts.

The Company recognizes income when the amount can be estimated reliably, when it is probable that the future economic benefits will accrue to the Company and when the specific criteria are fulfilled for the Company's business.

The recognition of income depends on the nature of the sales made by the Company:

- **Export sales to distributors:** the transfer of title 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 in a patient, based on information provided by the healthcare facilities.

- **Sales in France to distributors:**
    - instruments and a set of implants are provided to healthcare facilities (instruments in Implanet's fixed assets and implants in consigned inventory);
    - invoicing to distributors 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 the US via sales agents:**
    - invoicing of healthcare facilities and the recognition of income are carried out directly by Implanet on receipt of the information related to the fitting of implants;
    - agents' commission is recognized under "Sales, distribution and marketing expenses", at the same time as in the income statement.

2.27 Segment information

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

The 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.

2.28 Other comprehensive income

The items of income and expenditure for the period recognized directly in shareholders' equity are presented, where applicable, under "Other comprehensive income".

2.29 Presentation of the income statement

The Company presents its income statement by intended use.

The intended use of the expenses is given in Note 17.

Impairment of trade receivables and inventories

Impairment of trade receivables is presented under expenses relating to the "Sales, distribution and marketing" category.

Impairment of inventories is recognized under the "Operating" expenses category.

Net financial income

Net financial income includes all:

- expenses related to the financing of the Company: amortized cost of debts, changes in the fair value of derivatives and accretion of repayable advances (refer to Note 12);
- income related to interest received on financial investments (term deposits and MTN).

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

2.30 Net earnings per share

Basic earnings per share are calculated by dividing the net income attributable to holders of the Company's shares by the weighted average number of ordinary shares in circulation during the period.

Diluted earnings per share are determined by adjusting the net income attributable to holders of ordinary shares and the weighted average number of ordinary shares in circulation for the impact of all potentially dilutive ordinary shares.

If the inclusion of instruments giving a deferred right to the capital (BSA, BSPCE, stock options, etc.) within the calculation of diluted earnings per share generates an anti-dilutive effect, these instruments are not taken into account.

Note 3: Intangible fixed assets

GROSS VALUE OF INTANGIBLE FIXED ASSETS (Amounts in euros)	Software (lease-financing)	Software	Development expenses	In progress	Total
Statement of financial position at December 31, 2013	**49,643**	**270,766**	**823,797**	**6,250**	**1,150,456**
Capitalization of development expenses	-	-	106,179	-	106,179
Acquisition	-	22,030	-	44,659	66,689
Disposal	(24,120)	-	-	-	(24,120)
Foreign exchange impact	-	-	-	-	-
Transfer	-	-	-	(6,250)	(6,250)
Statement of financial position at December 31, 2014	**25,523**	**292,796**	**929,976**	**44,659**	**1,292,954**
Capitalization of development expenses	-	-	272,950	-	272,950
Acquisition	-	10,703	-	-	10,703
Disposal	-	-	-	-	-
Foreign exchange impact	-	-	-	-	-
Transfer	-	70,086	-	(44,659)	25,427
Statement of financial position at December 31, 2015	**25,523**	**373,584**	**1,202,926**	**0**	**1,602,034**

DEPRECIATION AND AMORTIZATION					
Statement of financial position at December 31, 2013	**48,297**	**157,512**	**258,311**	**-**	**464,120**
Increase	1,346	64,638	164,759	-	230,743
Decrease	(24,120)	-	-	-	(24,120)
Statement of financial position at December 31, 2014	**25,523**	**222,150**	**423,070**	**-**	**670,743**
Increase	-	131,800	164,759	-	296,559
Decrease	-	-	-	-	-
Statement of financial position at December 31, 2015	**25,523**	**353,950**	**587,829**	**-**	**967,303**

NET CARRYING AMOUNT					
At December 31, 2013	**1,346**	**113,254**	**565,486**	**6,250**	**686,336**
At December 31, 2014	**-**	**70,645**	**506,906**	**44,659**	**622,212**
At December 31, 2015	**-**	**19,634**	**615,097**	**-**	**634,732**

Capitalized development costs relate mainly to the “Jazz” project.

Capitalized costs over the periods presented relate to the "Jazz Claw”, “Jazz Lock” and “Madison Upgrade”.

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

Note 4: Property, plant and equipment

The technical installations, equipment and tooling principally comprise ancillary devices commissioned when they are delivered to healthcare facilities.

GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT (Amounts in euros)	Equipment and tooling	Equipment and tooling (lease-financing)	Fixtures and fittings	Fixtures and fittings (lease-financing)	Office and IT equipment and furniture	Office and IT equipment and furniture (lease-financing)	Transport equipment (lease-financing)	In progress	Total
Statement of financial position at December 31, 2013	**4,086,886**	**1,264,611**	**82,537**	**278,182**	**210,323**	**569,130**	**7,794**	**-**	**6,499,464**
Acquisition	1,445,356	750,400	6,566	-	29,502	-	-	92,253	2,324,078
Disposal	(1,843,580)	-	-	-	-	(432,544)	-	-	(2,276,124)
Foreign exchange impact	-	-	-	-	527	-	-	-	527
Transfer	-	-	-	-	-	-	-	-	-
Statement of financial position at December 31, 2014	**3,688,661**	**2,015,012**	**89,103**	**278,182**	**240,352**	**136,586**	**7,794**	**92,253**	**6,547,944**
Acquisition	181,005	87,483	10,896	-	9,290	51,756	-	86,183	426,613
Disposal	(276,884)	(81,573)	-	-	-	-	-	(139,239)	(497,696)
Foreign exchange impact	-	-	-	-	1,816	-	-	-	1,816
Transfer	-	-	-	-	13,770	-	-	(39,197)	(25,427)
Statement of financial position at December 31, 2015	**3,592,782**	**2,020,922**	**99,999**	**278,182**	**265,228**	**188,342**	**7,794**	**-**	**6,453,250**
DEPRECIATION AND AMORTIZATION									
Statement of financial position at December 31, 2013	**3,292,445**	**734,332**	**64,978**	**267,716**	**181,307**	**569,130**	**2,002**	**-**	**5,111,909**
Increase	632,515	249,941	10,385	-	22,091	(0)	1,558	-	916,490
Decrease	(1,082,965)	-	-	(6,825)	-	(432,544)	-	-	(1,522,334)
Foreign exchange impact	-	-	-	-	89	-	-	-	89
Statement of financial position at December 31, 2014	**2,841,995**	**984,273**	**75,363**	**260,891**	**203,398**	**136,586**	**3,560**	**-**	**4,506,066**
Increase	461,597	349,413	9,481	17,291	22,002	13,836	1,558	-	875,178
Decrease	(273,024)	(81,573)	-	-	-	-	-	-	(354,597)
Foreign exchange impact	-	-	-	-	542	-	-	-	542
Statement of financial position at December 31, 2015	**3,030,568**	**1,252,113**	**84,844**	**278,182**	**225,942**	**150,422**	**5,118**	**-**	**5,027,189**
NET CARRYING AMOUNT									
At December 31, 2013	**794,441**	**530,279**	**17,559**	**10,466**	**29,016**	**0**	**5,792**	**-**	**1,387,554**
At December 31, 2014	**846,666**	**1,030,739**	**13,741**	**17,291**	**36,954**	**0**	**4,234**	**92,253**	**2,041,878**
At December 31, 2015	**562,214**	**768,810**	**15,155**	**-**	**39,287**	**37,919**	**2,676**	**-**	**1,426,061**

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

Note 5: Other financial assets

OTHER FINANCIAL ASSETS (Amounts in euros)	12/31/2015	12/31/2014
Term accounts	350,005	-
Medium-term notes (MTN)	305,128	2,801,281
Deposit - Kreos loan	190,735	190,735
Liquidity contract	91,615	91,598
Guarantees	48,466	47,439
Total other non-current financial assets	**985,949**	**3,131,052**
Term accounts	-	308,116
Medium-term notes (MTN)	5,309,067	-
Total other current financial assets	**5,309,067**	**308,116**

Non-current financial assets comprise:

- Two term deposits with a total value of €350 thousand:
  - One €200 thousand term deposit maturing in 2018, pledged in favor of Banque Courtois as security for the €500 thousand loan taken out in 2015 (see Note 12.4);
  - One €150 thousand term deposit, renewed every six months and pledged in favor of HSBC as security for the lease-back agreements in force with this bank.
- a negotiable €300 thousand medium-term note maturing in 2017, pledged as security for a lease-back agreement signed with Banque Courtois in 2014.
- a guarantee deposit in favor of Kreos for €191 thousand, as part of the implementation of the €5.0 million bond issue in 2013. (See Note 12.3).
- 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:

- three medium-term notes with a total value of €5,309 thousand maturing in 2016 and 2019 with an early redemption option and which will likely be used in 2016.

Note 6: Inventories

INVENTORIES (Amounts in euros)	12/31/2015	12/31/2014
Inventories of raw materials	79,937	116,314
Inventories of goods for resale	3,268,146	2,895,512
Inventories of semi-finished products	15,372	15,372
Inventories of ancillary devices and instruments	660,218	829,096
Gross total inventories	**4,023,673**	**3,856,294**
Impairment of inventories of raw materials	-	-
Impairment of inventories of goods for resale	(488,019)	(720,642)
Impairment of stocks of ancillary devices and instruments	(67,124)	(39,414)
Total impairment of inventories	**(555,143)**	**(760,056)**
Net total inventories	**3,468,530**	**3,096,238**

Composition of the inventories

This inventory of raw materials essentially comprises polymer components, reels of wire (manufacture of the JAZZ braid), product manuals, RFID chips ("Radio-frequency identification") and packaging.

The inventory of goods for sale principally comprises the various categories of implants for arthroscopy, spines and knees.

The inventory of ancillary devices and instruments comprises new equipment available for sale and not made available to healthcare facilities.

Impairment of inventories

The reduced impairment of inventories compared to December 31, 2014 is due to the implementation of a screw re-sterilization process that extends their useful life and to optimized inventory management.

Note 7: Receivables

7.1 Trade receivables

TRADE RECEIVABLES AND RELATED ACCOUNTS (Amounts in euros)	12/31/2015	12/31/2014
Trade receivables and related accounts	3,395,674	2,643,707
Impairment of trade receivables and related accounts	(857,042)	(580,824)
Net total of trade receivables and related accounts	**2,538,631**	**2,062,883**

The Company's products are sold to public and private hospitals and to distributors. The risk of default has been assessed as low.

The provision for impairment of customer receivables has been established on a case-by-case basis based on the estimated risk of non-recovery.

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

TRADE RECEIVABLES AND RELATED ACCOUNTS (Amounts in euros)	12/31/2015	12/31/2014
Not yet due	1,455,925	1,451,395
Due for less than 90 days	588,726	279,852
Due for between 90 days and 6 months	238,688	34,654
Due for between 6 and 12 months	165,927	249,267
Due for more than 12 months	946,408	628,540
Gross total trade receivables and related accounts	**3,395,674**	**2,643,707**

7.2 Other receivables

OTHER RECEIVABLES (Amounts in euros)	12/31/2015	12/31/2014
Research tax credit (1)	225,193	378,877
Value added tax (2)	349,176	555,518
Employees and related accounts	18,282	16,300
Trade payable debit balances	24,679	53,021
Business competitiveness tax credit (4)	37,019	34,954
Prepaid expenses (3)	106,311	142,359
Miscellaneous	16,049	-
Total other receivables	**776,710**	**1,181,029**

(1) Research tax credit (CIR)

The Company benefits from the provisions of Articles 244 quater B and 49 septies F of the French General Tax Code relating to research tax credits. In accordance with the principles described in Note 2.15, the research tax credit is recognized as a deduction from the research expenses during the year to which the eligible research expenses are related or as a deduction from the fixed assets where capitalized development costs are concerned.

It is presented as a subsidy at the level of the "Research and Development expenses" category and the "Cost of regulatory affairs and quality assurance" category.

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

- CIR 2015: €225,193 reimbursement expected in 2016
- CIR 2014: €378,877 amount reimbursed in 2015

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

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

PREPAID EXPENSES (Amounts in euros)	12/31/2015	12/31/2014
Leases	37,408	39,715
Insurance policies	6,437	28,361
IT Maintenance	12,387	31,925
Conferences	17,320	18,944
Miscellaneous	32,759	23,415
Total prepaid expenses	**106,311**	**142,359**

(4) The competitiveness and employment tax credit (CICE) may be reimbursed in the year following that of its recognition considering the Company's European Union SME status:

- CICE 2015 €37,019 reimbursement expected in 2016
- CICE 2014: €34,957 amount reimbursed in 2015

Note 8: Cash and cash equivalents

The cash and cash equivalents item is broken down as follows:

CASH AND CASH EQUIVALENTS (Amounts in euros)	12/31/2015	12/31/2014
Bank accounts	1,150,231	1,111,120
Term accounts	-	1,000,069
Total cash and cash equivalents	**1,150,231**	**2,111,188**

Note 9: Financial assets and liabilities and effects on net income

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

(Amounts in euros)	12/31/2015		Value - statement of financial position in accordance with IAS 39		
Balance sheet headings	Value Statement of financial position	Fair Value	Fair value through the income statement	Loans and receivables	Liabilities at amortized cost
Non-current financial assets	985,949	985,949	655,133	330,816	
Trade receivables and related accounts	2,538,631	2,538,631		2,538,631	
Other receivables	776,710	776,710		776,710	
Current financial assets	5,309,067	5,309,067	5,309,067	-	
Cash and cash equivalents	1,150,232	1,150,232	-	1,150,232	
Total assets	**10,760,590**	**10,760,590**	**5,964,200**	**4,796,390**	**-**
Current financial liabilities	1,872,614	1,872,614			1,872,614
Non-current financial debts	1,720,685	1,720,685			1,720,685
Trade and other accounts payable	2,134,519	2,134,519			2,134,519
Current derivative liabilities	120,264	120,264	120,264		
Non-current derivative liabilities	154	154	154		
Other creditors and miscellaneous liabilities	17,725	17,725			17,725
Total liabilities	**5,865,961**	**5,865,961**	**120,418**	**-**	**5,745,543**

(Amounts in euros)	12/31/2014		Value - statement of financial position in accordance with IAS 39		
Balance sheet headings	Value Statement of financial position	Fair Value	Fair value through the income statement	Loans and receivables	Liabilities at amortized cost
Non-current financial assets	3,131,053	3,131,053	2,801,281	329,772	
Trade receivables and related accounts	2,062,883	2,062,883		2,062,883	
Other receivables	1,181,030	1,181,030		1,181,030	
Current financial assets	308,116	308,116	308,116		
Cash and cash equivalents	2,111,188	2,111,188	1,000,069	1,111,120	
Total assets	**8,794,270**	**8,794,270**	**4,109,466**	**4,684,805**	**-**
Current financial liabilities	2,473,224	2,473,224			2,473,224
Non-current financial debts	1,722,170	1,722,170			1,722,170
Trade and other accounts payable	2,297,232	2,297,232			2,297,232
Derivatives liabilities	8,530	8,530	8,530		
Other creditors and miscellaneous liabilities	15,875	15,875			15,875
Total liabilities	**6,517,031**	**6,517,031**	**8,530**	**-**	**6,508,501**

(Amounts in euros)	Impacts on the income statement at December 31, 2015		Impacts on the income statement at December 31, 2014	
	Interest	Changes in fair value	Interest	Changes in fair value
Assets				
Assets at fair value through the income statement		14,200		8,343
Loans and receivables	52,818		74,440	
Cash and cash equivalents		-		69
Liabilities				
Derivative liabilities		(35,774)		(70,308)
Liabilities valued at amortized cost: bond issues	641,175		571,500	
Liabilities valued at amortized cost: advances	6,474		10,162	

Note 10: Capital

Issued capital

COMPOSITION OF THE SHARE CAPITAL	12/31/2015	12/31/2014
Capital (in euros)	15,887,399	8,099,283
Number of shares	10,591,599	5,399,522
of which, Ordinary shares	10,591,599	5,399,522
Nominal value (in euros)	€ 1.50	€ 1.50

The share capital is fixed at the sum of €15,887,398.50. It is divided into 10,591,599 ordinary shares which are fully subscribed and paid up with a nominal value of €1.50.

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

In March 2015, the Company proceeded with a capital increase with preferential subscription rights through the issue of 4,967,558 new shares with a nominal value of €1.50 and issue price of €0.75 per share, giving a total of €2.25 per share and a total increase of €11.2 million.

In accordance with the provisions of IAS 32, the costs relating to this share issue, amounting to €1.3 million, were charged against the issue premium.

In October 2015, the Company issued convertible bonds with warrants attached ("OCABSA") (see Note 12.3). In 2015, 46 bonds were converted into shares, generating the issue of 224,519 new shares with a nominal value of €1.50.

Management of capital

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

In this respect, a liquidity contract was signed on November 20, 2013 with Banque Oddo et Cie.

At December 31, 2015, 75,021 treasury shares were recognized as a deduction from shareholders' equity. The income from the disposal of these treasury shares is also recognized directly in shareholders' equity.

Equity line of credit with Kepler Cheuvreux

The Company opened an optional equity line of credit with Kepler Cheuvreux on July 9, 2014. Implanet has the option to ask Kepler Cheuvreux to subscribe for new shares that may be issued in tranches during the next 24 months, within the overall limit of 530,000 shares. Kepler Cheuvreux has made a firm subscription undertaking at the exclusive request of Implanet. The Company did not use this line of credit during the 2015 fiscal year.

The "OCABSA" contract with L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND suspend the Company's capacity to use this equity line of credit.

Distribution of dividends

The Company did not distribute any dividends during the fiscal years ended December 31, 2015 and December 31, 2014.

Note 11: Share-based payments

Share subscription warrants (BSA)

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

		Features of the plans					Assumptions used		
Type	Award date	Total number of options awarded	Exercise period	Initial exercise price	Adjusted exercise price (AGM of 07/19/2013) (1)	Adjusted exercise price (Board meeting of 03/18/2015) (2)	Volatility	Risk-free rate	Total initial valuation, IFRS2 (Black&Scholes)
BSA 09/11	AGM of 09/26/2011	**60,000**	10 years	€1.00	€10.00	€8.62	37.90%	1.69%	**€17,413**
BSA 05/12	AGM of 06/29/2012	**10,245**	10 years	€1.00	€10.00	€8.62	37.17%	1.46%	**€2,867**
BSA 2012	AGM of 06/29/2012	**165,000**	10 years	€1.50	€15.00	€12.93	37.17%	1.46%	**€16,984**
BSA 09/2012	AGM of 10/11/2012	**100,000**	10 years	€1.50	€15.00	€12.93	37.17%	1.04%	**€9,564**
BSA 01/2013	AGM of 01/22/2013	**25,000**	10 years	€1.50	€15.00	€12.93	37.49%	1.08%	**€2,486**
BSA 01/2014	Board meeting of 01/08/2014	**27,398**	10 years	€6.68	N/A	€5.75	34.05%	1.30%	**€53,318**
BSA 07/2015	Board meeting of 07/15/2015	**44,699**	10 years	€2.89	N/A	N/A	33.15%	0.31%	**€21,990**

(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).

The vesting period for the plans issued is as follows:

Type	Vesting period		
BSA 09/11 BSA 05/12 **BSA 2012** **BSA 09/2012** **BSA 01/2013**	All options on award date		
BSA 01/2014	1/3 on 01/08/2015	1/3 on 07/08/2015	1/3 on 01/08/2016
BSA 07/2015	1/3 on 07/01/2016	1/3 on 07/01/2017	1/3 on 07/01/2018

		Number of options outstanding					Maximum number of subscribable shares (1) (2)
Type	**Award date**	**12/31/2014**	**Awarded**	**Exercised**	**Void**	**12/31/2015**	
BSA 09/11	AGM of 09/26/2011	60,000				60,000	6,960
BSA 05/12	AGM of 06/29/2012	10,245				10,245	1,188
BSA 2012	AGM of 06/29/2012	165,000			(125,000)	40,000	4,640
BSA 09/2012	AGM of 10/11/2012	100,000				100,000	11,600
BSA 01/2013	AGM of 01/22/2013	25,000				25,000	2,900
BSA 01/2014	Board meeting of 01/08/2014	27,398			(11,199)	16,199	18,790 *
BSA 07/2015	Board meeting of 07/15/2015	0	44,699			44,699	44,699 *
Total		**387,643**	**44,699**	**0**	**(136,199)**	**296,143**	**90,777**

** note that some warrants are in the process of being vested*

(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).

Founders' warrants (BSPCE)

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

		Features of the plans					Assumptions used		
Type	Award date	Total number of options awarded	Exercise period	Initial exercise price	Adjusted exercise price (AGM of 07/19/2013) (1)	Adjusted exercise price (Board meeting of 03/18/2015) (2)	Volatility	Risk-free rate	Total initial valuation, IFRS2 (Black&Scholes)
BSPCE 12/2007	Board meeting of 12/29/2007	**100,000**	10 years	€ 1.50	€ 15.00	€ 12.93	43.02%	4.17%	**€34,387**
BSPCE 02/2009	Board meeting of 02/05/2009	**106,500**	10 years	€ 1.50	€ 15.00	€ 12.93	38.11%	3.20%	**€37,389**
BSPCE 03/2010	Board meeting of 04/22/2010	**167,500**	10 years	€ 1.50	€ 15.00	€ 12.93	34.57%	2.54%	**€63,891**
BSPCE 06/2011	Board meeting of 04/06/2011	**269,000**	10 years	€ 1.50	€ 15.00	€ 12.93	37.90%	3.12%	**€117,310**
BSPCE 09/2011	Board meeting of 11/18/2011	**103,500**	10 years	€ 1.50	€ 15.00	€ 12.93	37.90%	2.24%	**€45,462**
BSPCE05/2012	AGM of 06/29/2012	**21,793**	10 years	€ 1.50	€ 15.00	N/A (3)	37.17%	1.46%	**€8,277**
BSPCE 01/2014-1	Board meeting of 01/08/2014	**39,706**	10 years	€ 6.68	N/A	€ 5.75	34.05%	1.30%	**€83,864**
BSPCE 01/2014-2	Board meeting of 01/08/2014	**20,138**	10 years	€ 6.68	N/A	€ 5.75	34.05%	1.30%	**€42,534**
BSPCE 01/2014-3	Board meeting of 01/08/2014	**1,278**	10 years	€ 6.68	N/A	€ 5.75	34.05%	1.30%	**€2,699**
BSPCE 01/2014-4	Board meeting of 01/08/2014	**246,864**	10 years	€ 6.68	N/A	€ 5.75	34.05%	1.30%	**€645,313**

(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) These warrants were not adjusted to parity given there were no warrants in circulation on the adjustment date (Board of Directors' decision of March 18, 2015).

The vesting period for the plans issued is as follows:

Type	Vesting period
BSPCE 12/2007 **BSPCE 02/2009** **BSPCE 03/2010** **BSPCE 06/2011** **BSPCE 09/2011** **BSPCE05/2012**	1/3 of options per calendar year as from the award date
BSPCE 01/2014-1	All options on 01/08/2015
BSPCE 01/2014-2	1/2 on 01/08/2015 1/2 on 07/08/2015
BSPCE 01/2014-3 **BSPCE 01/2014-4**	1/3 on 01/08/2015 1/3 on 07/08/2015 1/3 on 01/08/2016

		Number of options outstanding					Maximum number of subscribable shares (1) (2)
Type	**Award date**	**12/31/2014**	**Awarded**	**Exercised**	**Void**	**12/31/2015**	
BSPCE $_{12/2007}$	Board meeting of 12/29/2007	20,000				20,000	2,320
BSPCE $_{02/2009}$	Board meeting of 02/05/2009	13,000				13,000	1,508
BSPCE $_{03/2010}$	Board meeting of 04/22/2010	30,000				30,000	3,480
BSPCE $_{06/2011}$	Board meeting of 04/06/2011	68,000				68,000	7,888
BSPCE $_{09/2011}$	Board meeting of 11/18/2011	49,000				49,000	5,684
BSPCE$_{05/2012}$	AGM of 06/29/2012	0				0	0
BSPCE $_{01/2014\text{-}1}$	Board meeting of 01/08/2014	28,790				28,790	33,395
BSPCE $_{01/2014\text{-}2}$	Board meeting of 01/08/2014	20,138			(4,202)	15,936	18,483
BSPCE $_{01/2014\text{-}3}$	Board meeting of 01/08/2014	639				639	741 *
BSPCE $_{01/2014\text{-}4}$	Board meeting of 01/08/2014	246,864			(31,235)	215,629	250,129 *
Total		**476,431**	**0**	**0**	**(35,437)**	**440,994**	**323,628**

** note that some warrants are in the process of being vested*

(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).

Stock options

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

		Features of the plans			Assumptions used		
Type	**Award date**	**Total number of options awarded**	**Exercise period**	**Exercise price**	**Volatility**	**Risk-free rate**	**Total initial valuation, IFRS2 (Black&Scholes)**
Stock option $_{07/2015}$	Board meeting of 07/15/2015	**22,500**	10 years	€ 2.66	33.15%	0.31%	**€ 19,258**

The vesting period for the plans issued is as follows:

Type	Vesting period
Stock option 07/2015	1/3 on 09/01/2016 1/3 on 09/01/2017 1/3 on 09/01/2018

		Number of options outstanding					Maximum number of subscribable shares
Type	**Award date**	**12/31/2014**	**Awarded**	**Exercised**	**Void**	**12/31/2015**	
Stock option 07/2015	Board meeting of 07/15/2015	0	22 500			22 500	22 500 *

** note that these warrants are in the process of being vested*

Details of the expense recognized in accordance with IFRS 2 at December 31, 2014 and December 31, 2015

	12/31/2014				12/31/2015			
Type	**Probable cost of the plan to date**	**Cumulative expense at the start of the year**	**Expense for the year**	**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 12/2007	€34,387	€34,387		€34,387	€34,387	€34,387		€34,387
BSPCE 02/2009	€37,389	€37,389		€37,389	€37,389	€37,389		€37,389
BSPCE 03/2010	€63,891	€63,891		€63,891	€63,891	€63,891		€63,891
BSPCE 06/2011	€117,310	€117,310		€117,310	€117,310	€117,310		€117,310
BSPCE 09/2011	€45,462	€45,462		€45,462	€45,462	€45,462		€45,462
BSPCE05/2012	€8,277	€7,859	€418	€8,277	€8,277	€8,277		€8,277
BSPCE 01/2014-1	€60,808	€0	€56,502	€56,502	€60,808	€56,502	€4,306	€60,808
BSPCE 01/2014-2	€42,534	€0	€32,578	€32,578	€42,534	€32,578	€9,956	€42,534
BSPCE 01/2014-3	€1,350	€0	€887	€887	€1,350	€887	€413	€1,300
BSPCE 01/2014-4	€645,313	€0	€424,154	€424,154	€590,880	€424,154	€14,6058	€570,212
Total	**€1,056,720**	**€306,298**	**€514,539**	**€820,836**	**€1,002,288**	**€820,836**	**€160,733**	**€981,570**

	12/31/2014				12/31/2015			
Type	**Probable cost of the plan to date**	**Cumulative expense at the start of the year**	**Expense for the year**	**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**
BSA 09/11	€17,413	€17,413		€17,413	€17,413	€17,413		€17,413
BSA 05/12	€2,867	€2,867		€2,867	€2,867	€2,867		€2,867
BSA 2012	€16,984	€16,984		€16,984	€16,984	€16,984		€16,984
BSA 09/2012	€9,564	€9,564		€9,564	€9,564	€9,564		€9,564
BSA 01/2013	€2,486	€2,486		€2,486	€2,486	€2,486		€2,486
BSA 01/2014	€53,318		€37,690	€37,690	€37,805	€37,690		€37,690
BSA 07/2015	€0			€0	€21,990		€5,871	€5,871
Total	**€102,631**	**€49,313**	**€37,690**	**€87,003**	**€109,109**	**€87,004**	**€5,871**	**€92,875**

	12/31/2014				12/31/2015			
Type	**Probable cost of the plan to date**	**Cumulative expense at the start of the year**	**Expense for the year**	**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**
Stock options 07/2015	€0			€0	€19,258		€4,549	€4,549

Note 12: Loans and financial debts

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (amounts in euros)	12/31/2015	12/31/2014
Financial debts - finance leases (1)	297,853	478,862
Repayable advances	84,944	158,259
Bond issue (2)	1,084,240	1,085,050
Derivatives liabilities, Kréos	154	8,530
Loans from financial institutions (3)	253,647	-
Non-current financial debts	**1,720,839**	**1,730,701**
Financial debts - finance leases (1)	295,433	322,604
Repayable advances	78,309	68,520
Bond issue (2)	1,268,742	1,931,008
Derivatives liabilities, L1 Capital	120,264	-
Debt under the factoring contract	65,098	151,092
Loans from financial institutions (3)	165,033	-
Current financial liabilities	**1,992,878**	**2,473,224**
Total financial liabilities	**3,713,717**	**4,203,925**

(1) The debts relating to the finance leases are guaranteed by a pledge of a term deposit account for €150 thousand and a MTN for €300 thousand (see Note 5 and 23.7).
(2) The debt relating to the Kreos bond issue is guaranteed by a pledge of the Company's goodwill (see Note 23.2).
(3) The bank loan is guaranteed by a pledge of a term deposit account for €200 thousand (see Notes 5 and 23.7).

Breakdown of financial debts by maturity

The maturity of financial debts is broken down as follows for the fiscal years presented:

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (amounts in euros)	12/31/2015			
	Gross amount	Part due in less than one year	From one to five years	More than five years
Financial debts - lease-financing	593,285	295,433	297,853	
Repayable advances	163,253	78,309	84,944	
Bond	2,352,982	1,268,742	1,084,240	
Derivatives liabilities	120,418	120,264	154	
Debt under the factoring contract	65,098	65,098	-	
Loans from financial institutions	418,680	165,033	253,647	
Total financial liabilities	**3,713,717**	**1,992,878**	**1,720,839**	**-**
Current financial liabilities	*1,992,878*			
Non-current financial debts	*1,720,839*			

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (amounts in euros)	12/31/2014			
	Gross amount	Part due in less than one year	From one to five years	More than five years
Financial debts - lease-financing	801,466	322,604	478,862	
Repayable advances	226,779	68,520	158,259	
Bond	3,016,058	1,931,008	1,085,050	
Derivatives liabilities	8,530		8,530	
Debt under the factoring contract	151,092	151,092		
Total financial liabilities	**4,203,925**	**2,473,224**	**1,730,701**	**-**
Current financial liabilities	*2,473,224*			
Non-current financial debts	*1,730,701*			

12.1 Financial debts - lease-financing

CHANGES IN FINANCIAL LIABILITIES - LEASE-FINANCING (Amount in euros)	Financial liabilities - lease-financing contracts	Current part	Non-current part	
			from 1 to 5 years	more than 5 years
At December 31, 2013	**392,821**	315,757	77,065	-
(+) Subscription	750,400			
(-) Repayment	(341,756)			
At December 31, 2014	**801,466**	322,604	478,862	-
(+) Subscription	139,239			
(-) Repayment	(347,420)			
At December 31, 2015	**593,285**	295,433	297,853	-

12.2 Repayable advances

The table below sets out the changes in repayable advances in subsidies:

CHANGES IN REPAYABLE ADVANCES (Amounts in euros)	OSEO Knees	OSEO - Beep N Track	Total
At December 31, 2013	**278,574**	**248,043**	**526,617**
(+) Subscription			-
(-) Repayment	(60,000)	(250,000)	(310,000)
Subsidies			-
Financial expenses	8,206	1,957	10,162
(+/-) Other movements			-
At December 31, 2014	**226,779**	**-**	**226,779**
(+) Subscription			-
(-) Repayment	(70,000)	-	(70,000)
Subsidies			-
Financial expenses	6,474	-	6,474
(+/-) Other movements			-
At December 31, 2015	**163,253**	**-**	**163,253**

Breakdown of repayable advances by maturity

	OSEO Knees	OSEO - Beep N Track	Total
At December 31, 2014	**226,779**	**-**	**226,779**
Part due in less than one year	68,520	-	68,520
Part due between one and 5 years	158,259	-	158,259
Part due in more than 5 years	-	-	-
At December 31, 2015	**163,253**	**-**	**163,253**
Part due in less than one year	78,309		78,309
Part due between one and 5 years	84,944		84,944
Part due in more than 5 years	-		-

In 2014 and 2015, the Company did not obtain any new reimbursable advance, or receive any additional payments in respect of existing advances.

