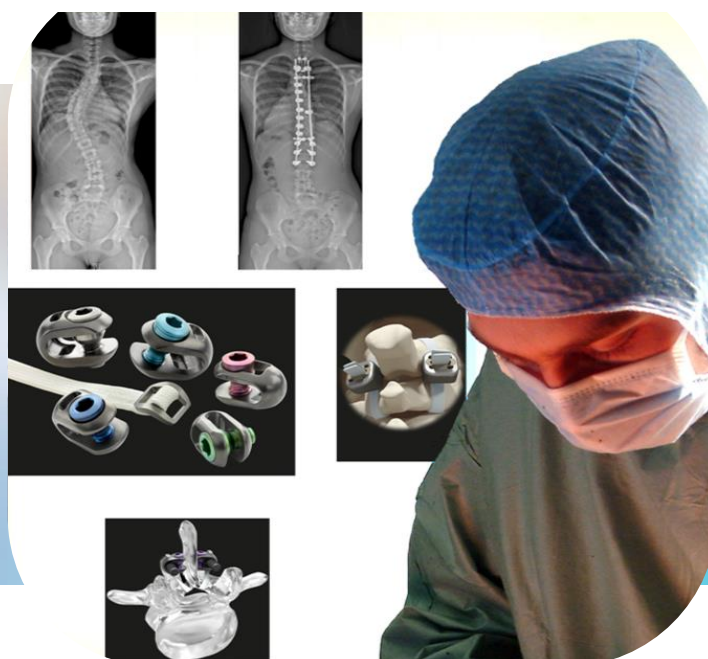




HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2018

A French Limited Company with a share capital of €1,533,158.50  
Registered office: Technopole Bordeaux Montesquieu – Allées François Magendie – 33650 Martillac,  
France  
Bordeaux B 493 845 341



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## GENERAL COMMENTS

### *Definitions*

In this half-year financial report and unless otherwise indicated:

- The “Company” or “Implanet” means Implanet SA, which has its registered office at Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France, and is registered in the Bordeaux Trade and Companies Register under number 493 845 341;
- The “Group” refers to Implanet SA and its subsidiary, Implanet America Inc.;
- “Financial Report” indicates this half-year financial report at June 30, 2018;
- “2017 Document de Référence” means the 2017 Document de Référence filed with the French Financial Markets Authority on April 16, 2018, under the number D.18-0337.

### *About IMPLANET*

Founded in 2007, IMPLANET is a medical technology company that manufactures high-range implants designed for orthopedic surgery. Its star product, the latest generation implant, JAZZ, is designed to improve the treatment of spinal disorders requiring spinal fusion. IMPLANET's proven orthopedic platform, based on perfect control of the traceability of its products, gives it a proven ability to develop this innovation.

Protected by four families of international patents, JAZZ has obtained 510(k) clearance from the Food and Drug Administration (FDA) in the United States, CE marking and Anvisa authorization in Brazil. IMPLANET employs 49 staff and recorded 2017 revenue of €7.8 million.

Based near Bordeaux, France, IMPLANET opened a subsidiary in Boston, United States in 2013 and a subsidiary in Germany in July 2018.

IMPLANET is listed on the Euronext Growth market in Paris following the transfer of the listing from the Euronext regulated stock market in Paris (compartment C) in July 2017.

## 1. STATEMENT OF THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

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### 1.1 Person responsible for the half-year financial report

Ludovic Lastennet, Implanet Chief Executive Officer.

### 1.2 Statement of the person responsible

(Art. 222-3 - 4° of the French Financial Markets Authority General Regulation)

"I certify that, to the best of my knowledge, the condensed financial statements for the half-year have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all companies included in the scope of consolidation. The half-year management report provides an accurate account of the significant events during the first six months of the year and their impact on the half-year financial statements, major transactions with related parties and a description of the main risks and uncertainties affecting the Company in the remaining six months of the year."

Martillac, September 18, 2018.

Ludovic Lastennet, Implanet Chief Executive Officer.