Reimbursable OSEO Innovation advance - Knee

On February 25, 2010, OSEO granted Implanet an interest-free repayable innovation loan of €350 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 €280,000 following the signature of the contract (received on March 1, 2010);
- the balance on completion of the work on May 9, 2011.

Following the technical and commercial success of the project, the reimbursement of this innovation subsidy has begun in accordance with the following schedule:

- €12,500 per quarter in 2013 on the last day of the quarter;
- €15,000 per quarter in 2014 on the last day of the quarter;
- €17,500 per quarter in 2015 on the last day of the quarter;
- €20,000 per quarter in 2016 on the last day of the quarter;
- €22,500 per quarter in 2017 on the last day of the quarter.

The share of the advances received which are due in more than one year is recognized in "Non-current financial debts", whilst the share due in less than one year is recognized in "Current financial debts".

Under IFRS, the fact that the reimbursable advance does not bear annual interest means it is treated as an interest-free loan for the Company, i.e. under conditions more favorable than market rates. The difference between the amount of the advance at the historic cost and that of the advance

discounted at a market rate (3-month Euribor + 2.5 points = 3.16%) is considered to be a subsidy received from the Government.

Reimbursable OSEO Innovation advance – BEEP N TRACK

On January 28, 2008, Implanet obtained from OSEO a €650 thousand interest-free, repayable innovation loan to "develop a new service for the computerized management of implants intended for healthcare facilities (I-SMART)".

The payments from OSEO were made in stages between the signature of the contract and the end of the project, the principal stages being:

- first payment of €325 thousand following the signature of the contract (received on February 4, 2008);
- second payment of €195 thousand following the call for funds (received on April 28, 2009);
- the balance on completion of the work on April 28, 2009.

Following the technical and commercial success of the project, the reimbursement of this innovation subsidy was completed in accordance with the following schedule:

- no later than March 31, 2011: €100,000
- no later than March 31, 2012: €150 000
- no later than March 31, 2013: €150,000
- no later than March 31, 2014: €250,000

The fair value of this advance has been determined on the basis of an estimated interest rate of 6.87% per year.

This reimbursable advance was repaid in full at March 31, 2014.

12.3 Convertible bond issues

CHANGES IN BOND ISSUES (Amounts in euros)	Non-convertible KREOS bond issue	OCABSA L1 Capital	Total
At December 31, 2013	**4,733,383**		**4,733,383**
(+) Subscription			-
(-) Derivative liability			-
(-) Redemption	(1,860,324)		(1,860,324)
(+) Capitalized interest			-
(+/-) Impact of amortized cost	142,999		142,999
(+/-) Translation			-
At December 31, 2014	**3,016,058**		**3,016,058**
(+) Subscription		990,000	990,000
(-) BSA discount	(11,299)	(167,825)	(179,124)
(-) Derivative liability		(147,662)	(147,662)
(-) Repayment	(1,129,437)		(1,129,437)
(+) Capitalized interest/accretion			-
(+/-) Impact of amortized cost	109,491	153,657	263,147
(+/-) Translation	-	(460,000)	(460,000)
At December 31, 2015	**1,984,812**	**368,170**	**2,352,982**

Breakdown of bonds by maturity

	Non-convertible KREOS bond issue	OCABSA L1 Capital	Total
At December 31, 2014	**3,016,058**	-	**3,016,058**
Part due in less than one year	1,931,008		1,931,008
Part due between one and 5 years	1,085,050		1,085,050
Part due in more than 5 years			-
At December 31, 2015	**1,984,812**	**368,170**	**2,352,982**
Part due in less than one year	900,572	368,170	1,268,742
Part due between one and 5 years	1,084,240		1,084,240
Part due in more than 5 years			-

12.3.1 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 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 (BSA) for shares in the Company to KREOS was resolved by the Extraordinary General Shareholders' Meeting of July 19, 2013. These share subscription warrants (BSA) have the following characteristics:
  - number of shares to be issued: 65,000
  - subscription price: €7.20
  - terms and conditions of exercise: the share subscription warrants (BSA) will be exercisable (and shall expire concomitantly) until the earlier of the following two events occurring:
    - the exercise of one or more transfers of Company shares which would cause any person to hold at least ninety-five percent (on a fully diluted basis) of the Company's share capital; or
    - the end of a period of five (5) years from the date of initial listing of all or part of the Company's shares on a regulated market or a French or foreign stock exchange.

- the Company's goodwill 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 (BSA) 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.

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 (BSA) 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	**12/31/2015**	**12/31/2014**
Number of subscribable shares	75,400 (1)	65,000
Anticipated term	2 years	3 years
Volatility	28.77%	29.63%
Risk-free rate	-0.35%	-0.11%
Value of derivative (in euros)	**154**	**8,530**

(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).

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 subscribable shares	18,473
Anticipated term	2.5 years
Volatility	30.58%
Risk-free rate	-0.16%
Value of equity instrument (in euros)	**11,299**

12.3.2 Issue of convertible bonds with warrants attached ("OCABSA") in favor of L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND

On October 12, 2015, the Company entered into an OCABSA contract with L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND, enabling the Company potentially raise €5 million at its discretion.

The Board of Directors' meeting of October 12, 2015 resolved the free issue of an initial tranche of 100 OCABSA with a total value of €1.0 million.

The Company may issue 400 additional warrants to L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND, which may give rise to a bond issue of a maximum additional amount of €4 million (in several tranches of a maximum amount of €250,000 each, it being stipulated that L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND may ask for the amount of one of these tranches to be increased by €100,000), subject to certain conditions:

- the necessary authorizations must be obtained at the next annual General Shareholders' Meeting to be held before June 30, 2016,
- direct and indirect investments by L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND in the Company's capital do not exceed 3% of the capital and voting rights given the number of potential shares resulting from the conversion of convertible bonds.
- the previous tranche must be repaid or converted or there must be a period of 35 days after drawing down the previous tranche (excluding the first tranche), and
- both the closing price and weighted average price over the five trading days preceding the issue request being at least €1.10.

The first tranche of convertible bonds issued in 2015 has the following characteristics:

- Nominal value: €10,000
- Subscription price: 99% of par value
- Maturity: 12 months
- 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.

The share subscription warrants (BSA) have the following characteristics:

- Number of warrants (BSA): 400,000
- One warrant (BSA) carries entitlement to one share
- Maturity: 5 years
- Exercise price: €2.50

At December 31, 2015, given the conversion of 46 convertible bonds (OCA) for €460 thousand, 54 bonds and 400,000 warrants (BSA) were in circulation .

Valuation

Debt is valued using the amortized cost method. Lawyers' costs of €82 thousand incurred relating to the OCABSA contract and discounts related to the warrants (BSA) and the conversion option were taken into account in the effective interest rate of the bond issue.

The conversion option is 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:

Conversion option	**12/31/2015**	**On issue**
Number of subscribable shares	287,723	478,835
Anticipated term	5 months	6 months
Volatility	28.01%	33.17%
Risk-free rate	-0.45%	-0.31%
Value of derivative (in euros)	**120,264**	**147,662**

The derivative liability at December 31, 2015 amounts to €120 thousand. The change in fair value over the period is -€27 thousand.

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:

Warrant (BSA)	**On issue**
Number of subscribable shares	400,000
Anticipated term	3 years
Volatility	33.33%
Risk-free rate	-0.20%
Value of equity instrument (in euros)	**167,825**

12.4 Loans from financial institutions

CHANGE IN BANK LOANS (Amounts in euros)	**Bank loans**
At December 31, 2013	**-**
(+) Subscription	-
(-) Repayment	-
At December 31, 2014	**-**
(+) Subscription	500,000
(-) Repayment	(81,320)
At December 31, 2015	**418,680**

On June 10, 2015, the Company took out a loan with Banque Courtois.
The main characteristics of the loan are as follows:

- Nominal value: €500,000
- Term: 3 years
- Interest rate: 1.95% per year
- Interest paid quarterly in arrears

Breakdown of loans with financial institutions by maturity date

	Bank loans
At December 31, 2015	**418,680**
Part due in less than one year	165,033
Part due between one and 5 years	253,647
Part due in more than 5 years	-

Note 13: Commitments to employees

Commitments to employees comprise the provision for retirement benefits, valued on the basis of the provisions set out in the applicable collective agreement, namely the collective agreement for the metallurgy industry.

This commitment only concerns employees covered by French law. The main actuarial assumptions used for evaluation of the retirement benefits are the following:

ACTUARIAL ASSUMPTIONS	12/31/2015		12/31/2014	
	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)	2.03%		1.49%	
Mortality table	INSEE 2015		INSEE 2012	
Rate of revaluation of salaries	2.00%		2.00%	
Rate of turnover	Average (AG2R table)		Average (AG2R table)	
Rate of Social Security charges	53%	47%	51%	47%

The provision for retirement commitments has changed as follows:

AMOUNTS DUE TO PERSONNEL (Amounts in euros)	Retirement benefits
At December 31, 2013	**34,802**
Past service costs	8,532
Financial costs	1,044
Actuarial differences	30,250
At December 31, 2014	**74,628**
Past service costs	13,102
Financial costs	1,112
Actuarial differences	(5,938)
At December 31, 2015	**82,905**

Note 14: Provisions

PROVISIONS (Amounts in euros)	12/31/2015				
	Amount at start of year	Allocations	Reversals	Release of surplus provisions	Amount at year end
Provisions for legal disputes	-	55,000			55,000
Provisions for employment tribunal disputes	-				-
Total provisions for liabilities and expenses	**-**	**55,000**	**-**	**-**	**55,000**

PROVISIONS (Amounts in euros)	12/31/2014				
	Amount at start of year	Allocations	Reversals	Release of surplus provisions	Amount at year end
Provisions for legal disputes	109,131		109,131		-
Provisions for employment tribunal disputes	35,500		35,500		-
Total provisions for liabilities and expenses	**144,631**	**-**	**144,631**	**-**	**-**

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.

On December 31, 2015, the Company recorded provisions of €55 thousand.

Employment tribunal disputes

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

Following the settlement in 2014, an exceptional expense of €38 thousand was recognized resulting in a reversal of provisions in the same amount.

Tax audit

The Company was the subject of a tax audit covering fiscal years 2009, 2010 and 2011 and received an reassessment notification amounting to €109 thousand in 2012. Following the settlement in 2014 (payment of the tax adjustment), a tax expense of €109 thousand was recognized resulting in a reversal of provisions in the same amount at December 31, 2014.

Note 15: Current liabilities

15.1 Tax and social security liabilities

Tax and social security liabilities are broken down as follows:

TAX AND SOCIAL SECURITY LIABILITIES (Amounts in euros)	12/31/2015	12/31/2014
Employees and related accounts	163,385	251,069
Social Security and other social bodies	353,295	367,686
Other taxes, duties and similar payments	43,767	130,053
Total tax and social security liabilities	**560,447**	**748,808**

15.2 Other current liabilities

Other current liabilities are broken down as follows:

OTHER CURRENT LIABILITIES (Amounts in euros)	12/31/2015	12/31/2014
Directors' fees due to members of the Board of Directors	7,500	7,500
Miscellaneous	10,225	8,375
Total other current liabilities	**17,725**	**15,875**

Note 16: Revenues

The Company's revenues essentially comprise the sale of orthopedic implants.

Revenue by geographic region for the last two fiscal years ended December 31, 2015 and 2014 are as follows:

REVENUES BY REGION (Amounts in euros)	12/31/2015	12/31/2014
France	2,852,681	3,984,975
Brazil	1,755,699	875,813
United States	1,203,200	820,880
Rest of the World	841,795	1,356,648
Total revenue	**6,653,374**	**7,038,416**

REVENUES BY TYPE OF PRODUCTS (Amounts in thousands of euros)	12/31/2015	12/31/2014
Spinal	2,806	1,930
Knee + Arthroscopy	3,847	4,343
Hip	-	765
Total revenue	**6,653**	**7,038**

With regard to the concentration of credit risk, two distributors each account for more than 10% of consolidated revenue at December 31, 2015: one Export distributor (26%) and one France distributor (21%).

Note 17: Details of expenses and income by function

17.1 Cost of sales

COST OF SALES (Amounts in euros)	12/31/2015	12/31/2014
Purchases of raw materials and goods	(3,314,474)	(4,844,563)
Reversal of inventory provisions	-	1,516,983
Depreciation and amortization of ancillary devices	(755,590)	(771,925)
Cost of sales	**(4,070,063)**	**(4,099,504)**

In 2014, the Company divested the entire "hip" product range for €220 thousand. This amount is recognized in revenue in the income statement. These products had been fully impaired in 2013 following a decision to gradually withdraw from sectors considered to be non-strategic and with low profitability profiles.

The cost of the products in the "hip" range, as well as the reversal of the provision corresponding to half-year sales, was entered under cost of sales leading to the recognition of a margin of 100% on this sale during the 2014 fiscal year.

17.2 Sales, distribution & marketing

SALES, DISTRIBUTION AND MARKETING (Amounts in euros)	12/31/2015	12/31/2014
Materials and supplies not for stock	(181,813)	(103,479)
Vehicle leases	(68,590)	(40,107)
Miscellaneous rentals	(8,517)	(2,889)
Hardware, equipment and works	(17,534)	(9,671)
Insurance policies	(79,104)	(33,288)
Interim compensation Fees	(381,108)	(81,234)
Advertising	(222,927)	(218,429)
Transport	(3,067)	(23,805)
Travel, assignments and entertaining	(579,559)	(356,424)
Duties and taxes	(3,167)	(605)
Payroll expenses	(1,623,799)	(986,024)
Depreciation and amortization of fixed assets	(44,039)	(7,399)
Share-based payments	(124,624)	(325,666)
Provisions for legal disputes / reversal	(45,000)	-
Royalties	(115,596)	(177,985)
Sales commission	(678,871)	(518,210)
Impairment of trade receivables	(276,488)	(379,956)
Miscellaneous	(26,535)	(36,149)
Sales, Distribution and Marketing expenses	**(4,480,338)**	**(3,301,320)**

The rise in sales and marketing costs compared to 2014 is mainly due to growth in US business, with an increased sales force and higher strategic consultancy fees relating to the roll-out of activities.

17.3. Research and Development

RESEARCH AND DEVELOPMENT (Amounts in euros)	12/31/2015	12/31/2014
Vehicle leases	(42,812)	(62,834)
Hardware, equipment and works	(11,961)	(13,910)
Studies and research	(167,342)	(234,319)
Intellectual property fees	(160,704)	(297,625)
Travel, assignments and entertaining	(37,227)	(59,212)
Duties and taxes	(633)	(5,603)
Payroll expenses	(631,151)	(774,411)
Capitalization of R&D expenses	233,211	99,433
Depreciation and amortization of capitalized R&D expense	(100,796)	(100,796)
Depreciation and amortization of fixed assets	(2,260)	(10,766)
Share-based payments	(19,197)	(58,660)
Miscellaneous	(5,703)	(19,506)
Research and Development costs	**(946,574)**	**(1,538,209)**
Research tax credit	215,057	361,350
Subsidies	**215,057**	**361,350**
Research and Development costs, net	**(731,517)**	**(1,176,859)**

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

17.4 Regulatory affairs and quality assurance

REGULATORY AFFAIRS AND QUALITY ASSURANCE (Amounts in euros)	12/31/2015	12/31/2014
Materials and supplies not for stock	(79,819)	(81,613)
Miscellaneous rentals	(1,015)	(11,591)
Studies and research	(190,364)	(94,515)
Interim compensation Fees	(200,315)	(43,594)
Travel, assignments and entertaining	(8,104)	(11,029)
Payroll expenses	(395,696)	(475,180)
Capitalization of R&D expenses	39,739	6,747
Depreciation and amortization of capitalized R&D expense	(63,963)	(63,963)
Depreciation and amortization of fixed assets	(15,763)	(12,264)
Share-based payments	(3,238)	(9,244)
Miscellaneous	(32,064)	(33,114)
Regulatory affairs and quality assurance costs	**(950,602)**	**(829,360)**
Research tax credit	10,136	17,527
Subsidies	**10,136**	**17,527**
Regulatory affairs and quality assurance costs, net	**(940,465)**	**(811,833)**

17.5 Operations

OPERATING COSTS (Amounts in euros)	12/31/2015	12/31/2014
Materials and supplies not for stock	(16,241)	(24,782)
Real estate leases	(135,893)	(123,009)
Vehicle leases	(12,297)	(9,941)
Miscellaneous rentals	(1,877)	(22,210)
Hardware, equipment and works	(37,943)	(39,316)
Interim compensation Fees	(39,554)	10,692
Transport	(15,747)	(32,206)
Travel, assignments and entertaining	(6,977)	(11,925)
Payroll expenses	(570,052)	(528,343)
Depreciation and amortization of fixed assets	(117,497)	(138,694)
Share-based payments	(7,893)	(30,779)
Reversal of inventory provisions	204,914	32,616
Miscellaneous	(34,638)	(4,035)
Operating costs	**(791,697)**	**(921,933)**

The cost of "operations" includes:

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

17.6 General and administrative expenses

GENERAL AND ADMINISTRATIVE EXPENSES (Amounts in euros)	12/31/2015	12/31/2014
Materials and supplies not for stock	(60 452)	(54 626)
Real estate leases	(201 233)	(224 265)
Vehicle leases	(34 769)	(30 167)
Miscellaneous rentals	(72 879)	(1 913)
Hardware, equipment and works	(225 252)	(180 255)
Insurance policies	(227 921)	(226 745)
Interim compensation Fees	(988 393)	(1 009 105)
Advertising	(29 709)	(38 754)
Travel, assignments and entertaining	(286 101)	(152 606)
Postal and telecommunication expenses	(66 904)	(74 692)
Banking services	(33 037)	(66 663)
Duties and taxes	(98 802)	(77 599)
Payroll expenses	(984 195)	(983 860)
Attendance fees	(18 000)	(12 000)
Depreciation and amortization of fixed assets	(71 723)	(96 657)
Share-based payments	(16 203)	(127 878)
Gain on lapsed trade payable	201 388	-
Provisions for legal disputes / reversal	(10 000)	-
Miscellaneous	(47 261)	(5 510)
General and administrative expenses	**(3 271 443)**	**(3 363 295)**

Note 18: Headcount

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

AVERAGE HEADCOUNT	12/31/2015	12/31/2014
Managers	29.6	25.4
Employees	16.8	16.6
Total average headcount	**46.4**	**42.0**

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

AVERAGE HEADCOUNT BY GEOGRAPHIC REGION	12/31/2015	12/31/2014
France	40.3	38.5
United States	6.1	3.5
Total average headcount	**46.4**	**42.0**

Note 19: Financial income and expenses, net

FINANCIAL INCOME AND EXPENSES (Amounts in euros)	12/31/2015	12/31/2014
Amortized cost of loans	(641,175)	(571,500)
Changes in the fair value of derivative liabilities	35,774	70,308
Other financial expenses	(29,468)	(27,677)
Financial income	57,630	75,579
Foreign exchange gains and (losses)	201,828	218,033
Total financial income and expenses	**(375,411)**	**(235,257)**

The financial income essentially comprises the interest arising on the term deposit accounts and on the medium-term notes.

The other financial expenses essentially comprise the interest on the finance leases.

Note 20: Corporate income tax

The total amount of the tax losses at December 31, 2015 is estimated at €55,683 thousand comprising:

- French tax losses which can be carried forward indefinitely, for €51,985 thousand;
- Tax losses of the US subsidiary for US$4,026 thousand of which:
  - US$2,293 thousand constituted in 2015, expiring in 2035;
  - US$1,631 thousand constituted in 2014, with expiry in 2034;
  - US$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%;
- Implanet America Inc. is the current rate in force in the United States, namely 44%.

In accordance with the principles set out in Note 2.25, no deferred tax assets have been recognized in the Company's financial statements apart from deferred tax credits.

Reconciliation between the theoretical and effective tax charges

Tax proof (Amounts in euros)	12/31/2015	12/31/2014
Total net income/(loss)	(8,007,562)	(6,871,586)
Consolidated tax expense	-	-
Net income before taxes	**(8,007,562)**	**(6,871,586)**
Current tax rate in France	33.33%	33.33%
Theoretical tax expense at the current rate in France	**2,668,920**	**2,290,300**
Permanent differences	493,440	104,360
Share-based payments	(57,051)	(184,058)
Non-activated tax loss adjusted for deferred taxation	(3,363,493)	(2,343,939)
Differences due to tax rates	258,184	133,337
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 euros)	12/31/2015	12/31/2014
Timing differences	546,506	187,861
Losses carried forward	18,953,568	15,723,601
Total of the items treated as deferred tax assets	**19,500,073**	**15,911,462**
Timing differences	480,289	296,036
Total of the items treated as deferred tax liabilities	**480,289**	**296,036**
Net total of the items treated as deferred taxes	**19,019,784**	**15,615,426**
Unrecognized deferred taxes	**(19,019,784)**	**(15,615,426)**
Net total of deferred taxes	-	-

Note 21: Net earnings per share

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

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

BASIC EARNINGS PER SHARE (Amounts in euros)	12/31/2015	12/31/2014
Net income for the year	(8,007,562)	(6,871,586)
Weighted average number of shares in circulation	9,692,216	5,399,522
Basic earnings per share (€/share)	**(0.83)**	**(1.27)**
Diluted earnings per share (€/share)	**(0.83)**	**(1.27)**

Note 22: Related parties

22.1 Transactions with related parties

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

Implanet Institute

Implanet Institute, a non-profit association sponsored by Implanet, has the role of assisting young surgeons in all areas of their practice (program to prepare surgeons for setting up a practice, training in surgical techniques, etc.).

Implanet Institute is an independent association whose actions are decided by its Scientific Committee. The members of the association include certain shareholders and employees of the Company.

The Company did not make any contribution to Implanet Institute over the fiscal years presented.

22.2 Executives' compensation (excluding awards of capital instruments)

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

The compensation of the executive officers is broken down as follows (in euros):

COMPENSATION OF CORPORATE OFFICERS (Amounts in euros)	12/31/2015	12/31/2014
Fixed compensation due	294,401	315,567
Variable compensation due	-	37,500
Benefits in kind	13,421	11,436
Share-based payments	175,208	354,183
Advisers' fees	431,529	170,353
Attendance fees	18,000	12,000
TOTAL	**932,559**	**901,040**

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

Note 23: Off-balance sheet commitments

23.1 Personal training account ("CPF")

Since January 1, 2015, the personal training account has replaced the individual right to training ("ITR").

Training costs under CPF are now financed by the accredited collecting fund for training (OPCA) to which the vocational training contributions are paid. The Company thus has no commitment in this respect since January 1, 2015.

23.2 Obligation under the terms of the KREOS contract

Within the framework of the KREOS bond contract signed on July 19, 2013 (see Note 12.3), the Company granted to KREOS the following sureties and commitments:

- pledge of the business goodwill in favor of KREOS;
- commitment by the Company not to contract, without prior authorization from KREOS, debt of more than €2.5 million other than (a) the KREOS bond, (b) borrowings to cover working capital requirement, (c) advances from OSEO (or any other support or advance from public bodies), (d) the issue of convertible bonds or bonds redeemable in shares, or (e) current account advances from shareholders;
- commitment by the Company not to proceed with any pledge or cede any assets, except in the normal course of its business.

23.3 Obligation under the terms of the L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND contract

Within the framework of the OCABSA contract signed on October 12, 2015 (see Note 12.3), the Company granted the following sureties AND COMMITMENTS TO L1 EUROPEAN HEALTHCARE 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 agreement of L1 EUROPEAN HEALTHCARE 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 L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND.

23.4 Commercial leases

Real estate leases

As part of its activities, the Company has concluded property leasing contracts:

Implanet SA has concluded the following commercial leases:

Administration building:
Address Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France
Term October 8, 2007 – October 8, 2016
Early departure Possible at the end of each three-year period

The Company terminated the lease on the administrative building with effect from October 08, 2016.

Logistics building:
Address Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France
Term December 15, 2010 - December 15, 2019
Early departure Possible at the end of each three-year period

The new contract entered into for the real estate complex (see below) provides for the termination of the lease on the logistics building without compensation with effect from October 1, 2016.

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

Implanet America Inc. occupies administrative buildings under a short-term lease to which the Company is bound up to May 31, 2016:

Address	8 Faneuil Hall Market Place, 3rd Floor, Boston, Massachusetts, 02109 United States

Charges and commitments

The amount of the rental payments recognized at the end of 2015 and the commitments up until the next termination periods are broken down as follows:

					Commitment until the next termination date		
Location	Real estate leasing contracts	Effective start date of lease	Expiry date of lease	Leasing expenses excluding charges at 12/31/2015	Due in less than 1 year	From one to 5 years	Due in more than 5 years
MARTILLAC	Administration building	10/8/2007	10/8/2016	136,058	103,416	-	-
MARTILLAC	Logistics building	12/15/2010	10/1/2016	126,398	94,797	-	-
MARTILLAC	Real estate complex (administrative & logistics buildings)	10/1/2016	09/30/2026	-	53,000	848,000	371,000
BOSTON	Administration building	12/1/2014	5/31/2016	61,019	27,739	-	-

23.5 Commitments in respect of operating leases

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

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

	Less than one year	From 1 to 5 years	More than 5 years
Off-balance sheet commitments at 12/31/2015 (amount in euros)	77,536	53,532	-

23.6 Obligations in respect of other contracts

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

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

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

23.7 Other financial commitments

Documentary credits and remittances

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

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

Pledge of term accounts and medium-term notes

- renewable pledge of a €150 thousand term deposit account maturing in July 2018 under lease financing agreements with HSBC Bank;
- negotiable pledge of a €300 thousand medium-term note maturing in 2019 under a lease-back agreement with Banque Courtois;
- pledge of a term deposit of €200 thousand under a bank loan taken out with Banque Courtois in the first half of 2015, maturing in 2018.

Earn-out clause - divestiture of BEEP N TRACK to GHX

The contract for the divestiture of the BEEP N TRACK business to GHX includes an earn-out clause on the basis of an agreement for the sharing of revenues exceeding the current business plan of GHX for the 2013-2015 fiscal years. Under the terms of this clause, the Company could receive a maximum earn-out of US$4 million.

No accrued income was recognized at December 31, 2015, given the uncertainty concerning the receipt and assessment of this earn-out.

Bank sureties:

- bank surety of €28,630 from the Banque Courtois on behalf of Implanet in favor of the lessor of its administrative building;
- bank surety of €10,000 from the Banque Courtois on behalf of Implanet in favor of TOTAL.

Note 24: Management and measurement of financial risks

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

Interest rate risk

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

- 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, two distributors each account for more than 10% of consolidated revenue at December 31, 2015: one Export distributor (26%) and one France distributor (21%).

Foreign exchange risks

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 participating investments or investment securities that are traded on a regulated market.

Note 25: Fees of the Statutory auditors

FEES PAID TO STATUTORY AUDITORS (Amounts in euros)	2015 fiscal year				2014 fiscal year			
	Ernst & Young		INKIPIO AUDIT		Ernst & Young		INKIPIO AUDIT	
	Amount excl. taxes	%	Amount excl. taxes	%	Amount excl. taxes	%	Amount excl. taxes	%
Statutory audit work (1)	114,000	97%	76,000	100%	69,500	79%	51,000	94%
Other services and due diligence directly linked to the statutory audit work	4,100	3%	-	0%	19,000	21%	3,000	6%
Subtotal	**118,100**	**100%**	**76,000**	**100%**	**88,500**	**100%**	**54,000**	**100%**
Other services rendered								
- Tax	-	0%	-	0%	-	0%	-	0%
- Other	-	0%	-	0%	-	0%	-	0%
Subtotal	**-**	**0%**	**-**	**0%**	**-**	**0%**	**-**	**0%**
Total fees	**118,100**	**100%**	**76,000**	**100%**	**88,500**	**100%**	**54,000**	**100%**

(1) Including fees relating to producing reports required by law or regulations (additional reports for a capital increase, etc.)

20.2. PRO FORMA FINANCIALS

Not applicable

20.3. FINANCIAL STATEMENTS OF IMPLANET SA FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

20.3.1. Balance sheet – Assets

IMPLANET Balance sheet assets in euros	Notes	12/31/2015 Amount	Amort. Prov.	Net carrying amount	12/31/2014 Net carrying amount
Capital subscribed but not called					
INTANGIBLE FIXED ASSETS					
Incorporation expenses					
Development expenses					
Concessions, patents and similar rights	3.1	373,585	353,950	19,635	70,646
Other intangible fixed assets	3.1			-	44,659
PROPERTY, PLANT AND EQUIPMENT					
Land					
Buildings					
Technical installations, equipment & tooling	3.1	3,592,782	3,030,568	562,214	858,174
Other property, plant and equipment	3.1	347,645	300,064	47,581	27,780
Fixed assets in progress	3.1				92,253
Advances and payments on account					
LONG-TERM FINANCIAL ASSETS					
Other investments	3.2	246,793		246,793	246,793
Other long-term financial assets	3.2	487,701		487,701	514,377
TOTAL FIXED ASSETS		**5,048,506**	**3,684,582**	**1,363,924**	**1,854,682**
INVENTORIES AND WORK IN PROGRESS					
Raw materials & supplies	4	79,937		79,937	116,314
Intermediate and finished products	4	15,372		15,372	15,372
Goods for resale	4	3,627,135	555,143	3,071,992	2,795,538
Advances & down-payments paid on orders		24,680		24,680	53,022
RECEIVABLES					
Trade receivables & related accounts	5	4,409,678	768,864	3,640,814	2,309,295
Other receivables	5	4,046,792	1,287,405	2,759,387	2,408,399
Capital subscribed and called but not paid					
MISCELLANEOUS					
Marketable securities	6	5,600,000		5,600,000	2,800,050
Cash and cash equivalents	6	1,384,057		1,384,057	2,357,455
PREPAYMENTS AND ACCRUALS					
Prepaid expenses	7	71,759		71,759	97,379
TOTAL CURRENT ASSETS		**19,259,410**	**2,611,412**	**16,647,998**	**12,952,824**
Bond redemption premium	11	5,400		5,400	
Translation differences - assets				-	976
TOTAL ASSETS		**24,313,316**	**6,295,994**	**18,017,322**	**14,808,482**

20.3.2. Balance sheet – Liabilities

IMPLANET Balance sheet liabilities in euros	Notes	12/31/2015	12/31/2014
SHAREHOLDERS' EQUITY			
Share or individual capital	8	15,887,399	8,099,283
Issue, merger & contribution premiums	8	15,051,331	12,500,647
Revaluation variance			
Legal reserve			
Statutory or contractual reserves			
Regulated reserves (3) (inc. res. curr. prov.			
Other reserves (inc. purchase of orig. works)			
Retained earnings	8	(12,294,012)	(7,005,705)
NET INCOME FOR THE YEAR (profit or loss)		**(6,776,643)**	**(5,288,306)**
Investment subsidies			
Regulated provisions			
TOTAL SHAREHOLDERS' EQUITY		**11,868,075**	**8,305,919**
OTHER SHAREHOLDERS' EQUITY			
Income from issues of investment securities			
Conditional advances			
TOTAL OTHER SHAREHOLDERS' EQUITY			
PROVISIONS FOR LIABILITIES AND EXPENSES			
Provisions for liabilities	10	55,000	976
Provisions for expenses			
TOTAL PROVISIONS		**55,000**	**976**
LIABILITIES			
Convertible bond issues	11	540,000	
Other bond issues	11	2,050,516	3,175,926
Loans and debts due to financial institutions	12	418,680	
Loans and financial debt Miscellaneous (1)	13	170,000	240,000
Advances and down-payments received on orders in progress			
Trade and other accounts payable	14	1,853,461	2,119,853
Tax and social security liabilities	14	558,791	741,351
Liabilities on fixed assets and related accounts			
Other liabilities	14	15,000	13,431
PREPAYMENTS AND ACCRUALS			
Deferred income			
TOTAL DEBT		**5,606,448**	**6,290,561**
Translation differences - liabilities		487,799	211,026
TOTAL LIABILITIES AND EQUITY		**18,017,322**	**14,808,482**

(1) The "Loans and miscellaneous financial debts" comprise repayable advances.