## 2. MANAGEMENT REPORT AT JUNE 30, 2017

### 2.1. Significant events in the first half of 2017

#### January 2018:

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

#### February 2018:

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

#### March 2018:

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

#### May 2018:

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

#### June 2018:

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

### 2.2. Activity, results and cash flow

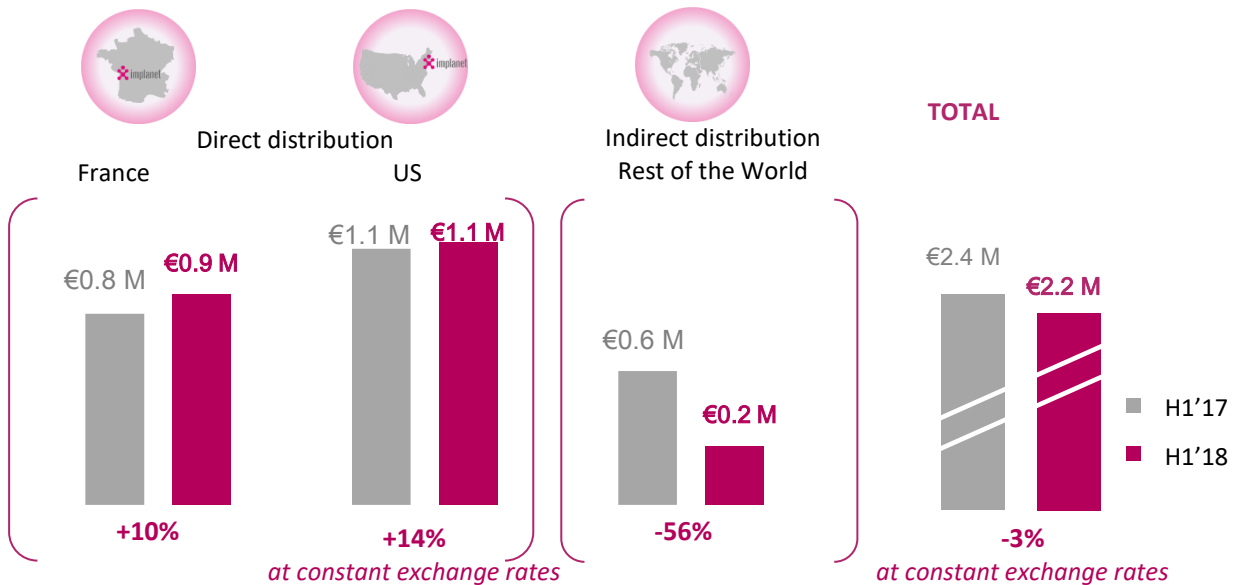
#### 2.2.1 Revenue and gross margin

In the first half of 2018, Implanet's revenue fell 12% to €3.6 million, or 9% at constant exchange rates.

Revenue by segment (in €'000)	First half-year 2018	First half-year 2017	Change	Change at constant exchange rates
Spine (JAZZ)	2,197	2,403	-9%	-3%
Knee + Arthroscopy	1,434	1,716	-16%	-16%
<b>Total revenue</b>	<b>3,632</b>	<b>4,119</b>	<b>-12%</b>	<b>-9%</b>

Jazz® sales fell 9% to €2.2 million (down 3% at constant exchange rates). That decline was mainly caused by disappointing sales in the rest of the world region. Jazz® sales now account for 61% of revenue (vs. 58% in 2017).

In markets in which Implanet operates directly, it continued to perform well, with revenue up 10% to €0.9 million in France and up 14% (at constant exchange rates) to €1.1 million in the USA. Despite the exchange rate impact, US Jazz® sales continued to grow as surgeons implanted these products more frequently.





In the rest of the world, Jazz® sales fell 56% to €0.2 million, mainly because of the Company's shift away from its distributor-based sales model. As the Company announced when reporting first-quarter revenue, it now wants to roll out its direct sales model, which has proven successful in France and the USA, to achieve growth in other key European markets such as the UK and Germany. This strategy, which began with the opening of a UK subsidiary in June, is likely to pay off soon.

In markets in which Implanet operates directly, the solid trend is based on the following fundamentals:

- Recruitment of new surgeons,
- Increase of Surgeries recurrence per surgeon,
- Penetration of the adult surgery market.

### A) JAZZ technology adoption by surgeons

The Company is continuing to recruit surgeons and has identified, at June 30, 2018, 155 active users of the JAZZ technology, including 81 in the United States and 74 in France.

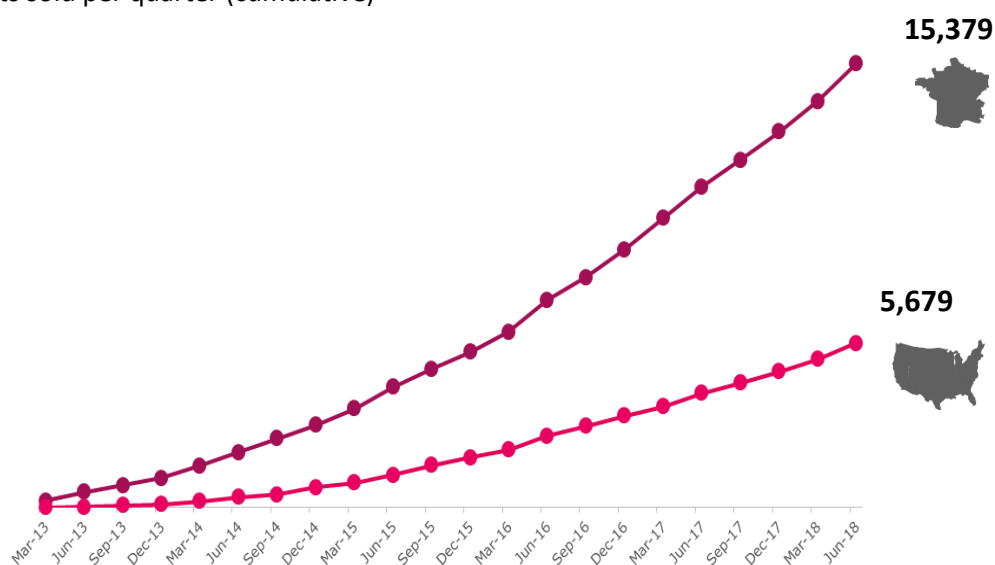
Number of active surgeons in France and in the United States <sup>1</sup>							
	2013	2014	2015	2016	H1 2017	2017	H1 2018
	10	21	39	58	64	72	74
	6	17	43	69	73	76	81
<b>Number of active surgeons</b>	<b>16</b>	<b>38</b>	<b>82</b>	<b>127</b>	<b>137</b>	<b>148</b>	<b>155</b>

### B) Penetration of the Adult surgery market

The Company has also continued its acceleration in the highest potential segment of adult osteo-degenerative surgery. These surgeries increased by +16% (at constant exchange rates) to €759 thousand representing 40% of usage (vs. 38% in the first half of 2017).

In total, over the first half of 2018, Implanet sold 2,349 JAZZ units in France, 971 in the United States and 950 in the rest of the world, for a total of 4,270 units, representing around 900 surgeries.

# Jazz units sold per quarter (cumulative)



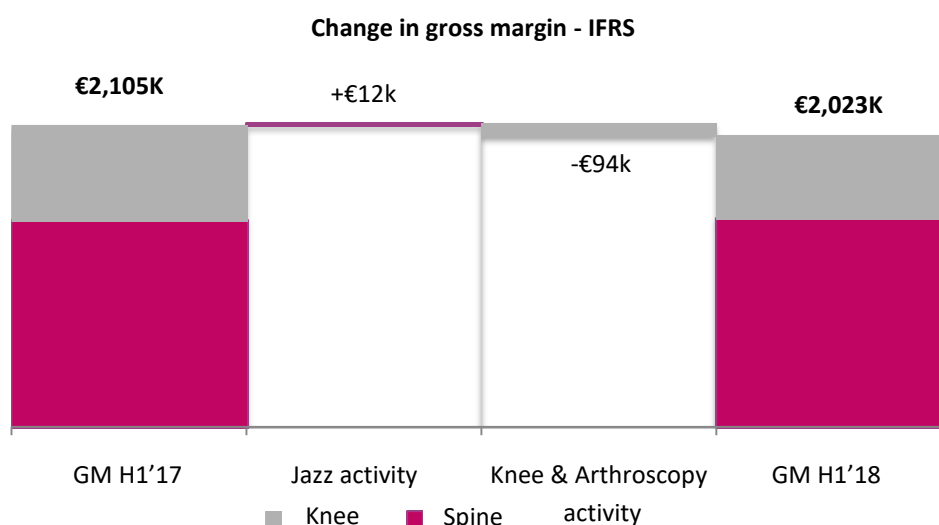
<sup>1</sup> Number of active surgeons in the treatment of spinal disorders with activity over the previous rolling 12 months

As anticipated, arthroscopy sales continued to decrease, as a result of the decision to gradually cease the distribution of these products. However, the Madison sales (total knee prosthesis) were stable.