20.3.3. Income Statement

IMPLANET Income statement in euros	Notes	12/31/2015 12 months	12/31/2014 12 months
OPERATING INCOME			
Sales of merchandise	16	6,144,256	6,764,822
Production sold	16	473,750	383,039
NET REVENUE		**6,618,006**	**7,147,861**
Stored production		1,897	17,678
Operating subsidies			
Reversals of depreciation, amortization and provisions, transfer of expenses		543,677	3,140,065
Other income		1,927	452
TOTAL OPERATING INCOME		**7,165,507**	**10,306,056**
OPERATING EXPENSES			
Purchases of goods for resale		3,765,956	3,738,357
Change in inventories of goods for resale		(46,271)	2,548,462
Purchases of raw materials and other supplies		124,474	108,324
Change in inventories of raw materials and supplies		13,005	81,445
Other purchases and external expenses		4,402,774	4,283,443
Taxes, duties and similar payments		133,374	117,011
Salaries and benefits		2,258,155	2,210,587
Social Security charges		1,056,068	1,059,050
OPERATING ALLOCATIONS			
Allocations to depreciation and amortization on fixed assets		626,820	716,551
Allocations to provisions on current assets		183,806	439,117
Allocations to provisions for liabilities and expenses		55,000	-
Other expenses		180,516	178,074
TOTAL OPERATING EXPENSES		**12,753,677**	**15,480,421**
NET OPERATING INCOME		**(5,588,170)**	**(5,174,365)**
Financial income	18	166,393	90,770
Financial expenses	18	1,630,526	559,938
NET FINANCIAL INCOME		**(1,464,133)**	**(469,168)**
RECURRING NET INCOME BEFORE TAXES		**(7,052,303)**	**(5,643,533)**
Non-recurring income	19	348,235	941,033
Non-recurring expenses	19	297,769	964,684
NON-RECURRING NET INCOME		**50,466**	**(23,651)**
Employees' investment in the Company's results			
Corporation Tax	20	(225,193)	(378,877)
PROFIT OR LOSS FOR THE YEAR		**(6,776,643)**	**(5,288,306)**

20.3.4. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(Unless indicated otherwise, the amounts shown in these notes are in euros.)

Note 1: Presentation of the business and significant events

The information set out below constitutes the Notes to the annual financial statements which form an integral part of the financial statements presented for the fiscal year ended December 31, 2015.

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

The financial statements at December 31, 2015 were approved by the Board of Directors on March 24, 2016.

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 Company is hereafter referred to as the "Company".

1.2 Significant events

Fiscal year ended December 31, 2015

November 2015:

- regulatory authorization obtained from the Brazilian health authority (ANVISA) for the marketing of the JAZZ Band™ platform.

October 2015:

- new financing operation set up involving the issue of convertible bonds with warrants attached (“OCABSA”) to raise a potential maximum of €5 million, at the Company’s discretion under certain usual conditions, which may be revised upwards by an equivalent amount if the share subscription warrants issued under this operation are exercised. The purpose of this new financing operation, handled by L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND, is to fund the development of the JAZZ BAND technology platform and its commercial roll-out worldwide.

September 2015:

- 510(k) clearance by the Food and Drug Administration (FDA) in the United States for use of the JAZZ platform with all thoraco-lumbar posterior fixation systems (screws, rods and hooks) available on the market.

May 2015:

- CE marking and FDA approval in the United States for all new JAZZ diameters.

April 2015:

- Definitive clinical results of a comparative study showing the efficacy of the JAZZ implant in the treatment of idiopathic scoliosis.

March 2015:

- The Company carried out a secondary fund-raising while maintaining the preferential subscription right for an amount of €11,177 thousand, issue premium included. 4,967,558 new shares were issued as part of the offer.

February 2015:

- The Company announced that it had definitively obtained intellectual ownership of its JAZZ technology in Europe until 2031 (patent number EP 2521500).

Note 2: Accounting principles, rules and methods

2.1 Principle for preparation of the financial statements

The financial statements of Implanet SA have been prepared in accordance with the provisions of the French Commercial Code (Articles L. 123-12 to L. 123-28) and the general rules for the preparation and presentation of annual financial statements (General Accounting Plan No. 2014-03 modified by the regulations issued subsequently by the Accounting Regulation Committee (CRG)).

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

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

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

The going concern assumption was used by the Board of Directors, in view of the financial capacity of the Company with regard to its financial needs for the next 12 months.

This analysis is based on the following information:

- the Company's cash flow (€1 million);
- its cash balances (€5.3 million);
- use of the credit line through the issue of convertible bonds with warrants attached ("OCABSA").

Under this financing arrangement entered into in October 2015, the Company may issue 400 additional warrants to L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND, which may give rise to a bond issue of a maximum additional amount of €4 million (in several tranches of a maximum amount of €250,000 each, it being stipulated that L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND may ask for the amount of one of these tranches to be increased by €100,000), subject to certain conditions:

- necessary approval being granted at the next annual shareholders' meeting due to be held no later than June 30, 2016;
- direct and indirect investments by L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND in the Company's capital do not exceed 3% of the capital and voting rights given the number of potential shares resulting from the conversion of convertible bonds;
- the previous tranche must be repaid or converted or there must be a period of 35 days after drawing down the previous tranche (excluding the first tranche), and
- both the closing price and weighted average price over the five trading days preceding the issue request being at least €1.10.

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 OCABSA 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: JAZZ (posterior fixture and spinal deformity reduction system), mechanical testing, filing of patents, protection of intellectual property, etc.;
- commercial rollout costs (launch of new products, territorial expansion, etc.).

To assist the understanding of the financial statements presented, the principal valuation methods used are set out below, in particular when:

- a choice is offered by the legislation;
- an exception provided for by the regulations is used;
- the application of an accounting rule is insufficient to give a true and fair view;
- an accounting rule is waived.

2.2 Intangible fixed assets

Intangible fixed assets mainly comprise licenses and software development.

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

Items	Amortization terms
Software licenses and development	1 to 3 years - 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.

2.3 Property, plant and equipment

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

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

The depreciation terms and methods used are principally the following:

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

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

The latter are recognized under property, plant and equipment when they are delivered to healthcare facilities.

Where this is not the case, they are presented under inventories and are considered to be available for sale.

2.4 Long-term financial assets

Investment securities are entered in the balance sheet at their acquisition cost. Their value is assessed annually with reference to their value in use, which is based in particular on the actual and forecast profitability of the subsidiary concerned and the proportion of shareholders' equity that is held. If necessary, a depreciation is recognized by means of a provision, if the value in use falls below the acquisition cost.

Loans and receivables are valued at their nominal value. These items are, if necessary, depreciated by means of a provision to reduce them to their value in use at the closing date of the fiscal year.

Treasury shares are compared with their probable trading value and depreciated if necessary.

2.5 Inventory

Inventories are measured using the weighted average unit cost method.

The gross value of the goods and raw materials includes the purchase price and any incidental expenses.

A provision for impairment of inventories is determined on a statistical basis using the average consumption period for products in inventories and its potential impact on the term remaining until the expiry date of said products.

2.6 Receivables

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

Other receivables comprise the nominal value of the research tax credit, which is recognized under assets in the year of acquisition corresponding to the fiscal year during which eligible expenses giving rise to the tax credit were incurred.

In accordance with the General Accounting Plan information sheet of February 28, 2013, the competitiveness and employment tax credit (Crédit d'impôt compétitivité emploi - CICE) is recorded as a deduction of payroll expenses. The Company used this tax credit in Research and Development.

2.7 Marketable securities

Marketable securities appear in the assets at their acquisition value.

Any provisions for impairment are determined by comparing the acquisition value with the probable realizable value.

2.8 Transactions denominated in foreign currencies

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

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

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

2.9 Provisions for liabilities and charges

These provisions, recognized in compliance with CRC Regulation No. 2000(06,) are intended to cover the liabilities and expenses which current or past events make probable, whose amount is quantifiable in terms of their scope, but for which the realization, due date or amount are uncertain.

2.10 Retirement Benefits

The amounts of future payments corresponding to benefits granted to employees are valued using an actuarial method, using assumptions concerning the trend in salaries, retirement age and mortality; these valuations are then discounted.

These commitments are not the subject of provisions but appear in the off-balance sheet commitments. See Note 22.1.

2.11 Loans

Loans are valued at their nominal value. Issue expenses for loans are recognized immediately.

Accrued interest is recognized in liabilities, at the interest rate set out in the contract.

2.12 Government subsidies receivable

Conditional advances

Advances received from public bodies for the financing of the Company's research activities or for regional commercial market prospecting, for which repayments are conditional, are presented in liabilities under "Loans and miscellaneous financial debts" and their characteristics are detailed in Note 13.

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

Subsidies

Subsidies received are recognized as soon as the corresponding receivable becomes certain, taking account of the conditions imposed for the grant of the subsidy.

Operating subsidies are recognized in ordinary income taking account, where applicable, of the rate of the corresponding expenses in such a way as to comply with the principle of matching expenses to income.

Research tax credit

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

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

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

2.13 Revenues

The recognition of income depends on the nature of the sales made by the Company:

- **export sales to distributors or to its distribution subsidiary:** the transfer of title occurs at the time of collection of the merchandise from Implanet (Incoterms: EX-WORKS). Contracts do not include specific clauses for returns;

- **sales in France to hospitals and clinics:** the invoicing takes place at the time of the effective fitting of the implant in a patient, based on information provided by the healthcare facilities;

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

- **sales in France via sales agents:**
    - invoicing of healthcare facilities is carried out directly by Implanet on receipt of the information related to the fitting of implants;
    - agents' commissions are recognized in "Other external purchases and expenses".

2.14 Research and Development expenses

Research and Development costs are recognized as expenses.

2.15 Distinction between recurring and non-recurring net income

Recurring net income records the income and expenses related to the ordinary activity of the business.

Unusual items related to ordinary activities are recorded in recurring net income. In particular, these include the following items:

- charges to and reversals of provisions for impairment of receivables;
- operating subsidies;
- transfers of operating expenses relating in particular to capitalized production and inventories of ancillary devices transferred into fixed assets at the time of their delivery to healthcare establishments.

Exceptional items not related to ordinary activities constitute non-recurring net income.

2.16 Net financial income

Net financial income mainly 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 for impairment of current account with the subsidiary Implanet America Inc.,
- and foreign exchange gains and losses.

Note 3: Intangible fixed assets, property, plant and equipment and long-term financial assets

3.1: Intangible fixed assets, property, plant and equipment

GROSS VALUE OF FIXED ASSETS (Amounts in euros)	12/31/2014	Acquisitions	Disposals	Reclassifications	12/31/2015
Incorporation and development expenses	-				-
Other intangible fixed assets	292,795	10,703		70,086	373,584
Intangible fixed assets in progress	44,659			(44,659)	-
Total intangible fixed assets	**337,454**	**10,703**	**-**	**25,427**	**373,584**
Technical installations, equipment and tooling	3,688,661	181,224	277,103		3,592,782
General installations, fixtures & fittings	89,103	10,896			99,999
Transport equipment	-				-
Office and IT equipment and furniture	224,586	9,290		13,770	247,646
Property, plant and equipment in progress	92,253	86,183	139,239	(39,197)	0
Total property, plant and equipment	**4,094,603**	**287,593**	**416,342**	**(25,427)**	**3,940,427**
GRAND TOTAL	**4,432,057**	**298,296**	**416,342**	**-**	**4,314,011**

AMORTIZATION AND DEPRECIATION OF FIXED ASSETS (Amounts in euros)	12/31/2014	Allocations	Reversals	12/31/2015	Net values 12/31/2015
Incorporation and development expenses	-			-	-
Other intangible fixed assets	222,149	131,800		353,949	19,635
Intangible fixed assets in progress	-			-	-
Total intangible fixed assets	**222,149**	**131,800**	**-**	**353,949**	**19,635**
Technical installations, equipment and tooling	2,841,954	461,638	273,024	3,030,568	562,214
General installations, fixtures & fittings	75,363	9,481		84,844	15,155
Transport equipment	-			-	-
Office and IT equipment and furniture	199,079	16,141		215,220	32,426
Property, plant and equipment in progress	-			-	0
Total property, plant and equipment	**3,116,396**	**487,260**	**273,024**	**3,330,632**	**609,795**
GRAND TOTAL	**3,338,545**	**619,060**	**273,024**	**3,684,581**	**629,430**

GROSS VALUE OF FIXED ASSETS (Amounts in euros)	12/31/2013	Acquisitions	Disposals	Reclassifications	12/31/2014
Incorporation and development expenses	-				-
Other intangible fixed assets	270,765	22,030			292,795
Intangible fixed assets in progress	6,250	44,659	6,250		44,659
Total intangible fixed assets	**277,015**	**66,689**	**6,250**	**-**	**337,454**
Technical installations, equipment and tooling	4,086,886	1,445,355	1,843,580		3,688,661
General installations, fixtures & fittings	82,537	6,566			89,103
Transport equipment	-	-			-
Office and IT equipment and furniture	206,668	17,918			224,586
Property, plant and equipment in progress	-	92,253			92,253
Total property, plant and equipment	**4,376,091**	**1,562,092**	**1,843,580**	**-**	**4,094,603**
GRAND TOTAL	**4,653,106**	**1,628,781**	**1,849,830**	**-**	**4,432,057**

AMORTIZATION AND DEPRECIATION OF FIXED ASSETS (Amounts in euros)	12/31/2013	Allocations	Reversals	12/31/2014	Net values 12/31/2014
Incorporation and development expenses	-			-	-
Other intangible fixed assets	157,512	64,637		222,149	70,647
Intangible fixed assets in progress	-			-	44,659
Total intangible fixed assets	**157,512**	**64,637**	**-**	**222,149**	**115,305**
Technical installations, equipment and tooling	3,292,746	632,173	1,082,965	2,841,954	846,707
General installations, fixtures & fittings	64,978	10,385		75,363	13,740
Transport equipment	-	-		-	-
Office and IT equipment and furniture	180,641	18,438		199,079	25,507
Property, plant and equipment in progress	-	-		-	92,253
Total property, plant and equipment	**3,538,365**	**660,996**	**1,082,965**	**3,116,396**	**978,207**
GRAND TOTAL	**3,695,877**	**725,633**	**1,082,965**	**3,338,545**	**1,093,512**

The technical installations, equipment and tooling principally comprise ancillary devices commissioned when they are delivered to healthcare facilities.

3.2 Long-term financial assets

GROSS VALUE OF FIXED ASSETS (Amounts in euros)	12/31/2014	Acquisitions	Disposals	12/31/2015
Other investments	246,793			246,793
Other long-term financial assets	598,829	1,163,757	1,274,884	487,701
Total long-term financial assets	**845,622**	**1,163,757**	**1,274,884**	**734,494**

AMORTIZATION AND DEPRECIATION OF FIXED ASSETS (Amounts in euros)	12/31/2014	Allocations	Reversals	12/31/2015	Net values 12/31/2015
Other investments	-			-	246,793
Other long-term financial assets	84,452	28,917	113,369	-	487,701
Total long-term financial assets	**84,452**	**28,917**	**113,369**	**-**	**734,494**

GROSS VALUE OF FIXED ASSETS (Amounts in euros)	12/31/2013	Acquisitions	Disposals	12/31/2014
Other investments	7	246,786		246,793
Other long-term financial assets	621,646	1,128,531	1,151,348	598,829
Total long-term financial assets	**621,653**	**1,375,317**	**1,151,348**	**845,622**

AMORTIZATION AND DEPRECIATION OF FIXED ASSETS (Amounts in euros)	12/31/2013	Allocations	Reversals	12/31/2014	Net values 12/31/2014
Other investments	-			-	246,793
Other long-term financial assets	-	84,452		84,452	514,377
Total long-term financial assets	**-**	**84,452**	**-**	**84,452**	**761,170**

Long-term financial assets essentially comprise:

- holding of shares in the subsidiary Implanet America Inc. for US$300,010;
- a guarantee deposit in favor of KREOS for €191 thousand under the bond issue in 2013 at an nominal value of €5.0 million;
- guarantee deposits paid under the terms of operating leases for the French premises;
- a liquidity contract (cash reserve for €92 thousand and treasury shares for €170 thousand).

Equity interest in Implanet America Inc.

The Company decided, by way of a deed dated December 31, 2014, to increase the share capital of its wholly-owned subsidiary Implanet America Inc. by US$300 thousand by offsetting receivables.

Liquidity contract

Following its listing on the Paris Euronext stock market, the Company signed a liquidity contract on November 20, 2013 with Banque Oddo et Cie in order to limit the intra-day volatility of Implanet shares.

For this purpose, the Company entrusted €400,000 to this institution in order that the latter can take long or short positions in the Company's shares.

Note 4: Inventories

INVENTORIES (Amounts in euros)	12/31/2015	12/31/2014
Inventories of raw materials	79,937	116,314
Inventories of goods for resale	2,966,917	2,726,498
Inventories of semi-finished products	15,372	15,372
Inventories of ancillary devices and instruments	660,218	829,096
Gross total inventories	**3,722,444**	**3,687,280**
Impairment of inventories of raw materials	-	-
Impairment of inventories of goods for resale	(488,019)	(720,642)
Impairment of stocks of ancillary devices and instruments	(67,124)	(39,414)
Total impairment of inventories	**(555,143)**	**(760,056)**
Net total inventories	**3,167,301**	**2,927,224**

Composition of the inventories

Inventories of raw materials essentially comprise polymer components, reels of wire (manufacture of the JAZZ braid), product manuals, RFID chips ("Radio-frequency identification") 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.

Provision for impairment of inventories

The reduced impairment of inventories compared to December 31, 2014 is due to the implementation of a screw re-sterilization process that extends their useful life and to stock management optimization.

Note 5: Trade receivables

5.1 Trade receivables

TRADE RECEIVABLES AND RELATED ACCOUNTS (Amounts in euros)	12/31/2015	12/31/2014
Trade receivables and related accounts	4,409,678	2,890,119
Gross total trade receivables and related accounts	**4,409,678**	**2,890,119**
Impairment of trade receivables and related accounts	(768,864)	(580,824)
Total impairments of trade receivables and related accounts	**(768,864)**	**(580,824)**
Net total trade receivables and related accounts	**3,640,814**	**2,309,295**

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.

5.2 Details of the receivables and breakdown by maturity

The tables below show the detail of Receivables at December 31, 2015 and December 31, 2014 as well as their breakdown into receivables due in less than one year or in more than one year:

STATEMENT OF RECEIVABLES (Amounts in euros)	12/31/2015		
	Gross Amount	Due in less than 1 year	Due in more than 1 year
Fixed assets			
Other long-term financial assets	487,701	-	487,701
Total fixed assets	**487,701**	**-**	**487,701**
Current assets			
Trade receivables (1)	4,409,678	3,639,769	769,909
Employees and related accounts	18,282	18,282	
State - Research tax credit (2)	225,193	225,193	
State - Business competitiveness tax credit (3)	37,019	37,019	
Value added tax	349,313	349,313	
Trade payable debit balances	24,680	24,680	
Factor - guarantee fund	30,000	30,000	
Factor - available reserve and other receivables	211,179	211,179	
Group (4)	3,159,755		3,159,755
Other debtors	16,049	16,049	
Total current assets	**8,481,148**	**4,551,484**	**3,929,664**
Prepaid expenses	71,760	71,760	
Grand total	**9,040,610**	**4,623,245**	**4,417,365**

(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 2015: €225,193 reimbursement expected in 2016,
- CIR 2014: €378,877 amount reimbursed in 2015.

(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 2015: €37,019 reimbursement request made in 2016;
- CICE 2014: €34,957 amount reimbursed in 2015.

(4) Group receivables relate to the Implanet America Inc. subsidiary.
A five-year budget has been drawn up for Implanet America Inc. based on the outlook for sales growth in this subsidiary, notably the expected expansion of the Jazz product. On this basis and given future cash flow at the subsidiary, a provision of €1,287,405 for impairment of current account was recorded at the end of the 2015 fiscal year.

STATEMENT OF RECEIVABLES (Amounts in euros)	**12/31/2014**		
	Gross Amount	**Due in less than 1 year**	**Due in more than 1 year**
Fixed assets			
Other long-term financial assets	598,829	-	598,829
Total fixed assets	**598,829**	**-**	**598,829**
Current assets			
Trade receivables (1)	2,890,120	2,308,056	582,064
Employees and related accounts	16,300	16,300	
State - Research tax credit (2)	378,877	378,877	
State - Business competitiveness tax credit (3)	34,954	34,954	
Value added tax	555,520	555,520	
Trade payable debit balances	53,022	53,022	
Factor - guarantee fund	30,001	30,001	
Factor - available reserve and other receivables	58,661	58,661	
Group (4)	1,334,087	1,334,087	
Total current assets	**5,351,541**	**4,769,477**	**582,064**
Prepaid expenses	97,379	97,379	
Grand total	**6,047,749**	**4,866,856**	**1,180,893**

Note 6: Marketable securities and cash

The table below sets out details of the marketable securities and net cash:

MARKETABLE SECURITIES AND CASH (Amounts in euros)	12/31/2015 Value in use	12/31/2014 Value in use
Medium-term bonds (1)	5,600,000	2,800,050
Term accounts (2)	350,000	1,301,004
Bank accounts and cash	1,034,057	1,056,451
Total Marketable Securities and Net Cash Balances	**6,984,057**	**5,157,505**

(1) Including, at December 31, 2015:

- One €300 thousand medium-term note maturing in 2017, pledged as security for a lease-back agreement signed with Banque Courtois in 2014;
- Three medium-term notes with a total value of €5,300 thousand maturing in 2016 and 2019 with the option of early redemption.

(2) Including, at December 31, 2015:

- One €200 thousand term deposit maturing in 2018, pledged in favor of Banque Courtois as security for the €500 thousand loan taken out in 2015;
- One €150 thousand term deposit, renewed every six months and pledged in favor of HSBC as security for the lease-back agreements in force with this bank.

Note 7: Prepayments and accruals

The amount of prepaid expenses is broken down by type as follows:

PREPAID EXPENSES (Amounts in euros)	12/31/2015	12/31/2014
Real estate leases	20,238	22,789
Equipment leases	11,873	12,219
Insurance policies	2,500	16,923
IT Maintenance	12,387	31,925
Fees	1,053	5,000
Miscellaneous	23,708	8,523
Total prepaid expenses	**71,759**	**97,379**

The amount of prepaid expenses only concerns operating expenses.

There were no prepaid expenses at December 31, 2014 and 2015.

Note 8: Shareholders' equity

8.1 Movements in shareholders' equity

The change in shareholders' equity over the 2014 and 2015 fiscal years is detailed as follows:

IMPLANET Changes in shareholders' equity Amounts in euros	Capital *Number of shares*	Capital	Issue premiums	Retained earnings	Reserves and net income/(loss)	Equity
At December 31, 2013	*5,399,522*	**8,099,283**	**12,489,825**	**(504,893)**	**(6,500,812)**	**13,583,403**
Appropriation of the 2013 net income				(6,500,812)	6,500,812	-
2014 net income					(5,288,306)	(5,288,306)
Share subscription warrants (BSA)			10,822			10,822
At December 31, 2014	*5,399,522*	**8,099,283**	**12,500,647**	**(7,005,705)**	**(5,288,306)**	**8,305,919**
Appropriation of the 2014 net income				(5,288,306)	5,288,306	-
2015 net income					(6,776,643)	(6,776,643)
Issue of shares	*4,967,558*	7,451,337	3,725,669			11,177,006
Conversion of bonds	*224,519*	336,779	118,622			455,400
Share subscription warrants (BSA)			12,963			12,963
Cost of fund raising			(1,306,569)			(1,306,569)
At December 31, 2015	*10,591,599*	**15,887,399**	**15,051,331**	**(12,294,012)**	**(6,776,643)**	**11,868,075**

In March 2015, the Company proceeded with a capital increase with preferential subscription rights through the issue of 4,967,558 new shares with a nominal value of €1.50 and issue price of €0.75 per share, giving a total of €2.25 per share and a total increase of €11.2 million.

In October 2015, the Company issued convertible bonds with warrants attached ("OCABSA"). In 2015, 46 bonds were converted to shares, generating the issue of 224,519 new shares with a nominal value of €1.50.

8.2 Composition of the share capital and detail by share category

COMPOSITION OF THE SHARE CAPITAL	12/31/2015	12/31/2014
Capital (in euros)	15,887,399	8,099,283
Number of shares	10,591,599	5,399,522
of which, Ordinary shares	10,591,599	5,399,522
Nominal value (in euros)	€ 1.50	€ 1.50

The share capital is fixed at the sum of €15,887,398.50. It is divided into 10,591,599 ordinary shares which are fully subscribed and paid up with a nominal value of €1.50.

This number is stated exclusive of share subscription warrants (BSA), founders' warrants (BSPCE) 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.

At December 31, 2015, the Company held 75,021 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 (BSA)

		Features of the plans				
Type	Award date	Total number of options awarded	Exercise period	Initial exercise price	Adjusted exercise price (AGM of 07/19/2013) (1)	Adjusted exercise price (Board meeting of 03/18/2015) (2)
BSA 09/11	General Shareholders' Meeting of 09/26/2011	**60,000**	10 years	€1.00	€10.00	€8.62
BSA 05/12	General Shareholders' Meeting of 06/29/2012	**10,245**	10 years	€1.00	€10.00	€8.62
BSA 2012	General Shareholders' Meeting of 06/29/2012	**165,000**	10 years	€1.50	€15.00	€12.93
BSA 09/2012	General Shareholders' Meeting of 10/11/2012	**100,000**	10 years	€1.50	€15.00	€12.93
BSA 01/2013	General Shareholders' Meeting of 01/22/2013	**25,000**	10 years	€1.50	€15.00	€12.93
BSA 01/2014	Board meeting of 01/08/2014	**27,398**	10 years	€6.68	N/A	€5.75
BSA 07/2015	Board meeting of 07/15/2015	**44,699**	10 years	€2.89	N/A	N/A

(3) 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.

(4) 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).

The vesting period for the plans issued is as follows:

Type	Vesting period		
BSA 09/11 BSA 05/12 BSA 2012 BSA 09/2012 BSA 01/2013	All options on award date		
BSA 01/2014	1/3 on 01/08/2015	1/3 on 07/08/2015	1/3 on 01/08/2016
BSA 07/2015	1/3 on 07/01/2016	1/3 on 07/01/2017	1/3 on 07/01/2018

		Number of options outstanding					
Type	**Award date**	**12/31/2014**	**Awarded**	**Exercised**	**Void**	**12/31/2015**	**Number of subscribable shares (1) (2)**
BSA 09/11	General Shareholders' Meeting of 09/26/2011	60,000				60,000	6,960
BSA 05/12	General Shareholders' Meeting of 06/29/2012	10,245				10,245	1,188
BSA 2012	General Shareholders' Meeting of 06/29/2012	165,000			(125,000)	40,000	4,640
BSA 09/2012	General Shareholders' Meeting of 10/11/2012	100,000				100,000	11,600
BSA 01/2013	General Shareholders' Meeting of 01/22/2013	25,000				25,000	2,900
BSA 01/2014	Board meeting of 01/08/2014	27,398			(11,199)	16,199	18,790
BSA 07/2015	Board meeting of 07/15/2015	0	44,699			44,699	44,699
Total		**387,643**	**44,699**	**0**	**(136,199)**	**296,143**	**90,777**

(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).

9.2 Founders' warrants (BSPCE)

		Features of the plans				
Type	**Award date**	**Total number of options awarded**	**Exercise period**	**Initial exercise price**	**Adjusted exercise price (AGM of 07/19/2013) (1)**	**Adjusted exercise price (Board meeting of 03/18/2015) (2)**
BSPCE 12/2007	Board meeting of 12/29/2007	**100,000**	10 years	€1.50	€15.00	€12.93
BSPCE 02/2009	Board meeting of 02/05/2009	**106,500**	10 years	€1.50	€15.00	€12.93
BSPCE 03/2010	Board meeting of 04/22/2010	**167,500**	10 years	€1.50	€15.00	€12.93
BSPCE 06/2011	Board meeting of 04/06/2011	**269,000**	10 years	€1.50	€15.00	€12.93
BSPCE 09/2011	Board meeting of 11/18/2011	**103,500**	10 years	€1.50	€15.00	€12.93
BSPCE 05/2012	General Shareholders' Meeting of 06/29/2012	**21,793**	10 years	€1.50	€15.00	N/A (3)
BSPCE 01/2014-1	Board meeting of 01/08/2014	**39,706**	10 years	€6.68	N/A	€5.75
BSPCE 01/2014-2	Board meeting of 01/08/2014	**20,138**	10 years	€6.68	N/A	€5.75
BSPCE 01/2014-3	Board meeting of 01/08/2014	**1,278**	10 years	€6.68	N/A	€5.75
BSPCE 01/2014-4	Board meeting of 01/08/2014	**246,864**	10 years	€6.68	N/A	€5.75

(4) 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.

(5) 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).

(6) These warrants were not adjusted to parity given there were no warrants in circulation on the adjustment date (Board of Directors's decision of March 18, 2015).

The vesting period for the plans issued is as follows:

Type	Vesting period
BSPCE 12/2007 **BSPCE 02/2009** **BSPCE 03/2010** **BSPCE 06/2011** **BSPCE 09/2011** **BSPCE 05/2012**	1/3 of options per calendar year as from the award date
BSPCE 01/2014-1	All options on 01/08/2015
BSPCE 01/2014-2	1/2 on 01/08/2015 1/2 on 07/08/2015
BSPCE 01/2014-3 **BSPCE 01/2014-4**	1/3 on 01/08/2015 1/3 on 07/08/2015 1/3 on 01/08/2016

		Number of options outstanding					
Type	**Award date**	**12/31/2014**	**Awarded**	**Exercised**	**Void**	**12/31/2015**	**Number of subscribable shares (1) (2)**
BSPCE 12/2007	Board meeting of 12/29/2007	20,000				20,000	2,320
BSPCE 02/2009	Board meeting of 02/05/2009	13,000				13,000	1,508
BSPCE 03/2010	Board meeting of 04/22/2010	30,000				30,000	3,480
BSPCE 06/2011	Board meeting of 04/06/2011	68,000				68,000	7,888
BSPCE 09/2011	Board meeting of 11/18/2011	49,000				49,000	5,684
BSPCE 05/2012	General Shareholders' Meeting of 06/29/2012	0				0	0
BSPCE 01/2014-1	Board meeting of 01/08/2014	28,790				28,790	33,395
BSPCE 01/2014-2	Board meeting of 01/08/2014	20,138			(4,202)	15,936	18,483
BSPCE 01/2014-3	Board meeting of 01/08/2014	639				639	741
BSPCE 01/2014-4	Board meeting of 01/08/2014	246,864			(31,235)	215,629	250,129
Total		**476,431**	**0**	**0**	**(35,437)**	**440,994**	**323,628**

(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).

9.3 Stock options

		Features of the plans		
Type	**Award date**	**Total number of options awarded**	**Exercise period**	**Exercise price**
Stock option 07/2015	Board meeting of 07/15/2015	**22,500**	10 years	€2.66

The vesting period for the plans issued is as follows:

Type	Vesting period
Stock option 07/2015	1/3 on 09/01/2016 1/3 on 09/01/2017 1/3 on 09/01/2018

Type	Award date	Number of options outstanding					Number of subscribable shares
		12/31/2014	Awarded	Exercised	Void	12/31/2015	
Stock option 07/2015	Board meeting of 07/15/2015	0	22,500			22,500	22,500

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 12/31/2015	Exercisable subject to conditions	Void
Ludovic Lastennet	06/29/2012	Founders' warrant (BSPCE)	6,890		-		
	8/1/2014	Founders' warrant (BSPCE)	1,258		1,258		
	8/1/2014	Founders' warrant (BSPCE)	137,414		91,609	45,805	-
	TOTAL		**145,562**	**-**	**92,867**	**45,805**	**-**
Jean-Gérard Galvez	11/10/2012	Warrant (BSA)	50,000		50,000		
	01/22/2013	Warrant (BSA)	25,000		25,000		
	8/1/2014	Founders' warrant (BSPCE)	40,294		26,862	13,432	
	TOTAL		**115,294**	**-**	**101,862**	**13,432**	**-**
Denis Saint Denis (1)	09/26/2011	Warrant (BSA)	6,890		6,890		
	06/29/2012	Warrant (BSA)	1,258		1,258		
	8/1/2014	Founders' warrant (BSPCE)	26,995		-	-	26,995
	TOTAL		**35,143**	**-**	**8,148**	**-**	**26,995**

(1) Following the departure of Denis Saint-Denis on June 30, 2015, all founders' warrants allocated lapsed in 2015.

9.5 Equity line of credit with Kepler Cheuvreux

The Company opened an optional equity line of credit with Kepler Cheuvreux on July 9, 2014. Implanet has the option to ask Kepler Cheuvreux to subscribe for new shares that may be issued in tranches during the next 24 months, within the overall limit of 530,000 shares. Kepler Cheuvreux has made a firm subscription undertaking at the exclusive request of Implanet. The Company did not use this line of credit during the 2015 fiscal year.

The "OCABSA" contract with L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND suspend the Company's capacity to use this equity line of credit.