Despite the sales decrease, the gross margin was relatively stable over the period reaching €2,023 thousand at the conclusion of the first half of 2018 compared with €2,105 thousand over the first half of 2017.

This change in margin is mainly based on:

- the overall stability of the margin on JAZZ activity;
- offset by the reduction in arthroscopy sales.



### 2.2.2 Recurring operating expenses

The Company has continued its efforts to limit its recurring operating expenses.

Over the first half of 2018, these overhead costs decreased by -8%, i.e. -€417 thousand compared with the first half of 2017.

Research and development costs, net of the Research Tax Credit, for an amount of €376 thousand in the first half of 2018, decreased by €148 thousand compared with the first half of 2017. This decrease was mainly due to a reduction in intellectual property fees and the payment in 2017 of special compensation for invention patents.

Regulatory and quality costs, net of the Research Tax Credit, for an amount of €425 thousand in the first half of 2018, increased by €57 thousand compared to the first half of 2017. This change was mainly due to an increase of studies and tests expenses to maintain our first-in class quality policy.

Marketing and sales expenses, for a total amount of €2,208 thousand in the first half of 2018, decreased by €362 thousand compared with the first half of 2017. This change was mainly due to the sales force costs decrease following the restructuring of the sales team in the United States and the reduction of the commissions paid to sales agents.



Operating costs, for an amount of €410 thousand in the first half of 2018, were relatively stable compared to the first half of 2017.

General and administrative expenses, for an amount of €1,353 thousand in the first half of 2018, were relatively stable compared to the first half of 2017.

### 2.2.3 Non-recurring operating expenses

The Company did not book any non-recurring operating expenses as of June 30, 2018.

Non-recurring operating expenses as of June 30, 2017 were related to a provision for a commercial dispute following the sale of its Hip business. In the context of the sale of its Hip business in 2014, the Company transferred its distribution contracts to the purchaser, involving the modification of certain sales arrangements. One of the distributors alleges that this operation amounts to the cancellation of the sales agreement and is claiming damages.

### 2.2.4 Financial income (loss)

Financial income (loss) amounted to –€22 thousand at June 30, 2018 compared to –€150 thousand at June 30, 2017, i.e. an improvement of €128 thousand. This change was mainly due to a decrease in the Company's cost of financing (Kreos bond issue being fully redeemed end of 2017).

### 2.2.5 Group cash flow

The table below presents selected items from the consolidated cash flow statement presented in section 3 of this Financial Report:

(€'000 - Selected items from the half-year condensed consolidated financial statements in accordance with IFRS)	June 30, 2018 6 months	June 30, 2017 6 months
<b>Cash flows from operating activities</b>	<b>(2,843)</b>	<b>(2,520)</b>
<i>Of which free cash flow</i>	<i>(2,420)</i>	<i>(2,439)</i>
<i>Of which change in working capital requirement (-)</i>	<i>422</i>	<i>80</i>
<b>Cash flows from investing activities</b>	<b>(260)</b>	<b>(371)</b>
<i>Of which acquisitions of fixed assets and capitalization of development expenses</i>	<i>(260)</i>	<i>(372)</i>
<i>Of which financial investments</i>	<i>0</i>	<i>1</i>
<b>Cash flows from financing activities</b>	<b>1,114</b>	<b>588</b>
<i>Of which transactions on equity &amp; OCABSA issue</i>	<i>1,000</i>	<i>1,535</i>
<i>Of which loans &amp; factoring</i>	<i>114</i>	<i>(947)</i>
<b>Changes in exchange rates</b>	<b>4</b>	<b>(57)</b>
<b>Change in cash</b>	<b>(1,985)</b>	<b>(2,360)</b>

Cash consumption, integrating operational cash flows and fixed asset acquisitions, was €3.1 million over the first half of 2018 compared with €2.9 million over the same period in 2017.