Note 10: Provisions for liabilities and expenses and for impairment

PROVISIONS (Amounts in euros)	12/31/2015				
	Amount at start of year	Allocations	Reversals	Release of surplus provisions	Amount at year end
Provisions for legal disputes	-	55,000	-	-	55,000
Provisions for foreign exchange losses	976	-	976	-	-
Total provisions for liabilities and expenses	**976**	**55,000**	**976**	**-**	**55,000**
	Amount at start of year	**Allocations**	**Reversals**		**Amount at year end**
Long-term financial assets	84,452	28,917	113,369		-
Provisions for inventories and work in progress	760,056	-	204,914		555,143
Provisions for trade receivables	580,824	191,567	3,528		768,864
Provisions for other receivables	-	1,287,405	-		1,287,405
Total provisions for depreciation and amortization	**1,425,332**	**1,507,889**	**321,811**	**-**	**2,611,412**
Grand total	**1,426,307**	**1,562,889**	**322,787**	**-**	**2,666,412**

PROVISIONS (Amounts in euros)	12/31/2014				
	Amount at start of year	Allocations	Reversals	Release of surplus provisions	Amount at year end
Provisions for legal disputes	109,131	-	109,131	-	-
Provisions for employment tribunal disputes	35,500	-	35,500	-	-
Provisions for foreign exchange losses	16,385	976	16,385	-	976
Provisions for pensions and similar obligations	-				-
Total provisions for liabilities and expenses	**161,016**	**976**	**161,016**	**-**	**976**
	Amount at start of year	**Allocations**	**Reversals**		**Amount at year end**
Long-term financial assets	-	84,452	-		84,452
Provisions for inventories and work in progress	2,309,655	55,745	1,605,344		760,056
Provisions for trade receivables	200,868	379,956	-		580,824
Total provisions for depreciation and amortization	**2,510,523**	**520,153**	**1,605,344**	**-**	**1,425,332**
Grand total	**2,671,539**	**521,128**	**1,766,360**	**-**	**1,426,307**

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.

On December 31, 2015, the Company recorded provisions of €55 thousand.

Employment tribunal disputes

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

Following the settlement in 2014, an exceptional expense of €38 thousand was recognized resulting in a reversal of provisions in the same amount.

Tax audit

The Company was the subject of a tax audit covering fiscal years 2009, 2010 and 2011 and received an reassessment notification amounting to €109 thousand in 2012. Following the settlement in 2014 (payment of the tax adjustment), a tax expense of €109 thousand was recognized resulting in a reversal of provisions in the same amount at December 31, 2014.

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 euros)	Non-convertible KREOS bond issue	OCABSA L1 Capital	Total
At December 31, 2013	**5,000,000**		**5,000,000**
(+) Subscription	-		-
(-) Repayment	(1,860,324)		(1,860,324)
(+) Capitalized interest/accretion	36,250		36,250
(+/-) Translation			-
At December 31, 2014	**3,175,926**		**3,175,926**
(+) Subscription		990,000	990,000
(+) Redemption premium		10,000	10,000
(-) Repayment	(1,129,437)		(1,129,437)
(+) Capitalized interest/accretion	4,027		
(+/-) Translation		(460,000)	(460,000)
At December 31, 2015	**2,050,516**	**540,000**	**2,590,516**

Issue of bonds to KREOS for a total amount of €5 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 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 (BSA) for shares in the Company to KREOS was resolved by the Extraordinary General Shareholders' Meeting of July 19, 2013. These share subscription warrants (BSA) have a term of five years with effect from the date of the stock market listing (i.e. November 25, 2018).
- the Company's business (i.e. *fonds de commerce*) was pledged on July 19, 2013.

At the time the bond contract was arranged, the Company incurred €185 thousand in fees (of which €112,500 were paid at the time of issue and €72,500 are payable on the maturity date).

The bond is repayable in fixed monthly installments between January 1, 2014 and June 1, 2016. It pays interest of 11.5%.

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 (BSA) 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 amount of repayment during the 2015 fiscal year is €1,129,437.

Issue of convertible bonds with warrants attached ("OCABSA") in favor of L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND

On October 12, 2015, the Company entered into an OCABSA contract with L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND, enabling the Company to potentially raise €5 million at its discretion.

The Board of Directors' meeting of October 12, 2015 resolved the free issue of an initial tranche of 100 OCABSA with a total value of €1.0 million.

The Company may issue 400 additional warrants to L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND, which may give rise to a bond issue of a maximum additional amount of €4 million (in several tranches of a maximum amount of €250,000 each, it being stipulated that L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND may ask for the amount of one of these tranches to be increased by €100,000), subject to certain conditions:

- the necessary authorizations must be obtained at the next annual General Shareholders' Meeting to be held before June 30, 2016,
- direct and indirect investments by L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND in the Company's capital do not exceed 3% of the capital and voting rights given the number of potential shares resulting from the conversion of convertible bonds.
- the previous tranche must be repaid or converted or there must be a period of 35 days after drawing down the previous tranche (excluding the first tranche), and
- both the closing price and weighted average price over the five trading days preceding the issue request being at least €1.10.

The first tranche of convertible bonds issued in 2015 has the following characteristics:

- Nominal value: €10,000
- Subscription price: 99 % of par value
- Maturity: 12 months
- 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.

The share subscription warrants (BSA) have the following characteristics:

- Number of warrants (BSA): 400,000
- One warrant (BSA) carries entitlement to one share
- Maturity: 5 years
- Exercise price: €2.50

At December 31, 2015, 54 convertible bonds (OCA) and 400,000 warrants (BSA) were in circulation.

Note 12: Loans from financial institutions

CHANGE IN BANK LOANS (Amounts in euros)	**Bank loans**
At December 31, 2013	
(+) Subscription	
(-) Repayment	
(+/-) Other movements	
At December 31, 2014	**-**
(+) Subscription	500,000
(-) Repayment	(81,320)
(+/-) Other movements	
At December 31, 2015	**418,680**

On June 10, 2015, the Company took out a loan with Banque Courtois.

The main characteristics of the loan are as follows:

- Nominal value: €500,000
- Term: 3 years
- Interest rate: 1.95% per year
- Interest paid quarterly in arrears

The amount of repayment during the 2015 fiscal year is €81,320.

Note 13: Loans and miscellaneous financial debts

Loans and miscellaneous financial debts comprise repayable advances granted by public bodies (OSEO Innovation).

The table below sets out the composition and changes in the loans and miscellaneous financial debts:

CHANGES IN REPAYABLE ADVANCES (Amounts in euros)	OSEO Knees	OSEO - Beep N Track	Total
At December 31, 2013	**300,000**	**250,000**	**550,000**
(+) Subscription			-
(-) Repayment	(60,000)	(250,000)	(310,000)
(+/-) Other movements			-
At December 31, 2014	**240,000**	**-**	**240,000**
(+) Subscription			-
(-) Repayment	(70,000)		(70,000)
(+/-) Other movements			-
At December 31, 2015	**170,000**	**-**	**170,000**

In 2014 and 2015, the Company did not obtain any new reimbursable advance, or receive any additional payments in respect of existing advances.

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 €280,000 following the signature of the contract (received on March 1, 2010);
- The balance on completion of the work on May 9, 2011.

Following the technical and commercial success of the project, the reimbursement of this innovation subsidy has begun in accordance with the following schedule:

- €12,500 per quarter in 2013 on the last day of the quarter;
- €15,000 per quarter in 2014 on the last day of the quarter;
- €17,500 per quarter in 2015 on the last day of the quarter;
- €20,000 per quarter in 2016 on the last day of the quarter;
- €22,500 per quarter in 2017 on the last day of the quarter.

The balance of this reimbursable advance was €170 thousand at December 31, 2015.

13.2 Reimbursable OSEO Innovation advance - Beep N Track

On January 28, 2008, Implanet obtained from OSEO a €650 thousand interest-free, repayable innovation loan to "develop a new service for the computerized management of implants intended for healthcare facilities (I-SMART)".

The payments from OSEO were made in stages between the signature of the contract and the end of the project, the principal stages being:

- first payment of €325 thousand following the signature of the contract (received on February 4, 2008);
- Second payment of €195 thousand following the call for funds (received on April 28, 2009),
- the balance on completion of the work on April 28, 2009.

Following the technical and commercial success of the project, the reimbursement of this innovation subsidy was completed in accordance with the following schedule:

- no later than March 31, 2011: €100,000
- no later than March 31, 2012: €150,000
- no later than March 31, 2013: €150,000
- no later than March 31, 2014: €250,000

This reimbursable advance was repaid in full at Monday, March 31, 2014.

Note 14: Maturity dates of the debts at year-end

STATEMENT OF LIABILITIES (Amounts in euros)	12/31/2015			
	Gross Amount	Due in less than 1 year	From 1 to 5 years	Due in more than 5 years
Financial debt				
Convertible bond issues	540,000	540,000		
Bond issue and accrued interest	2,050,516	947,663	1,102,853	
Loans and debts due to financial institutions	418,680	165,033	253,647	
Loans and miscellaneous financial liabilities	170,000	80,000	90,000	
Total debt	**3,179,196**	**1,732,696**	**1,446,500**	-
Operating liabilities				
Trade payables and related accounts	1,853,461	1,853,461		
Employees and related accounts	163,385	163,385		
Social Security and other social bodies	353,895	353,895		
Other taxes, duties and similar payments	41,512	41,512		
Other liabilities	15,000	15,000		
Total operating liabilities	**2,427,252**	**2,427,252**	-	-
Grand total	**5,606,448**	**4,159,948**	**1,446,500**	-

STATEMENT OF LIABILITIES (Amounts in euros)	12/31/2014			
	Gross Amount	Due in less than 1 year	From 1 to 5 years	Due in more than 5 years
Financial debt				
Bond issue and accrued interest	3,175,926	2,032,688	1,143,238	
Loans and miscellaneous financial liabilities	240,000	70,000	170,000	
Total debt	**3,415,926**	**2,102,688**	**1,313,238**	**-**
Operating liabilities				
Trade payables and related accounts	2,119,853	2,119,853		
Employees and related accounts	251,069	251,069		
Social Security and other social bodies	368,286	368,286		
Other taxes, duties and similar payments	121,996	121,996		
Other liabilities	13,431	13,431		
Total operating liabilities	**2,874,635**	**2,874,635**	**-**	**-**
Grand total	**6,290,561**	**4,977,323**	**1,313,238**	**-**

Note 15: Details of accrued expenses

Accrued expenses are broken down as follows for the two fiscal years presented:

DETAIL OF ACCRUED EXPENSES (Amounts in euros)	12/31/2015	12/31/2014
Bond issue		
Interest payable	40,278	36,250
Total bond issue	**40,278**	**36,250**
Trade and other accounts payable		
Suppliers - Invoices not yet received	499,667	565,841
Total trade payables and related accounts	**499,667**	**565,841**
Tax and social security liabilities		
Employees - provision for vacation pay	166,275	111,924
Employees - accrued expenses	50,272	171,084
Accrued social charges	55,419	112,492
State - accrued expenses	41,512	32,969
Total tax and social security liabilities	**313,478**	**428,469**
Other liabilities	15,000	7,500
Total other liabilities	**15,000**	**7,500**
Grand total	**868,423**	**1,038,060**

Note 16: Revenues

The Company's revenues essentially comprise the sale of orthopedic implants.

Revenue by geographic region for the last two fiscal years ended December 31, 2015 and 2014 are as follows:

REVENUE BY GEOGRAPHIC REGION (Amounts in euros)	12/31/2015	12/31/2014
France	2,852,681	3,972,709
Rest of the World	3,765,325	3,175,152
Total revenue by geographic region	**6,618,006**	**7,147,861**

Note 17: Transfers of expenses

TRANSFERS OF EXPENSES (Amounts in euros)	12/31/2015	12/31/2014
Movement of inventories of ancillary devices into fixed assets	207,182	1,444,572
Benefits in kind granted to employees	66,431	60,303
Reimbursement from training bodies	5,072	6,818
Rebilling of expenses	49,481	14,109
Insurance reimbursements related to claims	7,070	8,919
Total transfers of expenses	**335,236**	**1,534,720**

At the time of provision of ancillary devices to healthcare establishments, a transfer of these devices from inventories to fixed assets is carried out by means of a transfer of expenses.

Note 18: Financial income and expenses

FINANCIAL INCOME (Amounts in euros)	12/31/2015	12/31/2014
Foreign exchange gains	206	921
Interest income	52,818	74,440
Reversal of provisions for impairment of treasury shares	113,369	-
Reversal of provisions for foreign exchange losses	-	15,409
Total financial income	**166,393**	**90,770**

FINANCIAL EXPENSES (Amounts in euros)	12/31/2015	12/31/2014
Foreign exchange losses	11,200	5,089
Provisions for risk of foreign exchange losses	(976)	-
Provision for impairment of Implanet America's current account	1,287,405	-
Provision for impairment of treasury shares	28,917	84,452
Interest expense	303,980	470,397
Total financial expenses	**1,630,526**	**559,938**

Note 19: Non-recurring income and expenses

NON-RECURRING INCOME (Amounts in euros)	12/31/2015	12/31/2014
Proceeds from sales of assets	137,739	750,400
Gain on lapsed trade payable	201,388	-
Share of investment subsidies	-	1,600
Reversals of tax audit provisions	-	109,130
Reversals of provisions for legal disputes	-	35,500
Profit from buyback of treasury shares	9,108	46,555
Miscellaneous non-recurring income	-	(2,151)
Total non-recurring income	**348,235**	**941,033**

NON-RECURRING EXPENSES (Amounts in euros)	12/31/2015	12/31/2014
Net carrying amount of assets sold	143,099	740,111
URSSAF audit	-	8,460
Tax audit	-	109,130
Settlement of disputes	-	37,570
Loss from buyback of treasury shares	119,905	69,413
Miscellaneous non-recurring expenses	34,764	-
Total non-recurring expenses	**297,769**	**964,684**

Fixed assets divested during the fiscal years presented relate to lease-back agreements.

The Company was the subject of a tax audit covering fiscal years 2009, 2010 and 2011 and received an reassessment notification amounting to €109 thousand in 2012. Following the settlement in 2014 (payment of the tax adjustment), a tax expense of €109 thousand was recognized resulting in a reversal of provisions in the same amount at December 31, 2014.

Note 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:

- €225,193 in 2015;
- €378,877 in 2014.

At December 31, 2015, the amount of the Company's tax losses which can be carried forward indefinitely amounted to €51,985.

The corporation tax rate applicable to the Company is the current rate in force in France, namely 33.33%.

Note 21: Related parties

21.1 Transactions with related parties

Implanet America Inc.

The balance sheet and income statement accounts for Implanet America Inc., with which Implanet is related, were as follows:

RELATED PARTIES (Amounts in euros)	12/31/2015	12/31/2014
LONG-TERM FINANCIAL ASSETS, GROSS		
Investment securities	246,793	246,793
RECEIVABLES, GROSS		
Trade receivables & related accounts	1,719,183	868,506
Other receivables	3,159,755	1,334,088
OPERATING INCOME		
Sales of merchandise	739,295	386,195
Production sold	178,500	237,000
FINANCIAL EXPENSES		
Provision for impairment of current account	(1,287,405)	-

Implanet Institute

Implanet Institute, a non-profit association sponsored by Implanet, has the role of assisting young surgeons in all areas of their practice (program to prepare surgeons for setting up a practice, training in surgical techniques, etc.).

Implanet Institute is an independent association whose actions are decided by its Scientific Committee. The members of the association include certain shareholders and employees of the Company.

The Company did not make any contribution to Implanet Institute over the fiscal years presented.

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 2014 and 2015 fiscal years was as follows:

DIRECTORS' COMPENSATION (Amounts in euros)	Function	12/31/2015						
		Fixed compensation	Variable compensation	Benefit in kind	Employer's contributions	Advisory fees	Attendance fees	Total
Mr. Ludovic LASTENNET	Director since January 22, 2013. Sales Director CEO since November 27, 2012	201,300		10,721				**212,021**
Mr. Jean-Gérard GALVEZ	Chairman of the Board of Directors					72,000		**72,000**
Mr. Denis SAINT-DENIS	Chief Financial Officer Deputy CEO from October 15, 2014 to June 30, 2015	93,101		2,700				**95,801**
Mr. Brian ENNIS	Member of the Board of Directors					146,874	6,000	**152,874**
Ms. Paula SPEARS	Member of the Board of Directors					212,654	7,500	**220,154**
Mr. Jan EGBERTS	Member of the Board of Directors						4,500	**4,500**
Total Directors' compensation		**294,401**	-	**13,421**	-	**437,528**	**18,000**	**757,350**

The advisory fees due to Mr Brian Ennis and Ms Paula Spears correspond to services rendered to and paid by Implanet America Inc.

DIRECTORS' COMPENSATION (Amounts in euros)	Function	12/31/2014						
		Fixed compensation	Variable compensation	Benefit in kind	Employer's contributions	Advisory fees	Attendance fees	Total
Mr. Ludovic LASTENNET	Director since January 22, 2013. Sales Director CEO since November 27, 2012	165,567	22,500	6,036				**194,104**
Mr. Jean-Gérard GALVEZ	Chairman of the Board of Directors					60,000		**60,000**
Mr. Denis SAINT-DENIS	Chief Financial Officer Deputy CEO from October 15, 2014 to June 30, 2015	150,000	15,000	5,400				**170,400**
Mr. Brian ENNIS	Member of the Board of Directors						3,000	**3,000**
Ms. Paula SPEARS	Member of the Board of Directors						3,000	**3,000**
Mr. Jan EGBERTS	Member of the Board of Directors						6,000	**6,000**
Total Directors' compensation		**315,567**	**37,500**	**11,436**	-	**60,000**	**12,000**	**436,504**

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

For the award of equity instruments to executives, see Note 9.3.

Note 22: Commitments given

22.1 Retirement Benefits

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	12/31/2015		12/31/2014	
	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)	2.03%		1.49%	
Mortality table	INSEE 2015		INSEE 2012	
Rate of revaluation of salaries	2%		2%	
Rate of turnover	Average (AG2R table)		Average (AG2R table)	
Rate of Social Security charges	53%	47%	51%	47%

Calculated commitments

The commitments calculated for the retirement benefits are broken down as follows:

RETIREMENT BENEFITS (Amounts in euros)	12/31/2015	12/31/2014
Amount of commitments	82,905	74,628

22.2 Personal training account ("CPF")

Since January 1, 2015, the personal training account has replaced the individual right to training ("ITR").

Training costs under CPF are now financed by the accredited collecting fund for training (OPCA) to which the vocational training contributions are paid. The Company thus has no commitment in this respect since January 1, 2015.

22.3 Obligation under the terms of the KREOS contract

Within the framework of the KREOS bond contract signed on July 19, 2013 (see Note 11), the Company granted to KREOS the following sureties and commitments:

- pledge of the business goodwill in favor of KREOS;
- commitment by the Company not to contract, without prior authorization from KREOS, debt of more than €2.5 million other than (a) the KREOS bond, (b) borrowings to cover working capital requirement, (c) advances from OSEO (or any other support or advance from public

bodies), (d) the issue of convertible bonds or bonds redeemable in shares, or (e) current account advances from shareholders;
- commitment by the Company not to proceed with any pledge or cede any assets, except in the normal course of its business.

22.4 Obligation under the terms of the L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND contract

Within the framework of the OCABSA contract signed on October 12, 2015, the Company granted the following sureties and commitments to L1 EUROPEAN HEALTHCARE 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 agreement of L1 EUROPEAN HEALTHCARE 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 L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND.

22.5 Software (lease-financing)

LEASE FINANCING (Amounts in euros)	**12/31/2015**	**12/31/2014**
Original value	3,826,227	3,582,375
Depreciation and amortization:		
- cumulative total for prior years	2,494,182	2,307,839
- allocations for the year	382,098	186,343
Total	**2,876,280**	**2,494,182**
Royalties paid		
- cumulative total for prior years	3,144,444	2,833,027
- royalties for the year	362,192	311,417
Total	**3,506,636**	**3,144,444**
Royalties remaining to be paid		
- in less than one year	305,257	330,413
- between one and five years	282,904	471,240
- in more than five years		
Total	**588,161**	**801,653**
Residual value		
- in less than one year	-	278
- between one and five years	1,393	1
- in more than five years		
Total	**1,393**	**279**
Amount recognized during the year	359,128	341,135

Finance lease contracts cover software, installations, equipment and tooling.

22.6 Commercial leases

Real estate leases

Implanet SA has concluded the following commercial leases:

Administration building:
Address Technopole Bordeaux Montesquieu - Allée François Magendie, 33650 Martillac, France
Term October 8, 2007 – October 8, 2016
Early departure Possible at the end of each three-year period

The Company terminated the lease on the administrative building with effect from October 8, 2016.

Logistics building:
Address Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France
Term December 15, 2010 - December 15, 2019
Early departure Possible at the end of each three-year period

The new contract entered into for the real estate complex (see below) provides for the termination of the lease on the logistics building without compensation with effect from October 1, 2016.

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

Charges and commitments

The amount of the rental payments recognized at the end of 2015 and the commitments up until the next three-year period are broken down as follows:

					Commitment until the next termination date		
Location	Real estate leasing contracts	Effective start date of lease	Expiry date of lease	Leasing expenses excluding charges at 12/31/2015	Due in less than 1 year	From one to five years	Due in more than five years
MARTILLAC	Administration building	8/10/2007	8/10/2016	136,058	103,416	-	-
MARTILLAC	Logistics building	12/15/2010	1/10/2016	126,398	94,797	-	-
MARTILLAC	Real estate complex (administrative & logistics buildings)	1/10/2016	09/30/2026	-	53,000	848,000	371,000

22.7 Factoring contract

The Company uses the GE Factofrance factoring organization for financing, by assigning to it trade receivables originating in France. At the end of the two fiscal years presented, the outstanding balances (amounts discounted at the year-end date), together with the financial expenses arising from the use of the factor, were as follows:

FACTORING COMPANY (Amounts in euros)	12/31/2015	12/31/2014
Outstanding financing balance with factor	65,098	151,092
Total factor debt	**65,098**	**151,092**
Commissions on factor drawdowns	19,672	15,976
Interest on factor drawdowns	4,061	5,496
Total factor expenses	**23,732**	**21,472**

The counterpart for the assignment of the trade receivables to the factor is paid into the Company's cash balance by the factor.

The customer risk which may arise from an unpaid receivable included in the outstanding balance is not transferred to the factor but remains borne by Implanet. The Company re-incorporates into its trade receivables those which have been assigned to the factor, where the latter is the subject of a bad debt by a customer and where the factor has reassigned it to Implanet; a provision for impairment of these receivables is made as soon as the risks are identified.

Factoring and financing commissions are recognized in net financial income.

22.8 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 maturing in July 2018 under lease financing agreements with HSBC Bank;
- Pledge of a €300 thousand medium-term note maturing in October 2019 under a lease-back agreement with Banque Courtois.
- Pledge of a term deposit of €200 thousand under a bank loan taken out with Banque Courtois in the first half of 2015, maturing in 2018.

Earn-out clause - divestiture of BEEP N TRACK to GHX

The contract for the divestiture of the Beep N Track business to GHX includes an earn-out clause on the basis of an agreement for the sharing of revenues exceeding the current business plan of GHX for the 2013-2015 fiscal years. Under the terms of this clause, the Company could receive a maximum earn-out of US$4 million.

No accrued income was recognized at December 31, 2015, given the uncertainty concerning the receipt and assessment of this earn-out.

Bank sureties

- bank surety of €28,630 from the Banque Courtois on behalf of Implanet in favor of the lessor of its administrative building;
- bank surety of €10,000 from the Banque Courtois on behalf of Implanet in favor of TOTAL.

Note 23: Headcount

The average headcount of Implanet during the last two fiscal years was as follows:

AVERAGE HEADCOUNT	2015 fiscal year	2014 fiscal year
Managers	24.6	22.6
Employees	15.6	15.9
Total average headcount	**40.2**	**38.5**

Note 24: Management and measurement of financial risks

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

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, 2015: one Export distributor (27 %) and one France distributor (21%).

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

March 2016:

- the Company announced the launch of a prospective, multicenter clinical study in partnership with TFS International, a prestigious CRO (Contract Research Organization) specializing in clinical trials, to document the outcomes of JAZZ technology in adult degenerative and adult deformity indications.

February 2016:

- the Company announced the appointment of Brian T. Ennis as Chairman of Implanet America. As such, he will head Implanet America and his objective will be to optimize its organizational structure in order to accelerate the JAZZ technology's adoption and growth in this vital market.

January 2016:

- the Company announced the first successful idiopathic surgical procedure in Brazil using the JAZZ platform. This surgical procedure was successfully performed by Dr Raphael Pratali and his team at Hospital do Servidor Público Estadual, in São Paulo. New surgical procedures are already scheduled in Brazil.

Note 26: Subsidiaries and equity interests

TABLE OF SUBSIDIARIES AND INVESTMENTS (Amounts in euros)	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	247,105	(1,077,638)	100%	246,793	246,793	3,159,755	(1,309,314)	-	Impairment of current account: €1,287,405 Closing rate: 1.0887 Average rate: 1.1166

Note 27: Fees of the Statutory auditors

FEES PAID TO STATUTORY AUDITORS (Amounts in euros)	2015 fiscal year				2014 fiscal year			
	Ernst & Young		INKIPIO AUDIT		Ernst & Young		INKIPIO AUDIT	
	Amount excl. taxes	%	Amount excl. taxes	%	Amount excl. taxes	%	Amount excl. taxes	%
Statutory audit work	114,000	97%	76,000	100%	69,500	79%	51,000	94%
Other services and due diligence directly linked to the statutory audit work	4,100	3%	-	0%	19,000	21%	3,000	6%
Subtotal	**118,100**		**76,000**	**100%**	**88,500**	**100%**	**54,000**	**100%**
Other services rendered								
- Tax	-	0%	-	0%	-	0%	-	0%
- Other	-	0%	-	0%	-	0%	-	0%
Subtotal	**-**	**0%**	**-**	**0%**	**-**	**0%**	**-**	**-**
Total fees	**118,100**	**100%**	**76,000**	**100%**	**88,500**	**100%**	**54,000**	**100%**

(1) Including fees relating to producing reports required by law or regulations (additional reports for a capital increase, etc.)

20.4. AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

20.4.1. Report by the statutory auditors on the annual consolidated financial statements at December 31, 2015

«

INKIPIO AUDIT
19, rue des Tuiliers
69003 LYON
Simplified joint-stock company (SAS) with a capital of €300,000

Statutory auditors
Member of the
Lyon regional company of auditors

ERNST & YOUNG AUDIT
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
Simplified joint-stock company (SAS) with variable capital

Statutory auditors
Member of the
Versailles regional company of auditors

Implanet

Fiscal year ended December 31, 2015

Statutory auditors' report
on the consolidated financial statements

To the shareholders,

In compliance with the assignment entrusted to us by your General Shareholders' Meetings, we hereby present to you our report relating to the fiscal year ended December 31, 2015, on:

- the audit of the consolidated financial statements of the Company Implanet, as attached to this report;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We carried out our audit in accordance with the professional standards applicable in France; these standards require the completion of audit work which gives reasonable assurance that the consolidated financial statements do not include any significant anomalies. An audit consists of verifying, by sampling or by other selection methods, the elements supporting the amounts and information appearing in the consolidated financial statements. It also consists of assessing the accounting methods used, the significant estimates made and the presentation of the financial statements as a whole. We believe that the information which we collected is sufficient and appropriate on which to base our opinion.

We certify that the consolidated financial statements for the fiscal year present, in accordance with the IFRS guidelines as adopted by the European Union, a true and fair view of the assets, financial position and results of the Group constituted by the persons and entities included in the consolidation.

Without questioning the opinion above, we would draw your attention to Note 2.1 "Principle for preparation of the financial statements" in the notes to the financial statements, which describes the information underlying the going concern assumption.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matter:

Your Group recognizes impairment charges for inventories in accordance with the methods described in Note 2.14 "Inventories". Our work consisted of assessing the data and assumptions used by your Group to calculate the impairment charges on inventories and to review the calculations made.

The assessments thereby made form part of our audit approach for the consolidated financial statements, taken as a whole, and have therefore contributed to the formation of our opinion as expressed in the first part of this report.

III. Specific verification

In accordance with the professional standards applicable in France, we also carried out the specific verification provided for by law of the information relating to the Group, included in the management report.

We do not have any observations to make concerning their accuracy and their consistency with the consolidated financial statements.

Lyon and Paris-La Défense March 31, 2016

The Statutory Auditors

INKIPIO AUDIT	ERNST & YOUNG AUDIT	
Clément Albrieux	Franck Sebag	Jean-Pierre Caton

“

20.4.2. Report by the statutory auditors on the annual financial statements at December 31, 2015

INKIPIO AUDIT
19, rue des Tuiliers
69003 Lyon
Simplified joint-stock company (SAS) with a capital of €300,000

Statutory auditors
Member of the
Lyon regional company of auditors

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie - Paris - La Défense 1
Simplified joint-stock company (SAS) with variable capital

Statutory auditors
Member of the
Versailles regional company of auditors

IMPLANET
Registered office: Technopole Bordeaux Montesquieu
Allée François Magendie
33650 - Martillac

Registered in the BORDEAUX Trade and Company Register (RCS) under No. 493 845 341

Statutory Auditors' report on the annual financial statements

Fiscal year ended December 31, 2015

To the shareholders,

In compliance with the assignment entrusted to us by your General Shareholders' Meetings, we hereby present to you our report relating to the fiscal year ended December 31, 2015, on:

- the audit of the annual financial statements of Implanet, as attached to this report;
- the justification of our assessments;
- the specific verifications and information required by law.

The annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion the annual financial statements

We carried out our audit in accordance with the professional standards applicable in France; these standards require the completion of audit work which gives reasonable assurance that the annual financial statements do not include any significant anomalies. An audit consists of verifying, by

sampling or by other selection methods, the elements supporting the amounts and information appearing in the annual financial statements. It also consists of assessing the accounting methods used, the significant estimates made and the presentation of the financial statements as a whole.
We believe that the information which we collected is sufficient and appropriate on which to base our opinion.
We certify that the annual financial statements present, with regard to French accounting rules and principles, a true and fair view of the net income from operations for the fiscal year just ended, as well as of the financial position and the assets of the Company at the end of this fiscal year.
Without questioning the opinion above, we would draw your attention to Note 2.1 "Principle for preparation of the annual financial statements" in the notes to the financial statements, which describes the information underlying the going concern assumption.

2. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matter:

- your Company recognizes impairment charges for inventories in accordance with the methods described in Note 2.5 "*Inventories*". Our work consisted of assessing the data and assumptions used by your Company to calculate the impairment charges on inventories and to review the calculations made;

- Note 2.4 "*Long-term financial assets*", 2.6 "*Receivables*" and 5.2 *"Details of the receivables and breakdown by maturity*" describe the evaluation and impairment principles and methods used for equity investments and receivables, in particular as regards the Implanet America subsidiary. Our work consisted of assessing the data and the assumptions on which these estimates are based.

The assessments thereby made form part of our audit approach for the annual financial statements, taken as a whole, and have therefore contributed to the formation of our opinion as expressed in the first part of this report.

3. Specific verifications and information

We have also carried out, in accordance with the professional standards applicable in France, the specific verifications required by the law.

We do not have any observations to make concerning the accuracy and consistency with the annual financial statements of the information given in the management report of the Board of Directors and in the documents sent to shareholders concerning the financial position and the annual financial statements.
Concerning the information supplied in application of the provisions of Article L. 225-102-1 of the French Commercial Code concerning the compensation and benefits paid to corporate officers, as

well as the commitments granted in their favor, we have verified their consistency with the financial statements or with the data used for the preparation of these financial statements and, where applicable, with the information collected by your Company from the companies controlling your Company or controlled by it. On the basis of this work, we confirm that this information is true and fair.

In application of the law, we have assured ourselves that the various items of information relating to the identity of the holders of the share capital or the voting rights have been notified to you in the management report.

Lyon et Paris-La Défense March 31, 2016

The Statutory auditors

Inkipio audit	**ERNST & YOUNG Audit**
Clément ALBRIEUX	Franck SEBAG Jean-Pierre CATON

20.5. LAST FINANCIAL STATEMENT DATE

The last financial statements are related to the fiscal year ended December 31, 2015.

20.6. INTERIM FINANCIAL STATEMENTS AND OTHER

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 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, 2015.

20.10. OTHER INFORMATION FROM ANNUAL MANAGEMENT REPORT

20.10.1. Table showing the results for the last five fiscal years

Items	2011 fiscal year	2012 fiscal year	2013 fiscal year	2014 fiscal year	2015 fiscal year
I - CAPITAL AT YEAR END					
a) Share capital	29 556 037	29 556 037	8 099 283	8 099 283	15 887 399
b) Number of existing shares	29 556 037	29 556 037	5 399 522	5 399 522	10 591 599
II - TRANSACTIONS AND NET INCOME (LOSS) FOR THE YEAR					
a) Revenue excluding tax	2 847 987	6 646 788	7 139 157	7 147 861	6 618 006
b) Corporation Tax	(357 650)	(362 319)	(302 376)	(378 877)	(225 193)
c) Employee profit-sharing	0	0	0	0	0
d) Net income (loss) after tax, employee profit-sharing, depreciation, amortization a	(3 915 876)	(4 735 157)	(6 500 812)	(5 288 306)	(6 776 643)
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, amor	(0,03)	(0,12)	(0,76)	(1,15)	(0,48)
b) Net earnings after tax, employee profit-sharing, depreciation, amortization and p	(0,13)	(0,16)	(1,20)	(0,98)	(0,64)
c) Dividend per share	0	0	0	0	0
IV - PERSONNEL					
a) Average number of employees during the year	38,3	29,8	33,1	38,5	40,2
b) Total payroll	2 736 085	1 981 032	2 197 670	2 210 587	2 258 155
c) Total amount paid in social benefits (social security contributions, social programs, etc.)	1 227 595	930 148	984 260	1 059 050	1 056 067

20.10.2. Proposed allocation of 2015 net income

After deduction of all expenses, taxes, depreciation and amortization, the Company's operating profit, established under French accounting standards (see section 20.3 of this *Document de référence*) stood at a loss of €6,776,643.12 which we suggest to be allocated to "issue premiums" which would then be reduced from €15,074,051.70 (after recognition of the conversion of 24 convertible bonds by L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND in January 2016) to €8,297,408.58.

20.10.3. Non tax-deductible expenses

In accordance with the provisions of Article 223 quater of the French General Tax Code, the amount of expenses and charges that are not deductible for tax purposes, as mentioned in article 39-4 of said code, comes to €77,033.22 for the fiscal year ended on December 31, 2015.

20.10.4. Information on supplier payment terms

The breakdown of the balance of debts to suppliers at the closing of the 2015 and 2014 fiscal years is as follows:

In euros	Debts due at 12/31/2015	Accruing debts				Total
		0 to 30 days	30 to 45 days	45 to 60 days	> 60 days	
Suppliers	422,198	462,400	336,915	91,455	16,144	1,329,113

In euros	Debts due at 12/31/2014	Accruing debts				Total
		0 to 30 days	30 to 45 days	45 to 60 days	> 60 days	
Suppliers	619,646	609,498	171,034	61,465	39,313	1,500,956

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 €16,104,678 divided into 10,736,452 shares with a nominal value of €1.50 each, fully paid up and all of the same class.

21.1.1.2. Unissued authorized capital

21.1.2. Non-equity securities

None.

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

As of the date of the *Document de référence*, the Company holds none of its shares and no Company shares are held by a third party on its behalf.

On January 9, 2015, the Combined Shareholders' Meeting authorized the Board of Directors, for a period of 18 months from the date of the meeting, to implement a Company share buyback program in accordance with the provisions of Article L. 225-209 of the French Commercial Code and in accordance with the General Regulations of the French Financial Markets Authority (AMF), subject to the following conditions:

Maximum number of shares that can be purchased: 10% of the share capital on the date of buyback of the shares. 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 agreement to be entered into with an independent investment services provider, in accordance with the Code of Ethics approved by the AMF on March 21, 2011;
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 January 9, 2015

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 agreement);

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.

Number of shares purchased and sold during the 2015 fiscal year:

Under the liquidity contract,

- 488,650 shares were purchased at the average price of €2.12, and
- 462,729 shares were sold at the average price of €2.18.

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

Number and value of treasury shares held at December 31, 2015

Considering the purchases and sales made during the 2015 fiscal year, the balance of the liquidity contract was 75,021 shares at December 31, 2015. At this date, the book value was €2.29, on the basis of the closing price at December 31, 2015, namely €171,798.

21.1.4. Convertible or exchangeable securities or securities with warrants

As of the date of the *Document de référence*, the securities giving access to the share capital fall into three categories, as detailed below:

21.1.4.1. Founders' warrants (BSPCE)

	BSPCE $_{S/12/2007}$	BSPCE$_{S/02/2009}$	BSPCE$_{S/03/2010}$	BSPCE$_{S/06/2011}$	BSPCE$_{S/09/2011}$	BSPCE$_{01/2014}$ (1)	BSPCE$_{01/2014}$ (2)	BSPCE$_{01/2014}$ (3)	BSPCE$_{01/2014}$ (4)	BSPCE$_{03/2016}$
Date of the Meeting	Dec. 29, 2007	Feb. 5, 2009	March 31, 2010	March 14, 2011	Sept. 26, 2011	July 19, 2013	July 19, 2013	July 19, 2013	July 19, 2013	January 9, 2015
Date of Board meeting	December 29, 2007	February 5, 2009	April 22, 2010	April 6, 2011	November 18, 2011	January 8, 2014	January 8, 2014	January 8, 2014	January 8, 2014	March 24, 2016
Number of approved BSPCE	150,000	150,000	200,000	300,000	500,000	500,000	500,000	500,000	500,000	539,952
Total number of allocated BSPCE	100,000	106,500	167,500	269,000	103,500	39,706	20,138	1,278	246,864	370,000
Total number of subscribable shares (taking into account reverse split)*	16,600	12,354	19,430	31,204	12,006	46,058	23,360	1,482	286,362	370,000
*Of which the number subscribable by corporate officers**	*0*	*0*	*0*	*0*	*0*	*1,459*	*0*	*0*	*206,141*	*140,000*
Corporate officers concerned:* *Ludovic Lastenet* Jean-Gérard Galvez						*1,459* -	- -	- -	159,400 46,741	140,000 -
Start date of exercise of BSPCE	December 29, 2007	February 5, 2009	April 22, 2010	June 1, 2011	November 28, 2011	January 8, 2015	January 8, 2015	January 8, 2015	January 8, 2015	March 24, 2017
Expiry date of BSPCE	Dec. 29, 2017	February 5, 2019	March 31, 2020	June [1], 2021	November 28, 2021	January 8, 2024	January 8, 2024	January 8, 2024	January 8, 2024	March 24, 2026
Share subscription price (after reverse split)*	€12.93	€12.93	€12.93	€12.93	€12.93	€5.75	€5.75	€5.75	€5.75	€1.50
Terms and conditions of exercise	(1) (2)	(1) (2)	(1) (2)	(1) (2)	(1) (2)	(3)	(1)	(1)	(1)	(4)
Number of shares subscribed as of the date of the *Document de référence* (without taking into account the reverse split)	0	0	0	0	0	0	0	0	0	0

	BSPCE S/12/2007	BSPCE S/02/2009	BSPCE S/03/2010	BSPCE S/06/2011	BSPCE S/09/2011	BSPCE 01/2014 (1)	BSPCE 01/2014 (2)	BSPCE 01/2014 (3)	BSPCE 01/2014 (4)	BSPCE 03/2016
Cumulative number of BSPCE canceled or expired	80,000	93,500	137,500	201,000	54,500	10,916	4,202	639	31,235	0
Remaining BSPCE as of the date of the *Document de référence*	20,000	13,000	30,000	68,000	49,000	28,790	15,936	639	215,629	370,000
Total number of shares subscribable as of the date of the *Document de référence* (taking into account the reverse split)*	2,320	1,508	3,480	7,888	5,684	33,395	18,483	741	250,129	370,000

(*) After adjusting the number of shares that may be subscribed upon exercise of founders' warrants (BSPCE) and the exercise price of the BSPCE following the increase in capital while maintaining the shareholders' preferential subscription right, in accordance with Article L. 228-99 of the French Commercial Code.

(1) All of these founders' warrants (BSPCE) are exercisable as of the date of the Document de référence.

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

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

(3) The BSPCE 01/2014-1 may be exercised in full by the holder from January 8, 2015 onwards. In addition, the BSPCE 01/2014-1 will become fully exercisable by the holder or his/her assignees:

- *within 15 days from the signature of a merger agreement through absorption of the Company, or the date of transfer to a third party by one or more Company shareholders, acting separately or in concert pursuant to Article L. 233-10 of the French Commercial Code, of a number of shares such that said third party acquires the majority of the Company's share capital or voting rights;*
- *within six months from the incapacity or death of the holder.*

(4) The BSPCE 03/2016 may be exercised, by, the holder in accordance with the following schedule:

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

21.1.4.2.Share subscription warrants (BSA)

	$BSA_{09/11}$	BSA_{2012}	$BSA_{05/12}$	$BSA_{09/12}$	$BSA_{01/2013}$	$BSA_{2013\text{-}Kreos}$	$BSA_{01/2014}$	$BSA_{2015\text{-}Kreos}$	$BSA_{07/2015}$	$BSA_{L1/T1}$	$BSA_{01/2016}$
Date of the Meeting	September 26, 2011	June 29, 2012	June 29, 2012	Oct 11, 2012	Jan 22, 2013	July 19, 2013	July 19, 2013	June 24, 2015	January 9, 2015	June 24, 2015	June 24, 2015
Date of Board meeting	-	-	-	-	-	-	January 8, 2014	June 24, 2015	July 15, 2015	Oct 12, 2015	January 26, 2016
Number of warrants issued	60,000	165,000	10,245	100,000	25,000	65,000	27,398	18,473	44,699	400,000	30,000
Total number of subscribable shares (taking into account the reverse split)*	6,960	19,140	1,188	11,600	2,900	75,400	31,780	18,473	44,699	400,000	30,000
*Of which the number subscribable by corporate officers**	0	0	0	11,600	2,900	0	31,780	0	16,199	0	0
Corporate officers concerned:* *Jean-Gérard Galvez* *Jan Egberts* *Brian Ennis* *Paula Ness Speers*				5,800 5,800	2,900		18,790		16,199		
Number of non-corporate officer beneficiaries	1	3	2	0	0	1	0	1	4	1	1
Start date of exercise of warrants (BSA)	September 26, 2011	June 29, 2012	June 29, 2012	Oct 11, 2012	Jan 22, 2013	July 19, 2013	January 8, 2015	June 24, 2015	July 1, 2015	Oct 12, 2015	January 26, 2016
Expiry date of warrants (BSA)	Sept 26, 2021	June 29, 2022	June 29, 2022	Oct 11, 2022	Jan 22, 2023	(1)	January 8, 2025	(1)	July 15, 2025	Oct 12, 2020	January 26, 2026
Issue price of warrants (BSA)	€0.10	€0.15	€0.10	€0.15	€0.15	€0	€0.668	€0	€0.29	€0	€0.30
Subscription price per share (taking into account the reverse split)*	€8.62	€12.93	€8.62	€12.93	€12.93	€6.20	€5.75	€2.91	€2.89	€2.50	€3.00
Terms and conditions of exercise	(2)	(2)	(2)	(2)	(2)	(2)	(3)	(2)	(4)	(2)	(2)
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	0	11,199	0	0	0	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	65,000	16,199	18,473	44,699	400,000	30,000
Total number of shares subscribable as of the date of the *Document de référence* (taking into account the reverse split)*	6,960	4,640	1,188	11,600	2,900	75,400	18,790	18,473	0	400,000	30,000

(*) After adjusting the number of shares that may be subscribed upon exercise of share subscription warrants (BSA) and the exercise price of the BSA following the increase in capital while maintaining the shareholders' preferential subscription right, in accordance with Article L. 228-99 of the French Commercial Code.

(1) The BSA $_{KREOS}$ warrants will be exercisable (and shall expire concomitantly) upon the earlier of the two following events:

- *the 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 end of a period of five (5) years from the date of initial listing of all or part of the Company's shares on a regulated market or a French or foreign stock exchange.*

(2) All of these share subscription warrants (BSA) are exercisable as of the Date of the Document de référence.

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

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

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

- *up to 1/3 from July 1st 2016;*
- *up to 1/3 from July 1st 2017;*
- *up to 1/3 from July 1st 2018;*
- *with regard to Ms Paula Ness Speers, the BSA$_{07/2015}$ 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.*

In addition, on April 22, 2014, the Board of Directors, exercising the authority granted by the General Shareholders' Meeting of July 19, 2013, issued 530,000 share issuance warrants (BEA) in favor of Kepler Cheuvreux, at a unit price of €0.001. In accordance with the terms of the issuance agreement, dated July 9, 2014, between the Company and Kepler Cheuvreux, the Company may, subject to the conditions in the agreement, instruct Kepler Cheuvreux to exercise a defined number of BEA, it being specified that (i) each BEA gives the right to subscribe to one share and that (ii) the number of new shares to be issued following a drawdown request is limited to 30,000. The exercise price of the BEA shall be equal to the average price of the Implanet share weighted by volume during the three consecutive trading days preceding the day a drawdown request is made, minus a discount not exceeding 6%. The BEA automatically become void at the earliest of the following dates: (i) July 9, 2016 or (ii) the date on which the 530,000 BEA have been exercised in full. No BEA have been exercised as of the date of the *Document de référence*. As of the date of the *Document de référence*, the exercise of all BEA issued in favor of Kepler Cheuvreux would enable the subscription of 530,000 new shares, leading to a dilution of 4.94% based on the share capital existing today, and of 4.30% based on the fully diluted share capital.

Under the terms of the OCABSA issue agreement signed on October 14, 2015, with L1 European Healthcare Opportunities Fund, the Company agrees not to ask Kepler Cheuvreux to exercise its BEA for as long as the OCA and/or Share Issuance Warrants (as such terms are defined in section 21.1.4.5 below) are still in circulation.

Finally, in accordance with the amendment to the venture loan agreement between the Company and Kreos Capital IV (UK) Ltd. on April 16, 2015, the Company issued 18,473 share subscription warrants (BSA giving right to one share each) in favor of Kreos Capital IV (Expert Fund) Ltd. in return for the rescheduling of the €5,000,000 bond issue subscribed by Kreos Capital IV (UK) Ltd. on July 24, 2013, given that the terms of these BSA are identical to those issued by the Company to Kreos Capital IV (UK) Ltd. on July 19, 2013, apart from their exercise price (see the table below for further details).

21.1.4.3. Share subscription or purchase option plan

	Options$_{07/2015}$	Options$_{03/2016}$
Date of the Meeting	January 9, 2015	January 9, 2015
Date of Board meeting	July 15, 2015	March 24, 2016
Number of options approved	539,952	539,952
Total number of options allocated	22,500	70,000
Total number of subscribable shares	22,500	70,000
Of which the number subscribable by corporate officers	*0*	*60,000*
Corporate officers concerned: Brian Ennis*	0	60,000
Start date of exercise of options	September 1, 2016	March 24, 2016
Expiry date of options	July 15, 2025	March 24, 2026
Share subscription price	€2.66	€1.50
Terms and conditions of exercise	(1)	(2)
Number of shares subscribed as of the date of the *Document de référence*	0	0
Cumulative number of options canceled or expired	0	0
Options remaining as of the Date of the *Document de référence*	22,500	70,000
Number of subscribable shares as of the Date of the *Document de référence*	0	0

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

- *up to 1/3 from September 1st 2016;*
- *up to 1/3 from September 1st 2017; and*
- *up to 1/3 from September 1st 2018.*

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

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

21.1.4.4. Free shares allocations

None.

21.1.4.5. Bonds convertible into shares with share subscription warrants attached

On October 14, 2014, the Company issued 100 free share issuance warrants ("Share Issuance Warrants"), which may give rise to the issue of 100 convertible bonds with warrants attached ("OCABSA") representing a bond issue of up to €1 million, in favor of L1 European Healthcare Opportunities Fund.

On the same day, L1 European Healthcare Opportunities Fund exercised the 100 Share Issuance Warrants and, consequently, 100 OCABSA.

Under the terms of an issue agreement signed with the Company on October 14, 2015 (as amended on October 21, 2015 and March 24, 2016), L1 European Healthcare Opportunities Fund also agreed to subscribe for an additional €4 million in several tranches, upon the exercise of an additional 400 Share Issuance Warrants to be issued, subject to obtaining the necessary approvals at the next Annual General Shareholders' Meeting to be held by June 30, 2016, and compliance with certain other standard conditions.

Bonds convertible into shares (OCA)

The main characteristics of the OCA issued on October 14, 2015 ("OCA_{2015}") are as follows, given that any OCA that may be issued at a later date upon exercise of 400 Share Issuance Warrants to be issued free of charge to L1 European Healthcare Opportunities Fund, subject to approval from the next Annual General Shareholders' Meeting to be held by June 30, 2016, will have the same characteristics as the OCA_{2015}:

- total issue amount: €1,000,000;
- nominal value of an OCA_{2015}: €10,000;
- subscription price of an OCA_{2015}: 99% of par value;
- coupon: OCA_{2015} are not interest bearing;
- maturity: 12 months, given that OCA_{2015} 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: OCA_{2015} are transferable under certain conditions; no request has been made for admission to trading on the Paris Euronext stock market and so they are not listed.
- conversion: OCA_{2015} may be converted into Implanet shares at the holder's request, at any time, in accordance with a conversion ratio determined using the formula below:

  $N = Vn/P$

  "N" being the number of new ordinary Implanet shares to be issued upon conversion of an OCA_{2015};

  "Vn" being the bond receivable that the OCA_{2015} represents (nominal value of one OCA_{2015});

  "P" being 92% 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 conversion application date for the OCA_{2015} in question, given that the trading days on which the holder of the OCA_{2015} in question sells the Implanet shares will be excluded. P cannot, however, be less than the nominal value of one Implanet share, or €1.50 at the current price.

By way of an exception, if the last tranche of OCA has still not been converted 6 months after the original maturity date, these bonds shall be converted into shares automatically on the expiry date of said 6-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 OCA not yet converted on their original maturity date, extended for a further 6 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 3 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 €1.50 at the current price.

On the Date of the *Document de référence*, 369,372 new Company shares had been issued upon conversion of 70 OCA_{2015} at an exercise price calculated using the procedures described above, totaling €700,000 (€554.058 nominal value and €145,042 issue premium).

On the Date of the *Document de référence*, as a result of the conversions referred to above, 30 OCA_{2015} were still in circulation and the loan amount outstanding on that date stood at €300,000. By way of indication, a maximum of 200,000 shares can be created upon conversion of 30 outstanding OCA_{2015} .

Share subscription warrants attached to OCA ("BSA")

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

- exercise price: 110% of the lowest of the ten (10) average daily prices weighted by the volumes of Implanet's share immediately preceding the exercise date of Share Issuance Warrants giving rise to the issue of the OCA from which said BSA 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 BSA attached to each tranche of OCA: this number is calculated so that in the event of all the BSA being exercised, the capital increase resulting from the exercise of said BSA would be equal to the nominal amount of the corresponding tranche of OSA; thus, the number of BSA attached to OCA_{2015} (the "BSA_{2015}") stood at 400,000, noting that each of these BSA carries the entitlement to subscribe for one new ordinary Company share at a price of €2.50, including issue premium;
- exercise period: 5 years from the date of issue of the BSA;
- transferability/other: the BSA are detached from the OCA immediately; they are freely transferable. No request has been made for admission to trading on the Paris Euronext stock market and so they are not listed.

On the Date of the *Document de référence*, no BSA_{2015} had been exercised by L1 European Healthcare Opportunities Fund. Consequently, on this same date, 400,000 BSA_{2015} carrying entitlement to the issue of 400,000 new Company shares were still in existence.

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 1,600,778 shares, corresponding to a maximum dilution of 12.98% on the basis of the diluted share capital. The dilution in terms of voting rights is identical and amounts to 12.98% on the basis of the diluted voting rights[46].

[46] Excluding (i) exercise of the share issuance warrants issued in favor of Kepler Cheuvreux (whose terms and conditions of exercise are described in section 21.1.4.2 of the *Document de référence*) and (ii) conversion of the convertible bonds (and exercise of the attached warrants) to be issued upon the exercise of the 400 warrants in favor of L1 European Healthcare Opportunities Fund subject to necessary approval being granted at the next annual shareholders' meeting due to be held on May 24, 2016 and other usual conditions (refer to sections 10.1.4.2 and 21.1.4.5 of the *Document de reference*).

21.1.5. Acquisition rights and/or obligations connected to share capital issued but not authorized, and commitment to capital increase

The resolutions approved by the General Shareholders' Meetings of January 9, 2015 and June 24, 2015 and 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 January 9, 2015			
Authorization to the Board to increase the share capital by issuing ordinary shares or any securities giving access to the share capital, without shareholders' preferential subscription rights, to a category of persons so as to ensure underwriting of the Company's capital securities likely to be issued through an equity line facility	18 months/July 9, 2016	€809,930	(1)
Authorization granted to the Board of Directors for the purpose of granting options to subscribe or purchase Company shares	38 months/ March 9, 2018	539,952 shares	See (2) and (3)
Delegation of authority to be granted to the Board of Directors for the purpose of carrying out a free issue of BSCPE to Company employees and executives	18 months/ July 9, 2016	539,952 shares	See (3) and (4)
Authorization to be granted to the Board of Directors to make allocations of existing or new free shares	38 months/ March 9, 2018	539,952 shares, up to a limit of 10% of the existing capital at the time of allocation	See (3)
Delegation of authority granted to the Board of Directors for the purpose of issuing and allocating share subscription warrants to (i) members and non-voting members of the Company's Board of Directors in office on the allocation date of the warrants, who are not employees or executives of the Company or one of its subsidiaries, (ii) persons who have entered into a services or consultancy agreement with the Company, or (iii) members of any committee that might be set up by the Board of Directors, who are not employees or executives of the Company or any of its subsidiaries	18 months/ July 9, 2016	539,952 shares	See (3) and (4)
Authorization granted to the Board of Directors for the purpose of decreasing the share capital by canceling treasury shares.	18 months/ July 9, 2016	Up to 10% of the share capital within a 24-month period	-

	Period of validity/Expiry	Ceiling (nominal value)	Pricing principles
Combined General Shareholders' Meeting of June 24, 2015			
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/ August 24, 2017	€15,550,620 (5)	-
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/ August 24, 2017	€7,775,310 (5)	See (6)
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/ August 24, 2017	€3,110,120 (5) and within the limit of 20% of the existing share capital at the date of the transaction and per year	See (6)
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/ August 24, 2017	within the limit of 10% of the share capital per year	See (7)
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/August 24, 2017	15% of the initial issue (5) (8)	Same price as initial issue
Delegation of authority granted to the Board, for the purpose of issuing of ordinary shares or securities giving access to the share capital for the purpose of remunerating contributions, in the event of a tender offer including an exchange component initiated by the Company.	26 months/August 24, 2017	€7,775,310 (5)	-
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/August 24, 2017	€7,775,310 and within the limit of 10% of the share capital per year (5)	-
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/August 24, 2017	3,110,120 €	-

(1) The share issue price will be at least equal to the weighted average of the prices quoted of the last three trading days before the price was set, less, if applicable, the discount authorized by the law (currently 20%), and corrected in the case of a difference in the possession date on the understanding that the issue price of the securities giving access to the share capital will be such that the sum received immediately by the Company, plus, if applicable, the sum that may be received by it subsequently for each share issued as a result of the issue said securities, is at least equal to the issue price defined above.

(2) 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.

(3) These amounts are not cumulative. The maximum cumulative number of shares authorized by the General Shareholders' Meeting and likely to be generated by the exercise of share subscription options, free share allocations and the exercise of warrants and founders' warrants is 539,952.

(4) The exercise price of the founders' warrants (BSPCE)/share subscription warrants (BSA) will be determined by the Board of Directors on the date of their allocation and must be at least equal to the weighted average price over the last 20 trading sessions preceding the date of allocation by the Board.

(5) 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 €15,550,620. The aggregate nominal amount of issues of debt securities giving access to the Company's share capital may not exceed €40,000,000.

(6) The share issue price will be at least equal to the weighted average of the prices quoted on the last three trading days before the price was set, less, if applicable, the discount authorized by law (currently 5%), and corrected in the case of a difference in the possession date on the understanding that the issue price of the securities giving access to the share capital will be such that the sum received immediately by the Company, plus, if applicable, the sum that may be received by it subsequently for each share issued as a result of the issue of said securities, is at least equal to the issue price defined above.

(7) The Board may waive the pricing conditions set out in the aforementioned resolutions (within a limit of 10% of the Company's share capital at the date of the transaction) in each 12-month period, and set the issue price of the ordinary shares and/or securities giving access to the capital, immediately or in the future, as detailed below:

- the issue price of ordinary shares will be at least equal to the weighted average of the prices of the last three trading sessions before it was set, less, if applicable, a maximum discount of 20%, on the understanding that it may under no circumstances be less than the nominal value of a Company share on the issue date of the shares involved;

- the issue price of the securities giving access to the share capital will be such that the sum received immediately by the Company, plus, if applicable, the sum that may be received by it subsequently, for each share issued as a result of the said securities, is at least equal to the issue price defined in the Section above.

(8) 15% or any other percentage determined by decree.

For the fiscal year ended December 31, 2015, the Board of Directors used these delegations of power as follows:

February 18, 2015: the Chief Executive Officer, authorized by the Board of Directors, decided on a capital increase with shareholders' preferential subscription rights of a nominal amount of €6,479,424, through the issue, at an issue price of €2.25 per share (issue premium included) of 4,319,616 new shares with a nominal value of €1.50, giving a total subscription amount, issue premium included, of €9,719,136 (3rd and 8th resolutions of the General Shareholders' Meeting of January 9, 2015).

March 13, 2015 :the Chief Executive Officer, authorized by the Board of Directors, decided on a capital increase with shareholders' preferential subscription rights of a nominal amount of €971.913, through the issue, at an issue price of €2.25 per share (issue premium included) of 647.942 new shares with a nominal value of €1.50, giving a total subscription amount, issue premium included, of €1,457,869 (3rd and 8th resolutions of the General Shareholders' Meeting of January 9, 2015).

July 15, 2015:

- the Board of Directors used the authorization granted under the 13th resolution of the General Shareholders' Meeting of January 9, 2015 to resolve to allocate 22,500 share subscription options, each carrying entitlement to subscribe for one Company share, at a price of €2.66 each, issue premium included, to three employees of Implanet America Inc.;

- the Board of Directors used the authorization granted under the 16th resolution of the General Shareholders' Meeting of January 9, 2015 to resolve to issue, at an issue price of €0.29 each, 44,699 share subscription warrants, each carrying entitlement to subscribe for one Company share, at a price of €2.89 each, issue premium included, to one independent director and four consultants.

October 12, 2015: the Board of Directors used the authorizations granted under the 9th and 10th resolutions of the General Shareholders' Meeting of June 24, 2015 to resolve to issue 100 free share issuance warrants, which may give rise to the issue of 100 convertible bonds with share subscription warrants, representing a bond issue of up to €1 million, to L1 European Healthcare Opportunities Fund, 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
March 23, 2011	Capital increase	€1,048,154	€324,927.74	1,048,154	26,020,212	€1	€26,020,212
April 5, 2011	Capital increase	€1,106,870	€343,129.70	1,106,870	27,127,082	€1	€27,127,082
October 3, 2011	Capital increase	€2,428,955	-	2,428,955	29,556,037	€1	€29,556,037
July 19, 2013	Capital increase	€3	-	3	29,556,040	€1	€29,556,040
July 19, 2013	Capital decrease	€(25,122,634)	-	-	29,556,040	€0.15	€4,433,406
July 19, 2013	Reverse split (10 to 1)	-	-	-	2,955,604	€1.50	€4,433,406
November 19, 2013	Capital increase through public offering	€2,555,556	€9,711,118.80	1,703,704	4,659,308	€1.50	€6,988,962
November 19, 2013	Capital increase (overallotment option)	€383,322.50	€1,456,663.50	255,555	4,914,863	€1.50	€7,372,294.50
November 19, 2013	Conversion of convertible bonds into shares and reimbursement of bonds reimbursable in shares	€726,988.50	€3,730,905.95	484,659	5,399,522	€1.50	€8,099,283
February 18, 2015	Capital increase with preferential subscription rights	€6,479,424	€3,239,712	4,319,616	9,719,138	€1.50	€14,578,707
March 13, 2015	Capital increase with preferential subscription rights (extension clause)	€971,913	€485,956.50	647,942	10,367,080	€1.50	€15,550,620
December 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
March 24, 2016	Conversion of bonds convertible into shares	217,279.50	22,720.50	144,853	10,736,452	€1.50	€16,104,678

21.1.7.2. Changes in the distribution of the Company's share capital during the last three fiscal years

	Situation at December 31, 2013		Situation at December 31, 2014		Situation at December 31, 2015	
	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	**492,186**	**9.12%**	**450,440**	**8.34%**	**193,189**	**1,82%**
Other investors	**90,578**	**1.68%**	**90,474**	**1.68%**	**86,056**	**0,81%**
Financial investors	**2,937,835**	**54.41%**	**2,473,271**	**45.81%**	**1,873,616**	**17.69%**
Seventure	366,763	6.79%	336,763	6.24%	391,013	3.69%
Cofa Invest	153,388	2.84%	153,388	2.84%	0	0%
Auriga	578,403	10.71%	555,657	10.29%	0	0%
Edrip*	644,004	11.93%	644,004	11.93%	644,004	6.08%
Leilani Investments Partner	138,455	2.56%	138,455	2.56%	139,219	1.31%
CM-CIC **	412,818	7.65%	-	-	-	-
Wellington**	644,004	11.93%	644,004	11.93%	644,004	6.08%
Other investors	-	-	1,000	0.02%	55,376	0.52%
Securities in bearer form* **	**1,878,923**	**34.80%**	**2,385,337**	**44.18%**	**8,438,738**	**79.67%**
Total	**5,399,522**	**100%**	**5,399,522**	**100%**	**10,591,599**	**100%**

** Conversion to bearer shares in fiscal year ended December 31, 2015.*
*** Conversion to bearer shares in fiscal year ended December 31, 2014.*
**** Without taking into account the Edrip and Wellington bearer investments listed above.*

21.1.7.3. Distribution of the share capital and voting rights as of the date of the *Document de référence*

Please see paragraph in Section 18.1.

21.1.7.4. Change in share price - risk of price changes

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

In the course of the 2015 fiscal year, the share price reached its highest level, €4.94, on March 3, 2015, and its lowest level, €2,00, on December 14 and 18, 2015. At December 31, 2015, the share closed at €2.29.

Over the first months of 2016, the share price moved from €2.29 to €1.48on April 27, 2016, the closing price on the day preceding the filing date of this *Document de référence*, meaning the Company's market capitalization stood at approximately €15.89 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. Limitations of voting rights

There are no clauses in the Bylaws restricting the voting rights attached to shares.

21.2.3.6. Identifiable bearer shares

The Company may also, at any time and pursuant to the applicable laws and regulations, ask any authorized body, against payment of a fee, for the name (or in the case of a legal entity, the Company name), nationality and address of the holders of shares conferring voting rights immediately or in future at its own shareholders' meeting, as well as the quantity of shares held by each of them, and if applicable, any restrictions imposed on said shares.

21.2.3.7. Buyback by the Company of its own shares

See Section 21.1.3

21.2.4. Terms and conditions governing modification of shareholders' rights

Shareholders' rights as stated in the Company's Bylaws may only be modified by the Company's Extraordinary General Shareholders' Meetings.

21.2.5. General Shareholders' Meetings

A. Shareholders' Meetings (Article 19 of the Bylaws)

General Shareholders' Meetings are convened and held according to the applicable laws.

If the Company wishes to send meeting notices by electronic means rather than by mail, it must obtain the prior consent of the shareholders concerned, who shall provide their electronic address.

Meetings are held at the registered office or in any other location stated in the notice.

The right to participate in meetings is governed by the laws and regulations in force and, in particular, is subject to the 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 commercialised 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 France 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 commercialised 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 30 US companies to sell Jazz and the full range of the Implanet Spine System in the United States. These agreements all have very similar terms. Each of them gives the concerned contracting party exclusive rights to sell Jazz and the full Implanet Spine System in one or more specified US states. Each sales partner commits to a minimum volume of sales. If they fail to meet this minimum threshold, Implanet America Inc. has the right to terminate the agreement in advance.

For instance, Implanet America Inc. concluded an exclusive sales agreement with the US company Spine Enthusiast LLC to distribute Jazz and the full Implanet Spine System in the State of Florida. This agreement was entered into on April 1, 2013, for an indefinite period of time and it can be terminated at any time by either party with a 60-day prior written notice. Implanet America Inc. also has the right to unilaterally terminate the agreement with a 7-day prior written notice if Spine Enthusiast LLC is subject to a change of control or fails to achieve 75% of the sales targets set out in the contract. Implanet America Inc. also has the right to unilaterally terminate the agreement if it is taken over by a third party that does not wish to continue the contractual relationship with Spine Enthusiast LLC. In these circumstances, Implanet America Inc. must, if the contractual relationship between the parties has been running for more than two years, pay compensation equal to 12-months' commissions. Spine Enthusiast LLC also has the right to unilaterally terminate the agreement with a 30-day prior written notice if it considers, at its sole discretion, that its enforcement would breach any of its agreements with Stryker Corporation or any of this company's subsidiaries.

22.2. SUBCONTRACTING

The Company has concluded the following agreements with three subcontractors, on very similar terms:

- subcontracting agreement concluded on August 1, 2013 with Cousin Biotech to manufacture Jazz braids;
- subcontracting agreement concluded on August 25, 2014 with Etablissements Coulot Décolletage to manufacture Jazz metallic implants; and
- subcontracting agreement concluded on May 22, 2014 with In'tech Medical to manufacture Jazz instrumentation.

For instance, the Company concluded a subcontracting agreement with Cousin Biotech to manufacture Jazz components. The agreement become effective on August 1, 2013 for an initial period of five years, tacitly renewable for 12-month periods. The Company has the right to unilaterally terminate the agreement with a six-month prior notice if there is a change in the controlling shareholder, the management of Cousin Biotech or if Cousin Biotech sells a substantial part of its business. Cousin Biotech also has the right to unilaterally terminate the agreement with a 12-month prior notice if the parties fail to agree any change in prices and/or delivery periods as a result of changes to technical specifications or the Company's specifications. If it fails to meet delivery times, Cousin Biotech is liable to pay penalties that vary depending on the size of the order involved.

The Company, as a manufacturer under the terms of Directive 93/42/EEC, is liable for any damages caused to a third party, including damaged caused by a failure to meet the safety requirements of this directive, and therefore guarantees Cousin Biotech against any third-party lawsuits for such damages. Cousin Biotech, however, remains liable, and guarantees the Company in such circumstances, for damages arising from a failure to meet its manufacturing quality obligations or its obligations as a subcontractor under Directive 93/42/EEC. Cousin Biotech also guarantees to comply with US manufacturing process standards.

22.3. FINANCING VIA BONDS ISSUED TO KREOS CAPITAL IV (UK) LTD.

22.3.1. Context

On July 19, 2013, the Company concluded a venture loan agreement with Kreos Capital IV (UK) LTD, in lieu of a master agreement for the subscription by Kreos Capital IV (UK) LTD of a bond issue of €5 million, the issue of Company warrants in favor of Kreos Capital IV (Expert Fund) LTD and the pledge of the Company's goodwill in favor of Kreos Capital IV (UK) LTD.

These transactions were implemented as follows:

- the €5,000,000 bond via the issue of 5,000,000 non-convertible bonds with a nominal value of €1 each to Kreos Capital IV (UK) LTD was approved at the Company's Board of Directors' Meeting of July 19, 2013 and wholly subscribed by Kreos Capital IV (UK) LTD on July 24, 2013;

- the free issue of 65,000 warrants to Kreos Capital IV (Expert Fund) LTD was approved by the Extraordinary General Shareholders' Meeting of July 19, 2013; and

- the Company's 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 contract is increased from 36 to 54 months;

- the fixed monthly installment (capital and interest) is reduced from €190,735.43 to €94,160.22; and

- the annual interest rate remains at 11.5%.

(see Section 22.3.3 of the *Document de référence* for further information on the features of the bond issue following said rescheduling).

In return 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, given that the terms of these BSA are essentially identical to those issued by the Company on July 19, 2013, apart from their exercise price of €2.91 per share.

22.3.2. The venture loan agreement

This master agreement concluded between the Company and Kreos Capital IV (UK) LTD ("**Kreos**") on July 19, 2013, as modified by the amendment dated April 16, 2015, defines the rules governing relations between the Company and Kreos during the lifetime of the bond.

Under the terms of this agreement, the Company made a number of commitments, notably financial commitments.

These included undertakings to:

(i) not contract, without prior authorization from Kreos, debt of more than €2,500,000 other than (a) the Kreos bond, (b) borrowings to cover working capital requirement, (c) advances from OSEO (or any other support or advance from public bodies), (d) issuance of convertible bonds or bonds redeemable in shares, or (e) current account advances from shareholders; and

(ii) neither pledge nor transfer any assets except in the normal course of its business.

Any breach by the Company of its commitments under the bond could result in early redemption of the loan.

Finally, the Company has granted Kreos the right to ask that a non-voting member be appointed to the Board of Directors.

22.3.3. The Kreos bonds

Number:	5,000,000
Nominal value of bonds:	€5,000,000
Issue date:	July 19, 2013
Subscription date:	July 24, 2013
Subscriber:	Kreos
Date of first repayment:	January 1, 2014
Date of last repayment:	December 1, 2017*
Frequency of repayments:	monthly
Monthly installment amount:	€94,160.22 (capital and interest), with the exception of the last monthly amount of €72,500)*
Interest rate:	11.5%

Transferability:	the bonds can only be transferred within the Kreos group. Note that there will be no request to admit the Kreos bonds for trading.

**As modified by the amendment to the venture loan agreement of April 16, 2015.*

Restrictions on use

The proceeds of the bond must be used by the Company to finance its working capital requirement.

Early redemption:

Kreos can request the early repayment of the whole amount owed (capital and accrued interest) under the protocol conditions, notably, in the event of:

- any failure to make a payment on time;
- any breach of the protocol and commitments in this respect that is not made good within ten working days of notification of the said breach;
- any default by the Company on any other borrowings;
- insolvency of the Company;
- direct or indirect transfer of more than 66% of the Company's capital or voting rights to a third party other than an existing shareholder;
- change in the Company's business purpose;
- breach of commitments under the venture loan agreement; or
- occurrence of any event or circumstance that causes or may cause the Company a net cost or net loss totaling more than €500,000 or that significantly affects the Company's ability to repay the bond and which cannot be made good by the Company or its shareholders within 20 working days of Kreos notifying the Company that such an event has occurred.

Collateral given:

In guarantee of its repayment of the bond, the Company has pledged the whole of its business (i.e. nantissement de fonds de commerce), including, in particular, all the intellectual property that the Company owns or will own (patents, drawings and models, domain names, brands).

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

The collateral can be exercised if the Company fails to pay on time any amount due under the terms of the bond and after that an appraiser appointed by the parties or by the president of the Paris Tribunal de Grande Instance has issued a report valuing the intellectual property rights.

Exercise of this collateral (particularly in the event of early repayment of the bond) would result in the transfer of ownership of the Company's business, including all of its intellectual property rights.

Information on the 65,000 warrants issued to Kreos Capital IV (Expert Fund) LTD

The Extraordinary General Shareholders' Meeting of July 19, 2013 issued 65,000 free warrants for shares in the Company to Kreos Capital IV (Expert Fund) Ltd. (the "**BSA $_{Kreos}$**").

The BSA_{Kreos} entitle the holders to subscribe for 75,400 ordinary shares in the Company with a nominal value of €1.50 each at €6.20 per share.

The BSA_{Kreos} cannot be assigned or transferred except in the following circumstances:

(i) warrants transferred by Kreos Capital IV (Expert Fund) Limited to any entity (i) controlled directly or indirectly as defined by Article L. 233-3 of the French Commercial Code by Kreos Capital IV (Expert Fund) Limited, or (ii) that controls, directly or indirectly, as defined by Article L. 233-3 of the French Commercial Code, Kreos Capital IV (Expert Fund) Limited, or (iii) that is under joint control, directly or indirectly, as defined by Article L. 233-3 of the French Commercial Code, with Kreos Capital IV (Expert Fund) Limited during the period when the BSA_{Kreos} are exercisable;

(ii) share subscription warrants (BSA) transferred to its constituent Limited Partnerships, if Kreos Capital IV (Expert Fund) Limited expires during the lifetime of the Kreos share subscription warrants (BSA).

The BSA_{KREOS} will be exercisable (and shall expire concomitantly) until the earlier of the following two events occurring:

(i) the exercise of one or more transfers of Implanet shares which would cause any person to hold at least ninety-five percent (on a fully diluted basis) of the Company's share capital; or

(ii) the expiry of a five (5) year period from the initial listing of the Company's shares on the Paris Euronext stock market.

Note that there will be no request to admit the BSA_{Kreos} for trading.

22.4. FINANCING VIA THE ISSUE OF OCABSA TO L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND

On October 14, 2015, the Company finalized a financing arrangement with L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND (amended on Ocotber 21, 2015 and March 24, 2016) to raise a potential maximum of €5 million, at the Company's discretion under certain usual conditions, which may be revised upwards by an equivalent amount if the share subscription warrants issued under this operation are exercised.

The terms of this financing are broadly detailed in section 10.1.4.2 of the *Document de reference*.

23. INFORMATION FROM THIRD PARTIES, EXPERT STATEMENTS AND DECLARATIONS OF INTEREST

None.

24. PUBLISHED DOCUMENTS

The *Document de référence* is available free of charge at the Company's registered office, Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France.

It can also be consulted on the websites of the Company (www.implanet.com) and the AMF (http://www.amf-france.org).

The Bylaws, minutes of General Shareholders' Meetings and other documents relating to the corporate life of the Company, as well as historical financial information and any appraisals or declarations by experts hired by the Company that must by law be disclosed to shareholders can be consulted free of charge at the Company's registered office.

From registration of the Company's shares for trading on the Paris Euronext stock market, all regulatory information required by the AMF General Regulation will also be available from the Company's website (www.implanet.com).

25. EQUITY INVESTMENTS

Information on equity investments by Implanet in other companies which are likely to have a material impact on the Company's assets, financial position or results is given in Sections 7 "Organizational chart" and 20 "Financial information concerning the assets, financial position and results of the Company" of the *Document de référence*.

26. NOTES TO THE FINANCIAL STATEMENTS

26.1. REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE, INTERNAL CONTROL AND RISK MANAGEMENT

IMPLANET SA
A French *Société anonyme* with a share capital of €16,104,678
Registered office: Technopole Bordeaux Montesquieu,
Allée François Magendie, 33650 Martillac
Registered in the Bordeaux Trade and Company Register (RCS) under No. 493 845 341

To the readers,

In accordance with the provisions of Article L. 225-37 of the French Commercial Code (*Code de commerce*), I am pleased to present my report as Chairman of the Board of Directors on the composition, preparation and organization of the work of the Board during fiscal year 2015, as well as the internal control and risk management procedures in the Company.

The report has been prepared by the Company's management according to the terms approved by the Board of Directors during its meeting on March 24, 2016.

1. Corporate governance

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.

Mr Denis Saint-Denis, who was appointed Deputy CEO on October 15, 2014, resigned from office with effect from June 30, 2015.

Rules of procedure were adopted by the Board of Directors on April 11, 2013 and amended on June 7, 2013 to formalize matters such as the role and composition of the Board, the rules of conduct and the obligations of the members of the Company's Board of Directors, as well as the operating procedures for the Board and the Board Committees. The rules of procedure also set out the rules for determining directors' compensation.

In order to comply with the requirements of Article L. 225-37 of the French Commercial Code, the Company has adopted the MiddleNext Corporate Governance Code for Small and Midcaps, published in December 2009 (the MiddleNext Code) as its reference for governance guidelines.

The table below lists the different recommendations of the Corporate Government Code for Small and Midcapitalizations companies and indicates whether or not the Company complies with them.

MiddleNext Code recommendations	Compliant	Non-compliant
I. Executive Power		
R 1: Combination of an employment contract with a Director position	X(1)	
R 2: Definition and transparency of the compensation of executive corporate officers	X	
R 3: Golden handshakes	X	
R 4: Supplementary retirement schemes	X	
R 5: Stock options and free shares		X(2)
II. Supervisory Power		
R 6: Introduction of Board Rules of Procedure	X	
R 7: Director ethics	X	
R 8: Composition of the Board – Independent Directors	X	
R 9: Choice of directors	X	
R 10: Term of office of Board members	X	
R 11: Board member information	X	
R 12: Creation of committees	X	
R 13: Board and committee meetings	X	
R 14: Directors' compensation	X	
R 15: Introduction of Board evaluation	X(3)	

(1) The Board of Directors has authorized the Chief Executive Officer and the Deputy Chief Executive Officer to hold both an employment contract and a Director position, in view of the size of the Company and the distinct technical functions exercised by these individuals in accordance with their respective employment contracts.

(2) To date, the Company has not attached any performance conditions to the exercise of the Founders' warrants (BSPCE) granted to some of its executives since its stock market listing. The Company does, however, intend to adhere to this recommendation for any profit-sharing instruments that may be granted to executives in the future.

(3) In 2015, the Board set up a tool to assess its capacity to meet the expectations of the shareholders who appointed it to run the Company. This tool periodically reviews the composition, organization and operation of the Board.

1.1 Composition of the Board of Directors

Pursuant to statutory and legal provisions, the Board of Directors is composed of a minimum of three Directors and a maximum of 18, appointed by the General Shareholders' Meeting for a three-year renewable term.

If a vacancy arises, Directors may be co-opted in accordance with applicable law and regulations.

Directors may be recompensed by attendance fees, which are allocated between the Directors according to their attendance at the Board meetings and their contribution to the Special Committees.

Rules of procedure were adopted on April 11, 2013 and amended on June 7, 2013 to define the role and composition of the Board of Directors, the rules of conduct and the obligations of the members of the Company's Board of Directors. All members of the Board of Directors commit to maintaining independence of reasoning, judgment and action and to actively participate in the Board's work. They will inform the Board should they come up against any conflicts of interest. Moreover, the rules of procedure refer to the current regulations on the disclosure and use of insider information and specify that the Directors must refrain from transactions on the Company's shares when they are in possession of insider information. All Board members must declare all direct or indirect transactions on the Company's shares transacted to the Company and the French Financial Markets Authority (AMF).

At least one of the independent Directors must have particular financial or accounting expertise to be appointed to the Audit Committee.

The table below describes the composition of the Board of Directors according to the appointments made by the General Shareholders' Meetings of February 5, 2007; March 31, 2010; January 22, 2013; April 30, 2013, November 19, 2013 and June 10, 2014, and the Board of Directors' Meetings of May 24, 2007 and January 8, 2014. As at December 31, 2015, the Company's Board of Directors had seven members and one non-voting member. The latter attends Board meetings and takes part in deliberations in a consultative capacity only.

The terms of office of the directors and the non-voting member will expire at the close of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2015, with the exception of that of Paula Ness Speers, which will expire at the close of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2016.

In 2015, the Company believed that Paula Ness Speers, Brian Ennis and Jan Egberts met the criteria for independent Directors as defined by the MiddleNext Corporate Governance Code for Small and Medium Capitalization as published in December 2009 and approved as code of practice by the AMF, inasmuch as Paula Ness Speers, Brian Ennis and Jan Egberts:

- are not, and over the last three years have not been, employees or executive Directors of the Company or of a Group company;
- are not important clients, suppliers, or bankers of the Company or clients, suppliers, or bankers for whom the Company or its Group represents a significant share of its business;
- are not reference shareholders of the Company;
- do not have any close family relationship with a corporate officer or reference shareholder; and
- have not been Company auditors in the course of the previous three years.

Following the appointment of Brian Ennis as Chairman of Implanet America and the signing of his employment contract on January 1, 2016, the latter no longer qualifies as an independent director as of that date.

At present, the following are members of the Board of Directors:

Name	**Corporate office**	**Main position in the Company**
Jean-Gérard Galvez	Director	Chairman of the Board of Directors
Ludovic Lastennet	Director	Chief Executive Officer and Sales and Marketing Director
Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski	Director	
Rainer Strohmenger	Director	
Jan Egberts	Independent Director	
Brian Ennis	Director	
Paula Ness Speers	Independent Director	
Kreos Capital IV (UK) Ltd. represented by Maurizio Petitbon	Non-voting member	

1.2 Missions of the Board of Directors

The Board is governed by the provisions of the French Commercial Code, Articles 11 to 13 of the Company's bylaws and its rules of procedure.

The main responsibilities of the Board of Directors are:

- to determine the Company's business strategy and monitor its implementation; Subject to those powers expressly conferred on the General Shareholders' Meetings and within the limits of the Company's corporate purpose, the Board considers any issues related to the proper operation of the Company and, through its deliberations, takes decisions on matters concerning the Company;
- to appoint the Chairman of the Board, the CEO and Deputy CEOs and decide on their compensation;
- to authorize the agreements and commitments covered by Articles L. 225-38 and L. 225-42-1 of the French Commercial Code;
- to approve the Chairman's report on corporate governance and internal control.

It also monitors the quality of the information provided to shareholders and to the markets.

1.3 Conditions for the preparation and organization of the work of the Board

To make a meaningful contribution to the work of the Board of Directors, all members must receive the necessary documents. Requests for documentation are submitted to the Chairman, or where relevant, to any Company executive (Chief Executive Officer or Deputy CEO).

All Board members are authorized to meet the Company's senior executives, provided they inform the Chairman of the Board and the Chief Executive Officer beforehand.

The Board is regularly informed by the Chief Executive Officer on the Company's financial position, cash position, financial commitments and significant events for the Company and the Group.

Lastly, all new Board members may request training on the particular features of the Company, the Group, their businesses and operating segments.

The Board members are notified about meetings by letter, fax or email at least five (5) days before each meeting.

Meetings of the Board of Directors may also be called by any other means, including verbally, if all active Directors are present or represented at the meeting.

All documents and draft documents providing information on the agenda and on any other issues submitted to the Board are sent or provided to the Directors prior to the meeting in a timely manner.

Moreover, the Board is informed about the Company's financial position, cash position and commitments during its meetings.

The Company complies with the provisions of recommendation 15 of the MiddleNext Code on the introduction of an assessment of the work of the Board during fiscal year 2015. In fact, the Board

set up a tool to assess its capacity to meet the expectations of the shareholders who appointed it to run the Company. This tool reviews the composition, organization and operation of the Board.

There are plans to put the annual assessment of the Board's work on the agenda of a Board meeting at least once a year. This assessment takes the form of a questionnaire given to directors.

1.4 Report on the work of the Board in fiscal year 2015

Minutes of meetings are prepared by the Chief Executive Officer and approved by the Chairman before being submitted for the Board's approval during the next meeting. Once signed by the Chairman and a Director, the minutes are transcribed into the minutes log.

The Board of Directors met 11 times during fiscal year 2015 on the dates listed below. The attendance rate for all members (Directors and non-voting members) was 79.3%.

Date of Board meeting	Number of members present	Attendance rate
January 21, 2015	Directors: 8 Non-voting members: 0	Directors: 100% Non-voting members: 0%
February 16, 2015	Directors: 7 Non-voting members: 0	Directors: 87.5% Non-voting members: 0%
March 18, 2015	Directors: 6 Non-voting members: 0	Directors: 75% Non-voting members: 0%
April 8, 2015	Directors: 8 Non-voting members: 0	Directors: 100% Non-voting members: 0%
June 24, 2015	Directors: 5 Non-voting members: 0	Directors: 71.4% Non-voting members: 0%
July 15, 2015	Directors: 6 Non-voting members: 0	Directors: 85.7% Non-voting members: 0%
September 15, 2015	Directors: 7 Non-voting members: 0	Directors: 100% Non-voting members: 0%
September 25, 2015	Directors: 6 Non-voting members: 0	Directors: 85.7% Non-voting members: 0%
October 12, 2015	Directors: 7 Non-voting members: 0	Directors: 100% Non-voting members: 0%
November 3, 2015	Directors: 6 Non-voting members: 0	Directors: 85.7% Non-voting members: 0%
December 29, 2015	Directors: 7 Non-voting members: 0	Directors: 100% Non-voting members: 0%
Average attendance at Board of Directors' Meetings	**/**	**Directors: 90.1% Non-voting members: 0%**

1.5 Audit Committee

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

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

The main responsibilities of the Audit Committee include:

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

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

At present, the following are members of the Audit Committee:

- Jean-Gérard Galvez, Chairman of the Board of Directors;
- Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski, Member of the Board of Directors; and
- Jan Egberts, Director.

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

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

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

1.6 Compensation Committee

The members of the Compensation Committee have adopted rules of procedure, amended by a decision of the Board of Directors on June 7, 2013, as described below. Where possible, this committee is composed of at least two members of the Board of Directors appointed by the Board of Directors.

It is hereby stated, for whatever purpose it may serve, that no Member of the Board of Directors exercising a management function within the Company can be a member of the Compensation Committee.

At present, the following are members of the Compensation Committee:

- Ms Paula Ness Speers, Chair of the committee;
- Mr Jean-Gérard Galvez; and
- Edmond de Rothschild Investment Partners represented by Mr Raphaël Wisniewski.

The main duties of the Compensation Committee are:

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

- in general, the Compensation Committee provides advice and makes appropriate recommendations in any of the above areas.

The Compensation Committee meets at dates set by its Chairman to discuss an agenda decided by its Chairman, which is sent to the Compensation Committee members at least seven days ahead of the meeting. A meeting can also be called by its Chairman, or two of its members, or by the Board of Directors.

The non-executive Directors who are not members of the Compensation Committee are free to attend any of these meetings.

The Chairman of the Company's Board of Directors, if he/she is not a committee member, can be invited to attend the committee meetings. The Committee invites him/her to put forward proposals. He/she has no vote and does not attend deliberations about his/her own situation.

The Compensation Committee can ask the Chairman of the Board of Directors for permission to invite to the meeting any Executive Officer with the expertise required to handle a specific agenda item. The Chairman of the Compensation Committee or of the meeting will highlight the confidentiality obligations incumbent on all attendees.

The Compensation Committee met once during fiscal year 2014 and once during fiscal year 2015.

1.7 Principles and rules governing the compensation of corporate officers

The Company applies all the recommendations of the MiddleNext Corporate Governance Code relating to the compensation of executive and non-executive corporate officers.

Targets were set and approved at the Board of Directors, following a recommendation of the Compensation Committee, for the variable portion of the Chief Executive Officer's compensation for fiscal year 2015. In particular, these targets included revenue growth criteria.

The General Shareholders' Meeting of June 10, 2014, resolved, on a proposal of the Board of Directors of February 13, 2014, to allocate attendance fees to certain Members of the Board of Directors for a total amount of €1,500 for each Board meeting attended in person. These break down as follows:

- Jan Egberts: €4,500;
- Brian Ennis: €6,000;
- Paula Ness Speers: €7,500.

Ludovic Lastennet entered into an employment contract with the Company on April 2, 2007. He was appointed Chief Executive Officer during the Board meeting of November 27, 2012. The Board resolved to retain him in his position as salaried Sales and Marketing Director. His employment contract includes compensation under a non-compete clause equal to 6/10 of compensation earned in the 12 months prior to his departure.

1.8 Specific terms and conditions relative to shareholders' participation in the General Shareholders' Meeting

Article 19 of the Bylaws includes specific terms and conditions relative to shareholders' participation in the General Shareholders' Meeting.

1.9 Limits placed by the Board on the CEO's powers

The Chief Executive Officer heads up the Company and represents it in its dealings with third parties, within the limit of its purpose. He/she is vested with the most extensive powers to act on behalf of the Company in all circumstances, subject to the powers expressly allocated by law to the Board of Directors and General Shareholders' Meetings, and the limits set by the Board.

The Chief Executive Officer must be under 65 years of age.

The Board of Directors must be informed in advance about commitments relating to investments, acquisitions and disposals for amounts in excess of €50,000.

1.10 Notice of publication of the information in Article L. 225-100-3 of the French Commercial Code

See Section 16.6 of the *Document de référence*.

2. Risk management and internal control procedures in the Company

This part of the Company's report draws on the guidelines for implementing the AMF Reference Framework for Risk Management and Internal Control Systems for small and midcaps, updated and published on July 22, 2010.

2.1 General risk management principles

2.1.1 Definition

Implanet continues the process of establishing a formal risk management system.

The organization of risk management aims to identify all the risks and risk factors that could affect the Company's activities and processes and to define the resources required to manage these in order to keep them at or bring them to an acceptable level for the Company. The system aims to be comprehensive, to cover all risk typologies and all of the Company's or the Group's activities.

2.1.2 Risk management goals

Implanet applies the definition of risk management proposed by the French Financial Markets Authority (AMF), according to which risk management is a lever for managing the Company that helps to:

- create and preserve the Company's value, assets and reputation;
- secure decision-making and the Company's processes to ensure the attainment of its objectives;
- promote the consistency of the Company's actions with its values;
- bring the Company's employees together behind a shared vision of the main risks.

2.1.3 Components of the risk management system

The risk factors identified to date by the Company are presented in Section 4 of this *Document de référence*.

To date, the Company has identified the following main risk categories:

- the competitive environment;
- the Company's dependence on its sales network;
- intellectual property;
- the manufacturing process;
- risks related to liability arising from its products;
- financial risks;
- legal risks notably in relation to the regulations applicable to medical devices, approvals already obtained or in process, and the regulatory environment;
- company organization.

These risks are reviewed once a year in order to update the risks with the people directly concerned. The goal of this review is to formally draw up the list of actions required to control these risks and to evaluate the effectiveness of these measures.

2.2 Coordination of risk management with internal control

The risk management system aims to identify and analyze the main risks and risk factors that could affect the Company's activities, processes and objectives, and to define the resources required to maintain these risks at an acceptable level for the Company, particularly by implementing preventive measures and controls, which are part of the internal control system.

At the same time, the internal control system relies on the risk management system to identify the main risks that need to be controlled. Historically, the Company has established and developed an internal control system since its inception, however its formal risk management organization is more recent. The Company has embarked on a process of coordinating these two systems, with the aim of identifying the control methods applicable to the Company's key processes that are liable to be affected by the risks categorized as "major".

2.3 General internal control principles

2.3.1 Definition

Implanet applies the definition of internal control proposed by the French Financial Markets Authority (AMF), according to which internal control is a system that the Company implements. The system aims to ensure:

- compliance with laws and regulations;
- implementation of the instructions and directions given by general management;
- proper functioning of the Company's internal processes;
- reliability of financial information;
- in general, helps to control its activities, ensure the effectiveness of its operations and the efficient use of resources.

During the fiscal year, Implanet continued to roll out its internal control system aimed at "ensuring internally the relevance and reliability of the information used and distributed in the Company's activities".

Nonetheless, internal control cannot provide an absolute guarantee that the Company's objectives will be achieved, or that the risks of error or fraud are fully controlled or eliminated.

2.3.2 Components of internal control

The internal control system is based on an organization with a clear definition of responsibilities, reference systems, resources and procedures. The Company has implemented a quality assurance system since its formation. Processes in all areas of its activity are described by procedures, operating methods, instructions and forms. This written documentation traces all stages of the activities, defines the methods and responsibilities of those involved, specifies the Company's knowhow and gives precise instructions for carrying out a given procedure.

All Company employees are involved in internal control.

Operating procedures

All documentation relating to the quality management system (QMS) is uploaded to a dedicated Intranet site to optimize access to documents and ensure they are continually updated to reflect developments in the Company's activities (document life-cycle management). The aim of the system is to achieve continuous improvement of the Company's and the Group's quality and operating procedures, across all areas from operations and management to support.

The quality assurance system covers the following areas:

- Company management
- Innovation
- Quality management
- Listening to customers
- Developing and improving products
- Demonstrating value
- Sales
- Product manufacture
- Managing methods and resources

- Purchasing
- Accreditation

Organization of the Finance and Accounting Department

The Finance and Accounting Department is made up of four people, including the Chief Financial Officer.

The following organization is in place in the Company to minimize financial management risk:

- the Company's General management and the Finance Department personnel in particular are responsible for improving internal control and incorporating the recommendations of the external auditors and the Audit Committee,
- the Company maintains internal separation between the preparation and oversight of the financial statements and calls on independent experts to evaluate complex accounting entries;
- a chartered accountant verifies the preparation of interim and annual individual financial statements and the financial statements prepared under IFRS;
- payroll management is subcontracted to a specialist independent firm;
- the accounting operations of the subsidiary Implanet America Inc. are entrusted to a firm of chartered accountants.

The accounts are produced internally and then submitted to the Company's Statutory auditors for review before being presented to the Audit Committee for discussion. This procedure is designed to ensure that the Company's accounting practices are in line with French and international accounting standards (IFRS), as well as to guarantee consistency in the presentation of the accounts.

The Finance Department reports directly to the Chairman of the Board of Directors.

The budget and "monthly reporting" procedure

At the end of the fiscal year, a detailed budget is prepared by the Finance Department for the following year and submitted for approval to general management. The budget is then presented to the Board of Directors. Periodic budget reviews organized with all operating managers examine and approve individual line items and review expenditure as a whole.

The Company’s accounting system is based on French accounting standards, with sales broken down by product line and costs broken down by center and type, which allows it to monitor the budget very closely.

The Company draws up “monthly reports” including an operating account, a balance sheet and cash forecasts. These reports are submitted to the Management Committee comprising Ludovic Lastennet (Chief Executive Officer), David Dieumegard (Chief Financial Officer), Régis Le Couëdic (Research and Development Director and Clinical & Scientific Affairs Director) and Franck Laporte (Operations Director).

The Finance Department prepares a report for each Board of Directors' Meeting for the general management and Directors. Reporting is presented and discussed on a regular basis during Board meetings.

At the end of each half-year, the accounting teams finalize the consolidated financial statements for the companies in the Group.

Delegation of powers

Each cost center manager has a capped expenditure authorization, which must be approved by the Company's general management as soon as the threshold is reached. These purchase requests are then checked off against the invoices and delivery notes for the goods before payment is approved.

2.4 Actors in risk management and internal control

General management has been the driving force behind defining and implementing the Company's internal control and risk management systems since the outset.

The risk management system aims to identify and analyze the main risks and risk factors that could affect the Company's activities, processes and objectives, and to define the resources required to maintain these risks at an acceptable level for the Company, particularly by implementing preventive measures and controls, which are part of the internal control system.

2.5 Limits of the risk management and internal control systems and improvement priorities

In 2016, the Company will endeavor to adapt and optimize its risk management system relative to its IT system (SAP) and to improve monitoring of action plans.

The Board of Directors approves the terms of this report, which will be presented to the General Shareholders' Meeting called to approve the financial statements for fiscal year 2015.

2.6 Representation of women and men on the Board of Directors

Following the departure of one of the directors in 2015, COFA-Invest, represented by Ms Marie Hélène Plais, the Board of Directors now has one female member.

To comply with the provisions of French Law No. 2011-103 of January 27, 2011 relative to gender balance on company boards of directors and supervisory boards, and equality in the workplace, at the next General Shareholders' Meeting, the Company intends to propose the appointment of a female director to replace Ms Marie-Hélène Plais.

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Chairman of the Board of Directors

26.2. STATUTORY AUDITOR'S REPORT, PREPARED PURSUANT TO ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

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INKIPIO AUDIT
19, rue des Tuiliers
69003 Lyon
Simplified joint-stock company (SAS) with a capital of €300,000

Statutory auditors
Member of the
Lyon regional company of auditors

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
Simplified joint-stock company (SAS) with variable capital

Statutory auditors
Member of the
Versailles regional company of auditors

Implanet

Fiscal year ended December 31, 2015

Statutory auditor's report, prepared pursuant to Article L. 225-235 of the French Commercial Code, on the report of the Chairman of the Board of Directors of Implanet

To the shareholders,

In our capacity as Statutory auditors of Implanet and in accordance with the provisions of Article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with the provisions of Article L. 225-37 of the French Commercial Code for the fiscal year ended December 31, 2015.

It is the Chairman's responsibility to prepare and submit for the approval of the Board of Directors a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L. 225-37 of the French Commercial Code, in particular the measures related to corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report on internal control and risk management procedures related to the preparation and processing of accounting and financial information; and

- to attest that this report contains the other disclosures required by Article L. 225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures related to the preparation and processing of accounting and financial information

Professional standards require that we perform the necessary due diligence required to assess the fairness of the information concerning the internal control and risk management procedures related to the preparation and processing of accounting and financial information contained in the Chairman's report. These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures related to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based, as well as existing documentation;

- obtaining an understanding of the work involved in the preparation of this information and of existing documentation;

- determining if any material weaknesses in the internal control system related to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information concerning the Company's internal control and risk management procedures related to the preparation and processing of accounting and financial information contained in the report of the Chairman of the Board of Directors, prepared in accordance with Article L. 225-37 of -the French Commercial Code.

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L. 225-37 of -the French Commercial Code.

Lyon and Paris-La Défense, March 31, 2016

The Statutory auditors

INKIPIO AUDIT — ERNST & YOUNG Audit

Clément Albrieux — Franck Sebag — Jean-Pierre Caton

»

26.3. CORPORATE SOCIAL RESPONSIBILITY REPORT

1. Social and environmental information

This report presents the information for the company IMPLANET and its subsidiary IMPLANET AMERICA for the fiscal years 2014 and 2015. For the two periods, the presented data represents the aggregate data for Implanet and its subsidiary Implanet America ("the Group" or Implanet).

1.1 Employment and social information

The Group carries out research, development and sale activities of medical devices. Its personnel are therefore crucial for its economic model. To motivate and retain all of its Key Personnel over the long term, the Group has put in place a talent management policy.

The 2015 fiscal year was marked by the continued commercial development of the Group in its strategic activities. The revenue generated, and the robust performance witnessed in 2015, reflect the sharp increase in JAZZ business in the United States. The interest aroused during recent attendance at SRS and NASS international scientific conferences proves that the gradual adoption of Implanet technology provides innovative solutions to various spinal surgery issues, both for surgeons and patients. The Group is now confident that this growth will continue, sustained by comfortable financial reserves and by regular receipt of marketing authorizations on the world's most dynamic markets, in particular, in the United States and Latin America.

This commercial growth was achieved thanks to a substantial increase in the workforce, up by 9% compared with the previous fiscal year, which itself saw a 26% rise in the workforce.

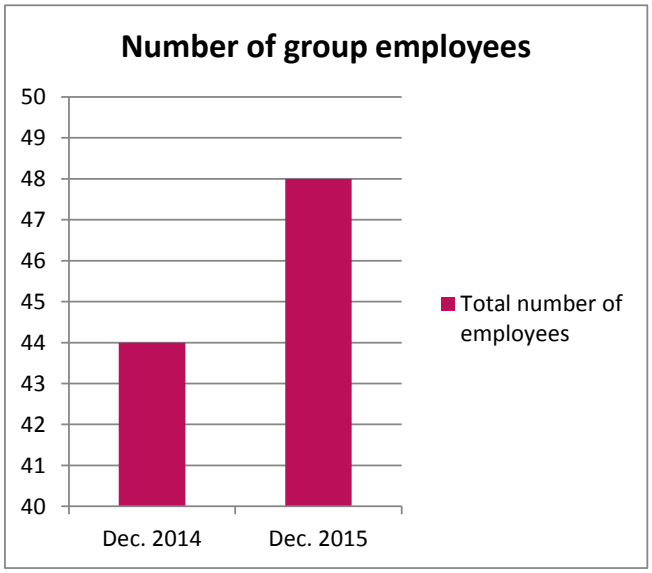
The staff motivation and loyalty policy is confirmed by a generally low departure rate (excluding short-term contracts). The departure rate was 8% in the 2015 fiscal year (as against 5% in 2014).

The work and management contracts signed between the Group and its Key Personnel include confidentiality, loyalty and non-competition clauses.

a) Employment:

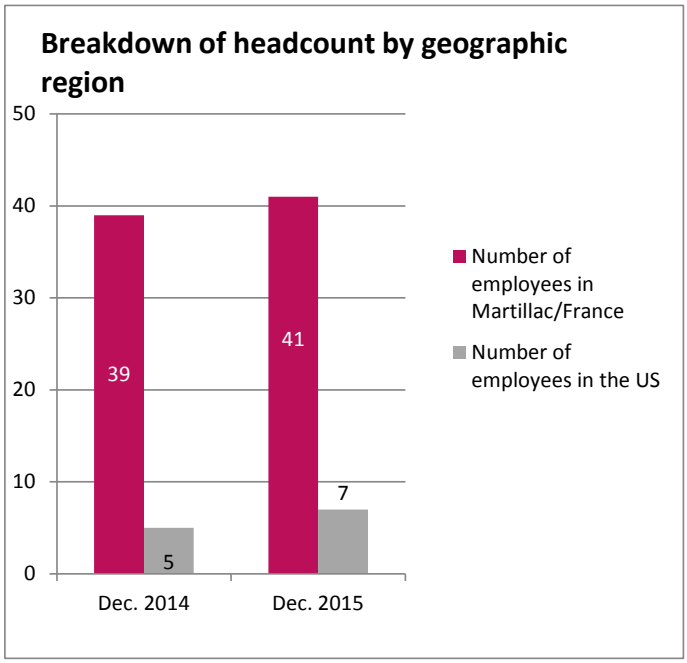
Workforce:

At the end of December 2015, the Group showed strong momentum with **48** employees (full time and part time) as against **44** at the end of December 2014, or a workforce increase of almost 9%. Among them, **46** hold a permanent employment contract (39 in France and 7 in the USA) and 2 an apprenticeship contract. Please note that in the USA, permanent contracts are standard. At the end of December 2014, among the 44 employees, 41 held a permanent contract (36 in France and 5 in the USA), 1 held a fixed-term contract and 2 an apprenticeship contract. The Group therefore favors stable and lasting employment arrangements to ensure its development.



Breakdown per geographic location:

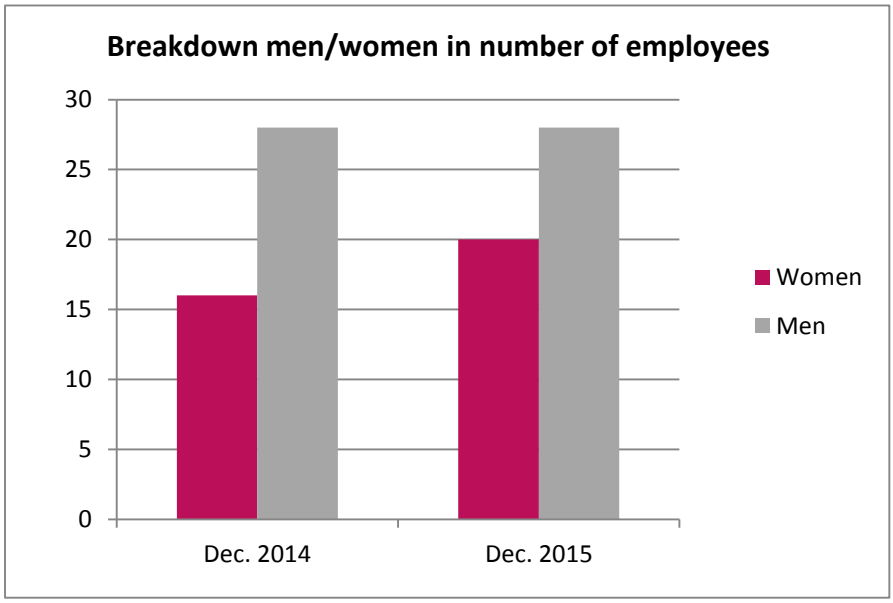
The net workforce was up by 2 jobs in the USA and 2 jobs in France.



Breakdown men/women:

At December 31, 2015, women represented 42% of the Group's contractual workforce, a sharp increase on the previous year's figure (36%).

The gender breakdown of employees is as follows:



The Group implements a policy of non-discrimination in wages when hiring employees. Whatever the professional category, the procedures for managing compensations and assessing individual value added are identical for men and women. The same applies to access to training.

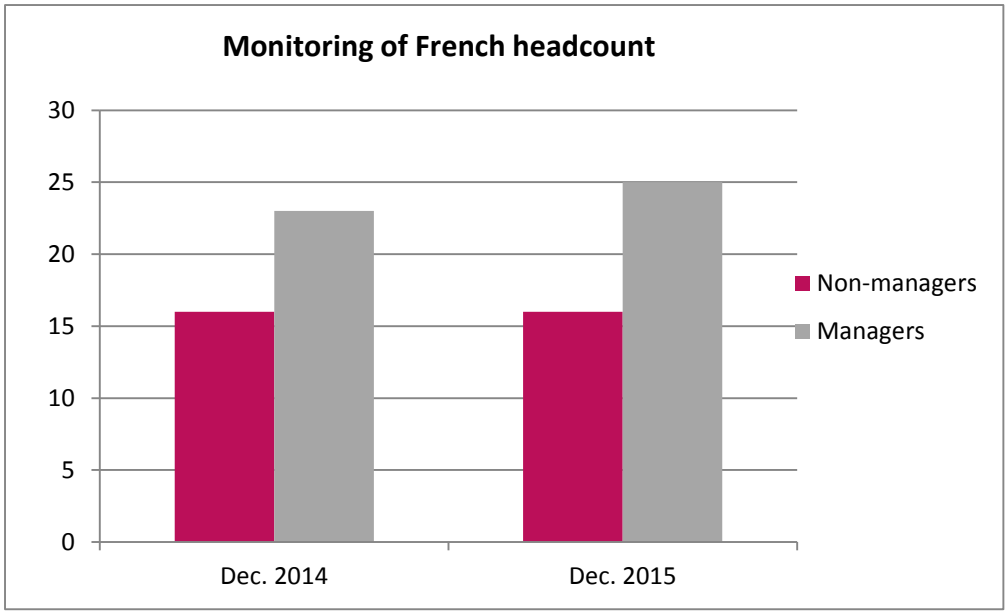
The breakdown of the Board of Directors is presented below in the Section on equal treatment. In 2014, a woman, Ms Paula Ness Speers, whose career has mostly been in health strategy, was appointed as an independent Director. She has run several large cost-optimization studies and devised many strategies for penetrating healthcare markets.

Skills:

At the end of December 2015, in France, the Group employed 25 people holding degree-level qualifications or above, representing 64% of its overall workforce, as against 22 people at the end of December 2014. One staff member has a doctorate. These staff have wide experience of technology innovation management, and of the development and sale of medical devices and products.

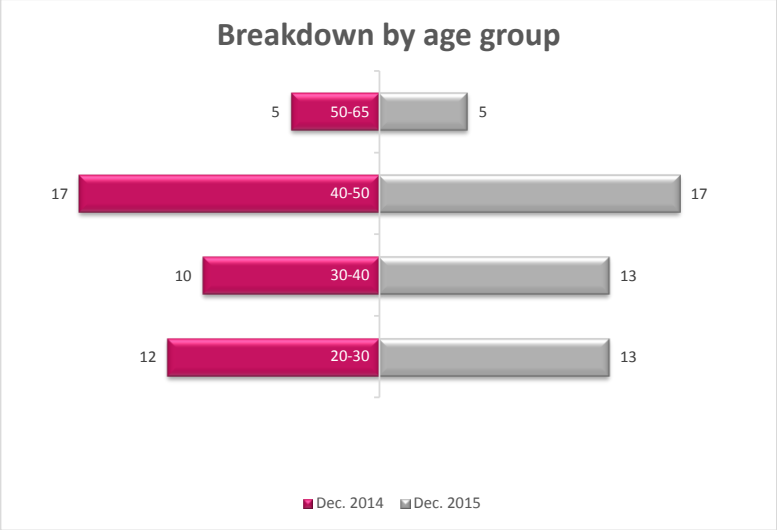
In fiscal year 2015, over 10% of the workforce was directly assigned to research and development activities; the remainder handled support functions such as sales and marketing, administration, quality, and regulatory and operational compliance.

The staff is characterized by a high level of qualification: executives make up 61% of the French workforce. It is specified that 4 full-time and one part-time staff, or 10% of the Group's workforce, were assigned to the R&D activity in 2014 and 2015.



Age:

At December 31, 2015, the average age of the staff was 38, and the seniority was 4 years, up by 5 months on 2014.



The Group's workforce is balanced in terms of the breakdown between young professionals and more experienced employees.

Staff turnover:

In France, the Group recruited 7 new staff members in 2015: 6 permanent contracts and 1 fixed-term contract. 9 people were hired in 2014. The major recruitment concerned the following positions:

- a Chief Financial Officer;
- a Knee Sales Manager for France;
- a Spinal Sales Director for France;
- R&D Project Manager.

5 staff members left in 2015, one of whom had completed a fixed-term contract. The number of departures was unchanged from 2014, but in 2014, three members of staff had reached the end of a fixed-term contract.

Thus, the Group created two new net positions in 2015 (a 5% increase of its workforce) and 4 in 2014 (an 11% increase).

In 2015, the Group recruited 3 people in the USA in order to continue to grow in this strategic market and strengthen its offer. In the USA, one staff member left in 2015. In 2014 and 2015, employees were recruited from all over North America.

The three employees recruited in 2015 hold the following positions:

- Sales Director for the Western US
- Sales Director for the Eastern US;
- Sales Assistant.

The recruitment carried out in the US is focused entirely on business growth and should enable the Group to increase its sales in the North American market.

Compensation:

Payroll expenses per fiscal year	2015	2014
As a percentage of revenue	63.20%	53.25%
As a percentage of operating expenses	28.98%	26.67%
Total in € thousands	**4,205**	**3,748**

Payroll expenses increased by 12% during the 2015 fiscal year. This increase outpaced those of the Group's revenue and operating expenses. Payroll expenses represented 63% of revenue and 29% of operating expenses, as against 53% and 27%, respectively, for the previous fiscal year.

The employees' compensation levels are solely based on the positions they hold. The Company makes no difference in terms of the actual salaries between two employees holding the same position.

The compensation paid to corporate officers is described in Note 24 to the IFRS financial statements. As the Group continues to develop its growth and structure, this compensation increased compared with the previous fiscal year.

The Group has set up an individual bonus policy based on quantitative and qualitative criteria. The bonus criteria and amounts are defined during the annual staff review in accordance with the objectives set for the employees. Following the closure of the fiscal year, a summary review is carried out to validate their achievements and final allocations. Sales bonuses are based on sales targets. Other types of bonuses are based on specific criteria for the positions held by the different employees.

b) Organization of work

In France, the employment contracts of the employees are subject to the national collective agreement for the metallurgy industry; the "national" agreement for executive staff and that of "Gironde et Landes" for non-executive staff.

The work time of executive staff is defined in days (218 days per year) and that of non-executive staff in hours. For the latter, the effective work time is 35 hours per week.

Non-executive staff who work beyond this number of hours gather overtime. The need for overtime remains very limited. Implanet offers its employees the choice of payment or free time for any overtime done. In the 2015 fiscal year, the non-executive staff did 37 hours of overtime, or about 0.1% of the hours worked by non-executive staff (174 hours or 0.6% in 2014), of which 6 were paid in 2015 (99 hours paid in 2014). At the management's request, overtime was capped in 2015.
In the United States, the three employees recruited have contracts based on US labor law. The 7 US employees are employed by Implanet USA Inc. Their employment contracts stipulate working arrangements defined between the two parties in compliance with American law.

In France, the Group employs 38 people on a full-time basis and 3 people part time; in the US it employs 7 people full time. Implanet makes little use of temporary employment.

Absenteeism remains limited within Implanet, falling between 2014 and 2015. The "absent working days-to-present working days" ratio was 1.3% in 2015 for the workforce overall, despite variations between departments. This indicator is only monitored for the French workforce.

	Operations	*R&D*	*Raqa*	*Sales*	*Marketing*	*G&A*	**TOTAL**
Days lost per department in 2014	*350*	*6*	*28*	*3*	*5*	*-*	**392**
Days lost per department in 2015	*51*	*-*	*39*	*16*	*1*	*10*	**117**
Ratio of days lost to days worked in 2014	*15.2%*	*0.4%*	*1.4%*	*0.4%*	*1.1%*	*0.0%*	**4.6%**
Ratio of days lost to days worked in 2015	*2.3%*	*0.0%*	*1.9%*	*1.2%*	*0.1%*	*0.6%*	**1.3%**

In 2014, these numbers were impacted by the long-term illness absence of one staff member who was incapable of resuming work. This person went on sick leave on June 29, 2013, and was laid off for physical incapacity to resume work at the end of December 2014. If one restates these figures for this particular case the absenteeism ratio comes to 1.7% for 2014.

The monitoring of absenteeism is carried out on the basis of permanent contract full-time equivalents for each fiscal year in question. Staff on fixed-term or apprenticeship contracts, as well as general management, are excluded from this monitoring. No absences were recorded for 2014 and 2015.

c) Labor relations

Labor relations are handled through IMPLANET'S staff representative bodies: the Employee Representatives.

Implanet has four staff representatives (two primary representatives for each category and two alternate representatives for each category) who were elected in November 2012 for a four-year term. The next election will therefore be organized at the end of 2016.
The meetings of the staff representatives are held in accordance with the applicable laws and regulations. The minutes are distributed to the staff as and when they are completed.
The Group believes that it has good relations with its staff. It maintains a constructive social dialog with the staff representatives on the basis of transparency and openness. This allows it to enjoy a

healthy labor relations climate. Please note that no collective agreements were signed in 2014 and 2015.

d) Health and safety

The safety of staff and the management of working conditions are fundamental factors for sustainable corporate development. The Group has made the mandatory declarations for its installations and holds the necessary approvals for its activities. The technical checks and controls of the installations are carried out according to the current legislation. The staff holds the certifications and training necessary for using the equipment, and for maintaining Health and Safety at work.

In France, the death and disability and health insurance contracts offered by the Group to its employees are due to run until December 31, 2016. Employees in the US are covered by specific insurance contracts.

IMPLANET'S rules of procedure summarize the main health and safety rules with which staff must comply. The Company, with the support of its occupational physician, has drafted a unified document on risk assessment. These elements are made available to all company employees.

For all staff members, Implanet covers the costs of medical examinations, the frequency of which depends on the position held by the individual employee. The frequency is set jointly with the occupational physician:

- at-risk positions: once a year;
- all other positions: every two years.

In the course of 2014 and 2015, none of the Group's employees, trainees, apprentices or temporary staff had accidents that could be qualified as work-related accidents.

No work-related illnesses or illnesses of an occupational nature were declared by any of the Group's employees, trainees, apprentices or temporary staff in 2015. No permanent incapacity was notified to the Group for this fiscal year.

The latest report of the occupational physician, dated November 22, 2013, identifies no major risks affecting the safety and health of the Company's staff. It lists some areas for improvement, but mainly highlights all the measures already taken by Implanet in these domains.

e) Training

The Group has set up a human resources management policy aiming to attract and retain the best profiles. This entails a pro-active compensation policy, a training budget in line with the needs of the Group's activity and employees, and a willingness to promote career development.

The staff's educational level is high and the Group is particularly keen to maintain the high levels of knowledge and skills of all staff members. It promotes training by setting up programs in line with its strategy. Every year, the members of the company express their training wishes during an individual interview. Subsequently, the annual training plan is drawn in line with the identified priority areas. The training plan is validated by general management and the finance department.

For fiscal year 2015 IMPLANET had planned 28 training programs, of which 22 were carried out. These 22 training programs represented a total of 225 hours, down on the previous year, but still

much higher than in 2013. In 2014, 13 training programs of the 26 that had been planned were carried out, totaling 289.5 hours.

	2013	2014	2015
Number of training sessions planned	12	26	28
Number of training sessions attended by employees	9	13	22
Number of training hours provided	101.5	289.5	225

The major focus areas of IMPLANET'S staff training concern patient safety. IMPLANET therefore mainly trains its "quality" and "operational" staff in order to ensure very high product quality. There are a variety of programs. During the last two fiscal years, they focused on knowledge improvement: US regulations/bio-compatibility/professional software/product range.

The Group organizes internal "quality" training programs for all new recruits. A training program is developed for new recruits depending on their positions. The training programs can be taken in person by staff belonging to the Martillac site or online with telephone support by staff based in the United States.

Every new recruit receives a series of "quality" training programs related to the needs of his position. These training programs are provided by employees of the company's "quality" department. The training program followed by every employee is summarized in the "introductory training" document, which is kept in the employee's personnel file.

After each training program, an internal training evaluation sheet is filled out indicating the following: type of training, objectives, expected outcome, assessment of attainment of objectives. Following their training, staff belonging to the "quality" department take a self-assessment test that makes it possible for the managers of the "quality" department to evaluate the knowledge acquired.

f) Equal treatment

Due to the size of its current workforce, the Group is under no other legal constraint than that concerning the composition of its Board of Directors. As a result, one woman sits on the Board of Directors as an independent Director. It should also be noted that a second woman sat on the Board of Directors in 2014 as the representative of COFA-INVEST.

COFA-INVEST resigned from its corporate office as company director in 2015. Paula Neers is still an independent company director. The company is in the process of looking for a female director.

As regards the recruitment of new employees, in order to fight discrimination in hiring, the Group has set up a procedure enabling it to make an objective selection based on the needs of the positions to be filled. In order to define these needs, the Group produces job description and recruitment sheets. Recruitment for management positions is handled by a recruitment firm. All other recruitment is handled by the company internally.

The job description sheets mainly describe the duties involved and the skills required for the position. These sheets make it possible to define up front the type and level of education wanted, and the level of experience and specific knowledge required.

The recruitment sheets summarize the details and the contract conditions offered to applicants. They present the recruitment process, contract type, terms and the compensation allocated to the position to be filled.

These sheets make it possible to ensure within the Group a non-discriminatory recruitment process offering equal opportunities to all applicants.

1.2 Environmental information

Due to the nature of its business (research, development and sale activities of medical devices), the Group considers that its environmental impact is slight.

Its activities do not involve industrial production or distribution, thus no use of raw materials and no significant discharges into the environment. Its activities do not require use of town gas or special gases. They generate no particular noise pollution for the staff or local residents. The Group believes that the discharges to air linked to its activity are not significant and have little impact on air quality. Details on the greenhouse gas emissions linked to car and air travel are provided below.

Moreover, the Group's research activities are subject to very stringent regulatory requirements, with which it complies. The Group has all of the necessary approvals to conduct its activities.

Within this framework, only the following themes have been retained as relevant for consideration in the rest of the report:

- general environmental policy;
- sustainable use of resources;
    - energy consumption,
    - annual water consumption.

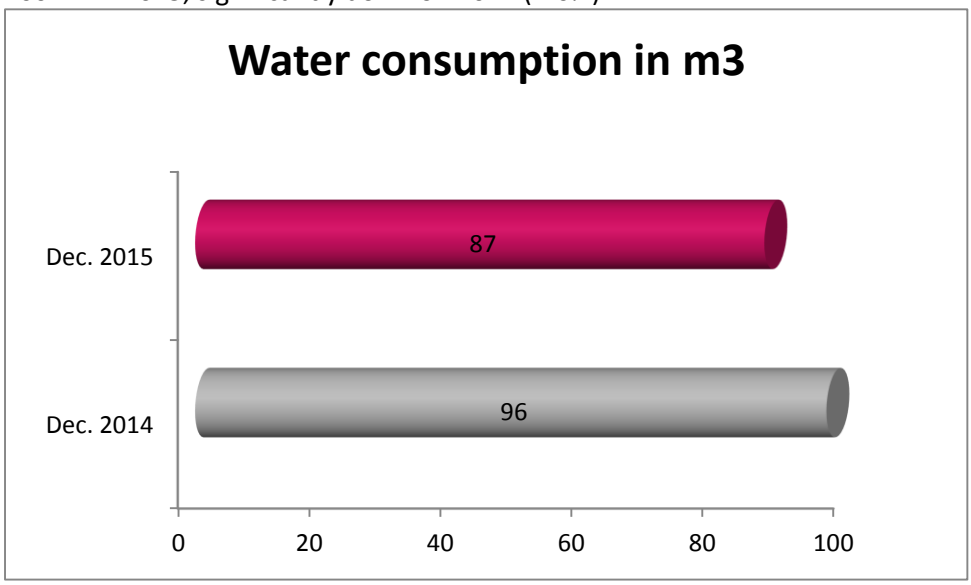
As regards "adapting to climate change", the Company does not deem this criterion to be relevant.

Pollution and waste management:

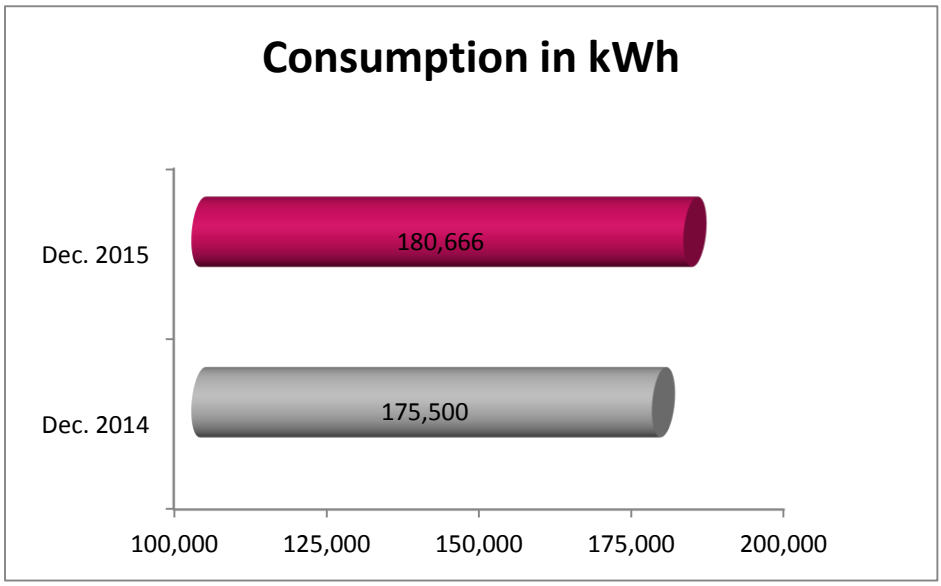
It is noted that the Group rents its premises and offices. It therefore has no power over the installed facilities that could have an impact in terms of the environment and sustainable development. However, at the time of the construction of its second building in MARTILLAC, the Group in collaboration with the lessor opted for a wood-frame building.

Water and energy consumption:

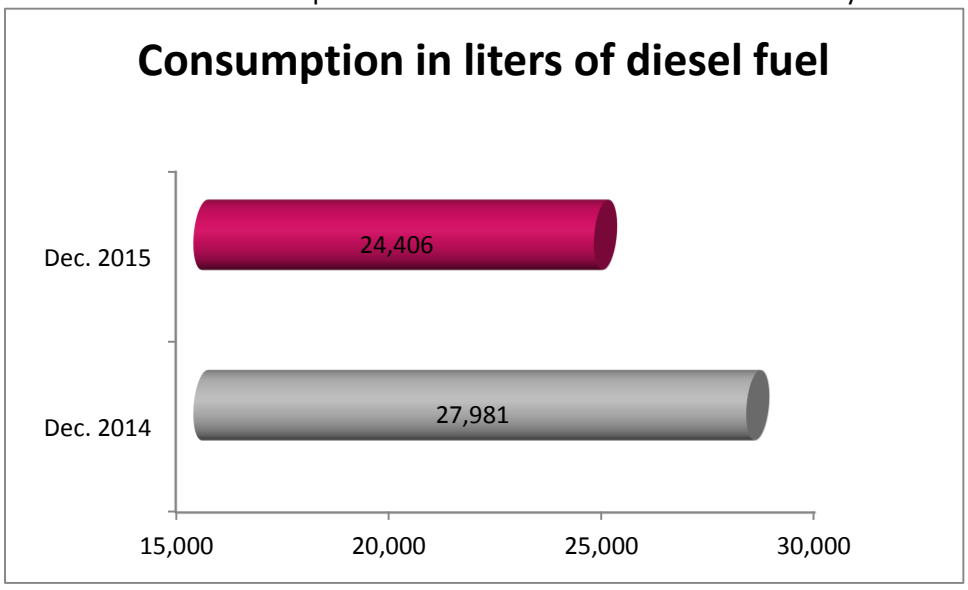
Natural and energy resources are not inexhaustible and the Group is concerned about its energy footprint. The Group is therefore very vigilant about not over-consuming the various natural resources and energy forms to which it has access.
The company applies common sense principles in terms of environmental protection (daily energy savings gestures, particularly concerning the lighting of the premises).
The Company will move into new premises in 2016, in accordance with French thermal regulation RT 2012 with, in particular, "Bbio" (bioclimatic needs) and "Cep" (Primary energy coefficient) coefficients measuring the building's energy performance at 30% below the approved limit. This new building will meet the requirements of the 2012 thermal regulation through the installation of high-performance equipment limiting energy loss.
The Group's activities do not consume large quantities of water. The consumption concerns the needs of the staff: sanitary facilities, rest room, maintenance of the premises. It was still less than 100 m^3 in 2015, significantly down on 2014 (-10%).



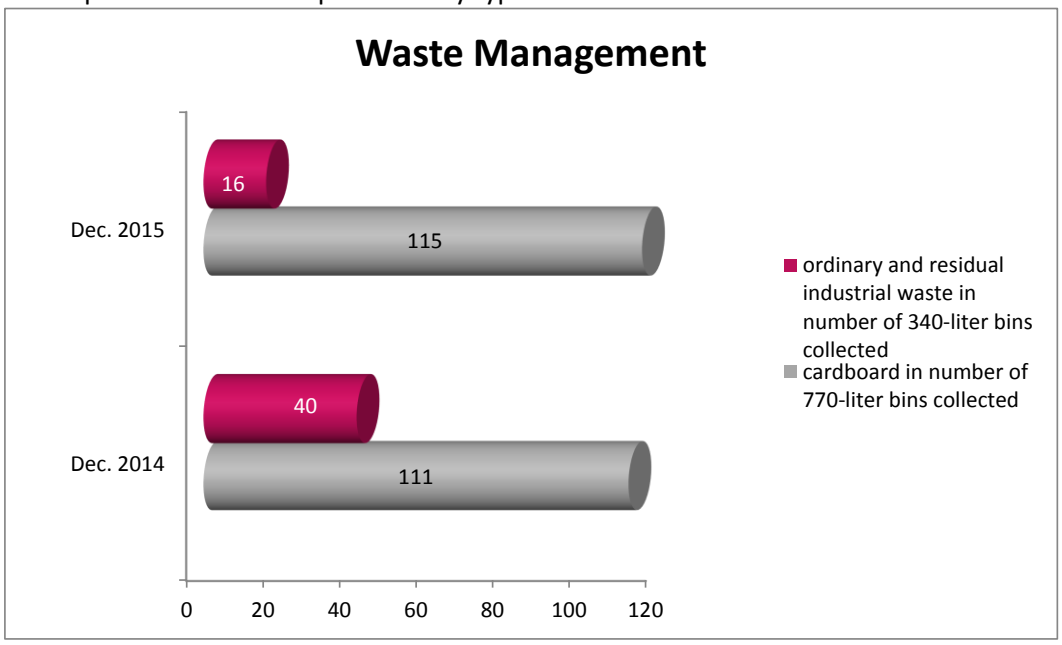
Considering the Group's activities, its electricity consumption remains limited mainly to the needs of lighting, heating, air conditioning, and computer equipment. There was a change of just 3% between the two fiscal years.



The Group's diesel fuel consumption, presented below, corresponds to the company vehicles made available to staff. Consumption was down 13% between the two fiscal years.



As the Group has no direct production it generates only limited amounts of waste. The diagram below presents the waste produced by type.



In addition, despite its low environmental impact, the Group strives to respect the environment and has launched, at its level, the following recycling actions:

- sorting of plastic bottles and caps;
- sorting of paper and cardboard;
- sorting of ink cartridges, and
- and sorting of batteries.

Waste receptacles for each type of waste have been installed. The Company uses specialized companies for the removal of the waste.
As regards scrapping of the Company's marketed products, the Group uses a local service provider specialized in the handling of ordinary industrial waste and electrical and electronic waste. Scrapping is carried out under bailiff supervision.
The selected service provider recovers the waste by means of reuse, recycling or any other action generating reusable material or energy. This service provider ensures monitoring and traceability of the material flows as well as elimination of the waste in an approved waste treatment facility.

Paper consumption:

Paper consumption remains limited within IMPLANET with less than two tons of paper used in 2014 and in 2015. Paper consumption was down 19% between 2014 and 2015.

	2014	2015
number of A4 reams purchased	*620*	*504*
number of A3 reams purchased	*11*	*8*
estimated paper consumption in tons	**1.6**	**1.3**

Greenhouse gas emissions:

Travel by employees using company vehicles:
Between 2014 and 2015, the Group's employees reduced their use of company vehicles.

	Dec. 2014	Dec. 2015	change (%)
Greenhouse gas emissions in CO_2 TEQ	42.8	41.6	**-3%**
Number of thousands of Km travelled	345	334	**-3%**

Air travel by employees:

Considering its ongoing international growth, the Group was forced to make significant use of national and international air travel in 2014. It therefore set up monitoring criteria for its CO_2 emissions caused by this mode of travel in 2014. These criteria were also monitored in 2015.

	Dec. 2014	Dec. 2015	change (%)
Greenhouse gas emissions in CO_2 TEQ	106.4	133.5	**25%**
Number of thousands of Km travelled	956	1,156	**21%**

This information has been estimated:

- for travel by French employees, on the basis of travel agent or airline data and only takes into account the fuel combustion for the flights;
- for travel by US employees, on the basis of internal expenses sheets and extra-accounting flight monitoring. Greenhouse gas emissions in CO_2 TEQ the number of kilometers traveled was calculated using the same criteria as for French employees. Monitoring was in real time over the first three quarters of 2015 and an estimate was made, using a projection of these data, for the fourth quarter of 2015.

It is clear that this type of travel remains significant for the Group in 2015, as the CO_2 emissions caused by air travel represent nearly one third of those caused by car travel.

Furthermore, to limit its travel and impact on the environment, the Group strives to use video- or teleconferencing whenever possible. In order to limit the number of trips as much as possible, the Chief Executive Officer prolongs his visits to the USA.

Rail travel by employees:

The Group decided to monitor travel by train from 2015. That year, approximately 59,000 km were traveled, corresponding to 0.170 CO_2 TEQ of greenhouse gas emissions, which is still not significant.

2) Information concerning company commitments to promote sustainable development

IMPLANET Territorial and Social policy

IMPLANET was created in 2007 and currently employs 48 people. Over a period of eight years, the Group has hired qualified and skilled staff, most of whom come from the Bordeaux area. Permanent employment contracts are preferred. Fixed-term contracts concern replacements or temporary activity peaks.

The Group applies a permanent policy of employing and training young people. Every year, the Group recruits people under apprenticeship or professional training contracts as well as a number of trainees for the purpose of training them. Everyone who completes a trainee period of at least one month receives compensation.

The Group also wants to contribute to the integration of disabled people into the economy. For this purpose, it calls on the services of a center providing care to disabled people through employment (ESAT). In 2014 and 2015, the Group purchased supplies from sheltered employment companies, thus partially fulfilling its obligations as regards the employment of disabled workers. It places two to three orders per year for a total amount of between €4,000 and €5,000.

The company was not involved in any partnership or sponsorship initiatives in 2014 and 2015.

IMPLANET Quality Policy

The group has set up a quality policy for 2015/2018 with the following aim

"A modern vision, socially and economically responsible, applied to the supply of products and services to the world of healthcare".

Implanet dedicates this vision to all the actors of the healthcare chain: healthcare product manufacturers, healthcare establishments, physicians, medical staff, healthcare budget and expense management bodies.

By listening to these actors and analyzing their needs, Implanet can focus on two main product and services families:

- a specialist range of spinal surgery implants, developed around braided implants offering surgeons multiple solutions and an alternative to traditional attachment systems, particularly in the treatment of the most complex pathologies such as scoliosis;

- a range of knee surgery implants.

In taking this ethical and professional approach, Implanet conducts research into products with the highest quality standards and full regulatory and performance compliance, whilst aiming to offer a "first in class" quality service to logistics chain operators. For this reason, this policy is applied to the distribution subsidiary, Implanet America.

This offer is made possible by IMPLANET's focus on development, product life monitoring, optimization of internal and external operations, and the goal of ensuring the highest possible safety for the patient.

IMPLANET strives to satisfy its customers and undertakes to implement the human and material resources necessary to achieve and maintain this satisfaction within the framework of a structured approach of dialog and continuous control.

IMPLANET organizes and deploys its activities, paying careful attention to deadlines and processes, towards ambitious, measurable and reachable objectives.

IMPLANET is also aware of the crucial importance of the commitment and competence of its staff for its success. Curiosity, innovation, participation and autonomy are therefore key values for the Company.

IMPLANET and all of its management are committed to being particularly attentive to the needs and suggestions of customers, staff and suppliers, in order to constantly improve the quality and performance of its products and services for the mutual benefit of all actors of the community in which it is active.

General management ensures compliance with these principles and their constant adaptation to industry best practices.

The involvement, commitment and responsibility of all members of the company are key to its success and to their future.

Protection of biodiversity

This criterion is not deemed to be relevant as global climate change and biodiversity trends have no direct impact on the Group's activities.

Measures taken in favor of consumer health and safety

The health and safety of consumers is at the heart of the Group's activities: to develop innovative devices and products for everybody, worldwide. In the context of its research and development activity, the Group is obliged to comply with current standards (Good Laboratory Practices, Good Manufacturing Practices) and with the regulations laid down by government agencies in charge of public health protection, such as the European Union Agency (EMA) or the Food and Drug Administration (FDA) in the United States.

The Group's main concern is to bring to market implants, manufactured to uncompromisingly high standards of quality and meeting the most stringent clinical performance requirements, for various orthopedic surgery markets, as is reflected in IMPLANET's quality policy based on European Directive 93/42/EEC on medical devices. IMPLANET is ISO 13485 certified and all products are in compliance with the CE standard.

Taking into account the development of the healthcare system in each country, the Marketing team identifies a portfolio of products and services based on a detailed analysis of the socioeconomic, regulatory, demographic and cultural characteristics of each market. The R&D team focuses on the design of scientifically and clinically proven implants, using quality materials, tested according to the most stringent standards in force, combined with simple and user-friendly instrumentation. Our working groups, comprising surgeons, engineers and experienced product managers, work closely together to offer a range of implants of high quality with specifications based on solid scientific data, to adequately meet the needs of healthcare professionals and to guarantee the safety of patients.

In 2015, the Group renewed its efforts by increasing:

- its expansion on the French and North American markets, serviced directly from the Martillac headquarters or from its distribution subsidiary based in Boston (USA)

- its commercial presence across the whole of Europe and Latin America.

Whilst continuing to increase the number of JAZZ placements on open markets in 2014, the first operations using JAZZ were carried out in the UK, Peru and, at the end of the year, in Brazil, following receipt of regulatory and customs import licenses.

The portfolio of industrial property continues to expand with, in particular, the grant of US, European and French patents for the JAZZ range.

At organizational level, the Group has pursued its certification processes:

- completed the 510(k) registration with the US FDA (Food and Drug Administration) for additions to the JAZZ and Implanet Spine System ranges as well as for the removal of the restrictions on use of JAZZ with the company's ISS system. This last registration greatly improves the prospects for the use of JAZZ;

- compliance Audits of the Martillac (Bordeaux) production site carried out by the ANVISA (Brazilian regulatory authority) in January 2015 as well as by the LNE-GMED (French Notified Body) in October 2015. These Audits did not generate any comments regarding non-compliance.

Throughout 2015, Implanet continued to demonstrate the efficacy and safety of its JAZZ implant in adolescent scoliosis surgery, by regular publication of clinical results providing validation of the Group's development and innovation strategy and by the publication of an Economic study showing that the use of JAZZ in a Hybrid construction, significantly reduced patient risk and surgery costs.

The study, conducted by the Pediatric Orthopedic Surgery Department of the Hôpital Robert Debré, attached to the Université Paris Diderot, provides the results obtained with the JAZZ implant in scoliosis surgery on adolescents by postero-medial translation and, more particularly on the restoration of frontal and sagittal balance. This study was conducted based on the 24-month monitoring of a consecutive series of 20 patients.

Alain Meunier, Implanet's Clinical & Scientific Affairs Director, comments: "These preliminary results of a major multi-center study of the JAZZ system confirms two essential parameters: technical efficacy and patient safety. For Implanet, these results validate, from a clinical point of view, the concept of sublaminar bands in treating idiopathic scoliosis in adolescents."

As the Group is constantly striving to improve its results, it is pursuing its scientific studies in order to offer appropriate solutions to the healthcare sector.

- Clinical follow-up after market launch of Jazz for two indications:

  idiopathic or neurological scoliosis in adolescents: 3 centers (Purpan, Toulouse, Marseille, La Timone and Robert Debré, Paris). At present, two white papers have been drafted by the Robert Debré team, in which their clinical results are described one year later. These white papers, supplemented by the Toulouse paper, will be published in 2016, patients having a follow-up after 2 years;

  degenerative scoliosis in older patients: Mono-center study (Dr. Cavagna, Clinique de la Porte de l'Orient, Lorient, France). This study aims to assess the clinical results and the risk of complications in the treatment of degenerative scoliosis in older patients with multiple comorbidities. At present, 21 patients have been monitored during an average period of 30 months. A white paper was published in mid-2015.

- Medicoeconomic studies: Health Advances, an external consultant, has analyzed the main factors of hospital costs for two types of implant assemblies used in the surgical treatment of adolescent scoliosis: systems based solely on pedicle screws and hybrid systems made up of pedicle screws and sublaminar bands. The following patient benefits have been noted for hybrid systems using JAZZ Band:

  - a reduction in the number of implants for each patient;

  - reduced operating time;

  - decreased blood loss;

  - shorter hospital stays.

The study also revealed a significant decrease in exposure to radiation for the patient, the surgeon and operating room personnel.

Action taken to prevent all forms of corruption

As regards the risk of corruption, the Group believes that it has set up effective internal controls enabling it to prevent this phenomenon. The separation of payment tasks is one of the measures taken to avoid mistakes and malfeasance. As regards the selection of suppliers, several estimates are systematically requested and compared as soon as certain expense thresholds have been reached.

Within the framework of the Bertrand Law, following the enactment of Decree No. 2013-414 of May 21, 2013, "on the transparency of the advantages granted by companies producing or selling healthcare or cosmetic products for human use," and in order to meet its legal obligations, Implanet twice a year publishes, on its website, the amounts and details of the advantages it grants to healthcare professionals and the title of the agreement(s) it has signed with them

Within this framework for fiscal years 2014 & 2015, the Group has made public on its website, under the heading "Declaration of transparency," the following information:

- Last name/First name/Title/Professional address/Country/Specialty/RPPS reg. No. of the healthcare professional to which it has granted a benefit

- Date of signature of the agreement/Type of agreement (consultant, hospitality, etc.)/Program linked to the agreement (in the framework of conferences),

- Exact amount of the benefit and Nature of the benefit granted.

For the 2014 fiscal year, the Group declared €43 thousand for forty or so healthcare professionals. For the first half of 2015, it declared €33 thousand for 33 healthcare professionals.

In 2015, the Company also introduced a system for gathering and summarizing information in accordance with the requirements of the "sunshine act" in the United States.

Consideration of social and environmental issues in the purchasing policy

IMPLANET resorts to subcontracting to produce the medical devices that it sells. All suppliers from which the Group purchases supplies for the manufacture of these medical devices are in the EU. In turn, these suppliers procure raw materials from European or US suppliers in accordance with product traceability obligations.

Purchases of raw materials and goods are made from suppliers or subcontractors. This item is substantial in Implanet's income statement:

Purchases of raw materials per year	**2015**	**2014**
As a percentage of operating expenses	27.76%	29.17%
Total in € thousands	**4,070**	**4,100**

The Group has set up a listing and monitoring procedure of its suppliers. It has thereby formalized the mechanisms put in place for selecting, evaluating and auditing these suppliers.

It has not set up specific "CSR" criteria for the selection of its suppliers, but its selection criteria are based on the supplier's capability of meeting IMPLANET'S requirements, which may relate to products, procedures, manufacturing processes and equipment, staff qualifications, quality management systems, and/or delivery times.

The Group thereby creates value added by involving suppliers and healthcare professionals in its ambition to be a responsible corporate citizen.

This operating method applies to all suppliers that may have an impact on the quality of the finished, packaged, labeled and sterilized IMPLANET brand product.

Consequently, the following families of suppliers are concerned:

- manufacturers (manufacturing subcontracting, finished product manufacturer, cleaning subcontractor, sterilization, etc.)

- component suppliers (raw material, packaging, labeling)

- suppliers of manufacturing consumables (tooling, abrasives, etc.)

- service providers with an impact on product quality (control laboratory, metrology, maintenance of specific workspaces, etc.)

The Purchasing/Operations Director and the purchaser handle, in collaboration with the Quality and R&D-Industry departments, the listing and monitoring of manufacturers, suppliers of components and manufacturing consumables, and service providers having an impact on product quality.

The listing procedure comprises a documentation collection phase and a supplier audit phase. Once these phases have been validated and the supplier listed, the purchaser handles the monitoring and evaluation of the supplier in question.

To ensure the quality of the services, the Group enters into subcontracting agreement with some suppliers, in order to define specifications, production targets, delivery times, and legal safeguards for the commercial relationship (list of active patents).

Audits performed on these suppliers for the purposes of supplier listing and ongoing business relations, focus on:

- their internal organization in terms of procurement, traceability and manufacturing;

- their "quality" policy and management and any certifications obtained;

- compliance with requirements in relation to medical devices;

- health and safety conditions;

- staff training;

- internal control set-up.

CSR indicators of the IMPLANET Group for fiscal year 2015

Grenelle 2 Article 225		GRI 3.1	Section
Indicators to report			
Reporting scope and consolidation of significant entities	Implanet and its subsidiary Implanet America for 2014 & 2015	3.5 to 3.11	1
Employee-related information			
Employment			
Total workforce	Description: employees bound to the employer by an employment contract that is ongoing or suspended for vacation or sick leave, irrespective of the nature of the contract Data collection: Excel monitoring sheet by the Administrative and Financial Manager (AFM) IT system used: extra-accounting monitoring within the framework of salary and personnel management Exclusion: non-employee staff are not taken into account (temporary staff, trainees, employees of an external company) Specific features: to be broken down by gender, age, type of contract, seniority and working hours (full time/part time) Validation circuit: information centralized and controlled by the AFM	LA 1	1.1.a)
Breakdown of employees by gender	Description: based on the workforce at 12/31/2014 & 12/31/2015 Data collection: Excel monitoring sheet by the AFM IT system used: extra-accounting monitoring within the framework of salary and personnel management Exclusion: see total headcount Validation circuit: information centralized and controlled by the AFM	LA 1	1.1.a)
Breakdown of employees by age	Description: average age and breakdown by age group based on the workforce at 12/31/2014 & 12/31/2015 Data collection: Excel monitoring sheet by the AFM IT system used: extra-accounting and personnel monitoring Exclusion: see total headcount Validation circuit: information centralized and controlled by the AFM	LA 1	1.1.a)
Breakdown of employees by geographic region	Description: Breakdown of headcount in France and in the USA atc12/31/ 2014 and 12/31/2015. Data collection: Excel monitoring sheet by the AFM IT system used: extra-accounting and personnel monitoring Exclusion: see total headcount Validation circuit: information centralized and controlled by the AFM	LA 1	1.1.a)
Recruitment and departures	Description: recruitment and departures in 2014 and 2015 by geographic location Data collection: Excel monitoring sheet on departure reasons: layoff, resignation, contractual termination, end of probationary period, retirement, death IT system used: extra-accounting monitoring within the framework of salary and personnel management Validation circuit: information centralized and controlled by the AFM	LA 2	1.1.a)
Compensation	Description: payroll expenses, percentage of revenue and operating expenses Data collection: based on the payroll expenses set out in Note 17, and the revenue and operating expenses in the consolidated financial statements IT system used: extra-accounting monitoring within the framework of salary and personnel management Validation circuit: information centralized and controlled by the AFM	EC1 & EC5	1.1.a)
Change in compensation	Description: comparison of the data above Data collection: based on the payroll expenses set out in Note 17, and the revenue and operating expenses in the consolidated financial statements IT system used: extra-accounting monitoring within the framework of salary and personnel management Validation circuit: information centralized and controlled by the AFM	EC1 & EC5	1.1.a)
Organization of work			
Organization of working hours	Description: according to the French Labor Code and the terms of the employment contracts of employees in France/according to the terms agreed with the employees in the USA in compliance with US Labor law Validation circuit: information centralized and controlled by the AFM	LA	1.1.b)
Absenteeism	Description: breakdown by department of the number of days of absence for French employees bound to the employer by an ongoing employment contract, based on the total headcount at 12/31/2014 & 12/31/2015 Data collection: Excel extra-accounting monitoring sheet Exclusion: paid vacation days, public holidays and maternity leave. Likewise, non-employee staff are not taken into account (temporary staff, trainees, employees of an external company). For information, the company does not use temporary staff and it saw no absences among the apprentices and trainees in its workforce in the course of 2014 and 2015 Validation circuit: information centralized and controlled by the AFM	LA 7	1.1.b)

Labor relations			
Organization of the social dialog	Description: compliance with applicable French legislation, election of staff representatives in 2012 (end of tenure in November 2016) / regular meetings of staff representatives (monthly basis) Specific features: 100% of the employees are covered by the collective agreement Validation circuit: information centralized and controlled by the AFM	LA 4	1.1.c)
Review of collective agreements	Description: no collective agreements signed in 2014 & 2015 Staff benefit and health insurance contracts were renewed in December 2015 Election of staff representatives in November 2012, for a term of four years. The next election will therefore take place in 2016 Validation circuit: information centralized and controlled by the AFM	LA 5	1.1.c)
Health and safety			
Health and safety conditions in the workplace	Description: drafting of rules of procedure and a unified document on risk assessment that are made available to staff Data collection: 2014 & 2015 Validation circuit: information centralized and controlled by the AFM	LA 6 & LA 8	1.1.d)
Review of agreements signed with trade union organizations regarding health and safety in the workplace	Description: election of staff representatives in 2012. No agreements have been signed with the staff representatives in the last three years Data collection: 2012 Validation circuit: information centralized and controlled by the AFM	LA 9	1.1.d)
Frequency and severity of workplace accidents	Description: The Group saw no work-related accidents in 2014 & 2015 among its employees, trainees, apprentices or temporary staff	LA 7	1.1.d)
Work-related illnesses	Description: The Group saw no work-related illnesses declared within the company during the 2014 & 2015 fiscal years by any of its employees, trainees, apprentices or temporary staff	LA 7	1.1.d)
Training			
Policies implemented regarding training	Description: annual staff review with request for training => establishment of a training plan validated by General Management and the AFM. Monitoring of the completion or not of the training programs. Financing through regional subsidies and the OPCAIM training fund Training plan focused on qualifications and skills. Every new recruit receives internal training related to the needs of his position, see description in the text Data collection: 2014 & 2015 IT system used: extra-accounting monitoring Validation circuit: information centralized and controlled by the AFM	LA 11	1.1.e)
Total number of hours of training	Description: Number of training programs planned, number of programs completed, hours completed. Data collection: 2014 & 2015 IT system used: extra-accounting monitoring Validation circuit: information centralized and controlled by the AFM	LA 10	1.1.e)
Equal treatment			
Measures taken to promote equality between men and women	Description: Due to the size of its current workforce, the Group is under no other legal constraint than that concerning the breakdown of its Board of Directors. As a result, one woman sits on the Board of Directors as an independent Director. It should also be noted that a second woman sat on the Board of Directors in 2014 as the representative of COFA-INVEST. Cofa-Invest resigned from its corporate office as Company director in 2015. Paula NEERS is still an independent director of the Company. The Company is looking to appoint another female director	LA 14	1.1.f)
Measures taken to promote the employment of disabled people	Description: use of specific service providers (CAT), number of services and expense level Data collection: 2014 & 2015 IT system used: information stemming from the cost accounting system Validation circuit: information centralized and controlled by the AFM	LA 13	1.1.f)
Anti-discrimination policy	Description: measures taken to integrate young people (2 apprenticeship contracts initiated in 2014 and ongoing in 2015 and use of trainees) Description of the recruitment process based on the job sheet (qualifications and skills sought) in order to combat all forms of discrimination Data collection: 2014 & 2015 IT system used: extra-accounting monitoring Validation circuit: information centralized and controlled by the AFM	LA 13	1.1.f) & 2
Promotion and respect of the stipulations of the fundamental ILO agreements		LA & HR	
Respect of the freedom of association and the right to collective bargaining	Description: compliance with applicable French legislation/Drafting of minutes of the meetings of staff representatives. The next SR elections will take place in 2016, at the end of the current mandate Validation circuit: information centralized and controlled by the AFM	HR 5, LA 4 & LA 5	1.1.c)
Elimination of discrimination regarding employment and profession	Description: Recruitment of new employees on the basis of a defined procedure setting the objectives and needs of the position to be filled Data collection: 2014 & 2015 IT system used: extra-accounting monitoring Validation circuit: information centralized and controlled by the AFM	HR 4, LA 13 & LA 14	1.1.f)
Elimination of forced or compulsory labor	Exclusion: the Group only uses French and US labor contracts, it respects French and US labor law which prohibit forced or compulsory labor. The subcontractors for the products marketed are either European or American. They must comply with the same requirements as IMPLANET	HR 6 & HR 7	NA
Effective abolition of child labor	Exclusion: the Group only uses French and US labor contracts, it respects French and US labor law which prohibit child labor. The subcontractors for the products marketed are either European or American. They must comply with the same requirements as IMPLANET	HR 6	NA

Environmental information			
General environmental policy			
Organization of the company to take account of environmental issues	Description: Specific measure: The Company's fleet still comprises 1 hybrid vehicle Data collection: extra-accounting monitoring of the contracts Validation circuit: information centralized and controlled by the AFM	Management approach	1.2
Training and information measures taken for employees on environmental protection	Description: The Company applies simple, common sense principles in terms of environmental protection (daily energy-saving practices, particularly concerning the lighting of the premises).		NA
Resources dedicated to the prevention of environmental risks and pollution	Description: The nature of the Company's activities does not pose any significant risk to the environment. Consequently, the Group does not dedicate any specific resources to this issue	EN 30	NA
Amount of provisions and insurance coverage for environmental risks (excluding risk of harm)	Description: The nature of the Company's activities does not pose any significant risk to the environment. The Group has made no provision concerning these risks	EN 20 & EC 2	NA
Pollution and waste management			
Measures for the prevention, reduction or reparation of emissions into the air, the water and the ground with serious environmental effects	Description: the Group does not own its premises and has no direct production. Its impact is therefore deemed insignificant in terms of emissions into the air, the water and the ground. For its international activities, the Group uses the technological facilities at its disposal (conference calls, Skype, etc.) to rationalize its exchanges and limit travel	EN 22, EN 23, EN 24 & EN 26	1.2
Measures for the prevention, recycling and removal of waste	Description: quantify in tons the Group's production of waste (paper and other). Intervention of specific service providers within the framework of scrapping specific products sold by the Group. For the scrapping of the Company's marketed products, the Group uses a local service provider specialized in the handling of specific waste and the scrapping is carried out under bailiff supervision. Data collection: 2014 & 2015 calendar years Source: extra-accounting monitoring Validation circuit: information centralized and controlled by the AFM	EN 22	1.2
Taking account of noise pollution and any other form of pollution specific to an activity	Description: - noise pollution deemed not significant - pollution linked to the Group's activity in terms of CO2 deemed not significant	EN 25	1.2
Sustainable use of resources			
Water consumption	Description: water consumed in m3 Data collection: 12 months equivalent to the calendar year 2014 & 2015 Source: invoices Validation circuit: management control and accounting Documentary references: invoices and Excel sheet	EN 8	1.2
Measures taken to improve the efficiency of the water supply depending on local constraints	Deemed not applicable considering the Group's activity.	EN 8, EN 9, EN 10 & EN 21	NA
Consumption of raw materials	Description: all types of paper consumed in tons The Company buys its raw materials from European or American suppliers who comply with applicable traceability requirements. Data collection: 2014 & 2015 calendar years IT system used: Excel extra-accounting file Validation circuit: management control and accounting Documentary references: invoices and Excel sheet	EN 1	1.2
Measures taken to improve the efficiency of the use of raw materials	Description: good practices to reduce the consumption of paper, sorting and recycling thereof IT system used: various departments Validation circuit: various departments	EN 10	1.2
Energy consumption	Description: consumption of electricity in kWh, or diesel fuel in liters Data collection: 12 months equivalent to the calendar year 2014 & 2015 IT system used: extra-accounting Excel monitoring file Validation circuit: management control and accounting Documentary references: invoices and Excel file	EN 3 & EN 4	1.2
Measures taken to improve energy efficiency and the use of renewable energy	Description: recent sites not owned by the Group. The company applies simple, common sense principles in terms of environmental protection (daily energy savings gestures, particularly concerning the lighting of the premises). The Company will move into new premises in 2016, in accordance with French thermal regulation RT 2012 with, in particular, "Bbio" (bioclimatic needs) and "Cep" (Primary energy coefficient) coefficients measuring the building's energy performance at 30% below the approved limit. This new building will meet the requirements of the 2012 thermal regulation through the installation of high-performance equipment limiting energy loss	EN 5, EN 6 & EN 7	1.2
Use of the ground	Criteria deemed not pertinent considering the Group's activity	EN 25	NA

Climate change			
Greenhouse gas emissions	Description: considering its ongoing international growth, the Group's employees were forced to make significant use of air travel during this fiscal year. Monitoring criteria concerning in particular the greenhouse gas emissions linked to this travel were set up during the fiscal year. To limit its travel and impact on the environment, the Group strives to use video- or teleconferencing whenever possible. Data collection: 2014 & 2015 Validation circuit: information provided by travel agents, centralized and controlled by AFM	EN 16 to 20	1.2
Adapting to the consequences of climate change	Criteria deemed not pertinent considering the Group's activity	EN 18 & EC 2	NA
Protection of biodiversity			
Measures taken to preserve or develop biodiversity	Description: this criterion is not deemed to be relevant as global climate change and biodiversity trends have no direct impact on the Group's activities	EN 11 to 15	NA
Information concerning company commitments to promote sustainable development			
Territorial, economic and social impact of the company's activity			
Concerning employment and regional development	Description: number of jobs created and maintained, France and USA Data collection: 2014 & 2015 Validation circuit: information centralized and controlled by the AFM	EC 8 & EC 9	1 & 2
On the resident or local population	Description: No specific measures taken by the Group	EC 1 & EC 6	NA
Relations maintained with people or organizations interested in the company's activity (NB: stakeholders)			
Conditions for dialog with these people or organizations	Description: list of action taken towards customers and shareholders. Description of the new 2015/2018 quality assurance policy Data collection: 2014 & 2015 Validation circuit: information centralized and controlled by the AFM	4.14 to 4.17	2
Partnership or sponsorship initiatives	Description: No specific measures taken by the Group	EC 1 & 4.11 to 4.13	NA
Subcontracting and suppliers			
Consideration of social and environmental issues in the purchasing policy	Description: The Group resorts to subcontracting to produce the medical devices that it sells. It has a short procurement cycle. The Company buys its raw materials from European or American suppliers who comply with applicable traceability requirements. The Group implements a listing procedure so that the selected suppliers apply the quality criteria required by it for its products. The selection and listing of suppliers are therefore based on "quality" criteria that correspond to the Group's CSR criteria (covering quality, traceability, health & safety and training). In order to ensure the quality level of its suppliers, the Group carries out audits based on quality criteria and product traceability See text for details Validation circuit: purchasing department Documentary references: internal document	EC 6, HR 2 & HR 5 to 7	2
Importance of subcontracting and the consideration of social and environmental responsibility in relations with suppliers and subcontractors	Description: Purchases of raw materials and goods, percentage of operating expenses. Data collection: based on the purchases of raw materials and goods set out in Note 17, and the operating expenses in the consolidated financial statements IT system used: extra-accounting monitoring within the framework of salary and personnel management Validation circuit: information centralized and controlled by the AFM	3.6 & 4.14	2
Fair practices			
Action taken to prevent all forms of corruption	Description: list of action taken to prevent all forms of corruption CNOM declaration + disclosures required by the SUNSHINE ACT for 2015 Data collection: action taken in 2014 & 2015 Source: information centralized and controlled by AFM	SO 2 to 4, SO 7 & SO 8	2
Measures taken in favor of consumer health and safety	Description: Quality charter updated by the Group during the year and description of activities by the quality department (ISO 13485 certificate / CE compliant products / US 510 K approval for the Jazz product: FDA audit and certification) In 2015, FDA approval of the use of Jazz with all fixation systems on the market) + audit for the renewal of ISO 13485 certification (11/15) The Company launched a clinical study in collaboration with the University of OHIO in the aim of confirming the medical value of the JAZZ Band in instrumented thoracic and lumbar arthrodesis Source: R&D departments/quality Validation circuit: quality departments > General Management Documentary references: internal document	PR 1 & PR 2	2
Other action taken in favor of human rights	Exclusion: the Group's field of action and involvement is limited to the French territory and to Western countries where human rights are respected. The subcontractors for the products marketed are either European. They must comply with the same requirements as IMPLANET	HR	NA

26.4. REPORT BY THE INDEPENDENT THIRD-PARTY BODY ON CORPORATE, SOCIAL AND ENVIRONMENTAL INFORMATION

"Implanet
Fiscal year ended December 31, 2015

Report by the independent third-party body on the consolidated corporate, social and environmental information in the management report

To the shareholders,

In our capacity as independent third-party body accredited by COFRAC[1] under number 3-1050 and member of the network of one of Implanet's Statutory auditors, we hereby present our report on the consolidated corporate, social and environmental information concerning the fiscal year closed on December 31, 2015, presented in the CSR assessment of the management report, hereafter the "CSR Information", in accordance with Article L. 225-102-1 of the French Commercial Code.

Responsibility of the Company

It is the Board of Directors' responsibility to prepare a management report including the CSR Information required by Article L. 225-105-1 of the French Commercial Code, in accordance with the reference systems used by the company (hereafter "Reference Systems") available upon request at the Company's registered office.

Independence and quality control

Our independence is defined by the regulatory texts, the professional code of ethics, and the provisions of Article L. 822-11 of the French Commercial Code. Furthermore, we have put in place a quality system, which includes documented policies and procedures to ensure compliance with the ethical rules, professional standards and applicable legal and regulatory requirements.

Responsibility of the independent third-party body

It is our responsibility, on the basis of our work:

- to attest that the required CSR Information is present in the management report or, in the case of omission, is the subject of an explanation pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (CSR Information presence certificate);

- to express a conclusion of moderate assurance that the CSR Information, taken as a whole and in all material aspects, is presented sincerely and in accordance with the Reference Systems (Reasoned opinion on the fairness of the CSR Information).

Our work was carried out by a team of three people between November 2015 and the date on which our report was signed, over a period of approximately five weeks.

We conducted the work described below in accordance with the professional standards applicable in France and with the Order of May 13, 2013 determining the terms and conditions of the independent third-party body's work.

1. CSR Information presence certificate

On the basis of interviews with the managers of the concerned departments, we have familiarized ourselves with the presentation pertaining to sustainable development and the social and environmental consequences of the company's activity, and, if relevant, with the related action plans or programs.

We have compared the CSR Information presented in the management report with the list stipulated by Article R. 225-105-1 of the French Commercial Code.

In the case of omission of consolidated data, we have verified that an explanation is provided pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code.

On the basis of this work, we certify that the required CSR Information is present in the management report.

2. Reasoned opinion on the fairness of the CSR Information

Nature and scope of the work

We carried out two interviews with the people responsible for preparing the CSR Information within the relevant departments handling the information gathering processes and, if needed, with the people responsible for the internal control and risk management procedures, in order to:

- assess the appropriateness of the reference systems in terms of their pertinence, exhaustiveness, reliability, neutrality and understandability, while taking into account, if applicable, the best practices of the sector;

- verify the setting up of a process to gather, compile, process and control the exhaustiveness and consistency of the CSR Information and to understand the internal control and risk management procedures with respect to the CSR Information.

We determined the nature and scope of our checks and tests in accordance with the nature and importance of the CSR Information with regard to the company's characteristics, the social and environmental stakes of its activities, its sustainable development approach, and the best practices of its sector.

As regards the, in our view, most important CSR Information[2]:

- at the level of the consolidating entity, we consulted the documentary sources and carried out interviews to corroborate the qualitative information (organization, policies, actions, etc.), we implemented analytical procedures on the qualitative information, we verified, on the basis of sampling, the calculations and consolidation of data, and we checked their consistency and agreement with the other information in the management report;

- at Implanet company level, we held interviews to verify the correct application of the procedures and we carried out detailed tests on the basis of sampling to verify the calculations and reconcile the data with the supporting documentation. The selected sample thus represents 100% of the headcount.

As regards the other consolidated CSR Information, we assessed its consistency in relation to our understanding of the company.

Lastly, we assessed, if need be, the pertinence of the explanations relative to the total or partial absence of some information.

We believe that the sampling methods and sample sizes that we retained, based on our professional judgment, allow us to express a conclusion of moderate assurance; assurance of a higher level would have required more extensive verification work. Due to the use of sampling techniques and to other inherent limitations to the operation of any internal information and control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be totally eliminated.

Conclusion

On the basis of our work, we did not detect any significant anomalies which would be such as to call into question the fact that the CSR Information, taken as a whole, is presented sincerely and in accordance with the reference systems.

Paris-La Défense, March 24, 2016

The independent third-party body
ERNST & YOUNG et Associés

Christophe Schmeitzky
Partner - Sustainable Development

Bruno Perrin
Partner