## 2.3. Progress and outlook

In the second half of 2018, the Company will:

- Continue its commercial development strategy for the JAZZ platform:
  - Continue to penetrate the United States market with a more significant partner recruitment, surgeon close follow-up and training effort;
  - Continue to gain market share in the United States and France for the treatment of degenerative disorders;
  - Increase sales efforts in Europe, and particularly in United Kingdom and Germany, the leading European market for Spinal surgery, rolling out its direct sales model which has proven successful in France and the United States;
  - Make an active contribution at global conferences held by internationally renowned scientific organizations.
- Continue research and development efforts for an ever wider offering of the JAZZ technological platform to treat 100% of spinal disorders and specifically the treatment of degenerative pathologies.
- Initiate major new clinical studies to demonstrate the superiority of JAZZ for the treatment of severe deformities and its effectiveness in osteo-degenerative disorders:
  - Roll-out the "International Sub-Laminar Study Group";
  - Continue the prospective multicenter clinical study to document the outcomes of JAZZ technology in adult degenerative and corrective adult spinal deformity indications.

## 2.4. Post-balance sheet events

July 2018:

- Creation of its subsidiary in Germany.
- BPI France granted Implanet a repayable advance under what is known as a "market prospection insurance policy" covering "Germany" and "United Kingdom" benefiting from a guarantee 65% of its prospecting expenses within the limit of €300 thousand. On August 2018, the Company received an advance of €89 thousand.

August 2018:

- Issue of an additional tranche of convertible bonds for a nominal amount of €500 thousand with EUROPEAN SELECT GROWTH OPPORTUNITIES FUND

The Company also carried out a capital increase of €67 thousand following the conversion of 34 convertible bonds by EUROPEAN SELECT GROWTH OPPORTUNITIES FUND

## **2.5. Risk factors and related party transactions**

### **2.5.1. Risk factors**

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The risk factors facing the Company are similar to those set out in Chapter 4 "Risk factors" of the 2017 Document de Référence. There was no significant change in the first half of 2018.

The Company does not expect any changes in these risks during the second half of 2018.

### **2.5.2. Related party transactions**

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Related party transactions are similar to those set out in Chapter 19 "Transactions with related parties" of the 2017 Document de Référence.

No new material agreements were made with any directors or members of the Board of Directors in the first half of 2018 other than those mentioned in the 2017 Document de Référence.

### 3. HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS STANDARDS FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2018

#### Consolidated statement of financial position

IMPLANET	Notes	6/30/2018	12/31/2017
CONSOLIDATED STATEMENT OF FINANCIAL POSITION		€'000	€'000
<b>ASSETS</b>			
Intangible fixed assets	3.1	763	705
Property, plant and equipment	3.2	715	817
Other non-current assets	4	603	429
<b>Total non-current assets</b>		<b>2,082</b>	<b>1,950</b>
Inventories	5	3,735	3,389
Trade receivables and related accounts	6.1	2,710	2,787
Other receivables	6.2	962	823
Current financial assets	4	826	1,004
Cash and cash equivalents	7	624	2,609
<b>Total current assets</b>		<b>8,858</b>	<b>10,613</b>
<b>TOTAL ASSETS</b>		<b>10,939</b>	<b>12,563</b>
<b>LIABILITIES</b>			
<b>Shareholders' equity</b>			
Capital	8	1,466	1,380
Paid-in capital		17,754	17,167
Translation reserve		(431)	(466)
Other comprehensive income		(46)	(55)
Reserves - Group share		(11,702)	(5,126)
Profit/(loss) - Group share		(2,772)	(6,612)
<b>Shareholders' equity attributable to parent company shareholders</b>		<b>4,269</b>	<b>6,288</b>
Minority interests		-	-
<b>Total shareholders' equity</b>		<b>4,269</b>	<b>6,288</b>
<b>Non-current liabilities</b>			
Amounts due to personnel	11	144	144
Non-current financial debts	10	1,215	977
<b>Non-current liabilities</b>		<b>1,360</b>	<b>1,121</b>
<b>Liabilities related to assets held for sale</b>			
Current financial liabilities	10	1,407	1,274
Derivative instrument liability	10	49	2
Provisions	12	600	576
Trade and other accounts payable		2,591	2,422
Tax and social security liabilities	13.1	651	850
Other payables and miscellaneous debt	13.2	12	30
<b>Liabilities related to assets held for sale</b>		<b>5,311</b>	<b>5,154</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10,939</b>	<b>12,563</b>

## Consolidated income statement

IMPLANET	Notes	6/30/2018 6 months €'000	6/30/2017 6 months €'000
<b>CONSOLIDATED INCOME STATEMENT</b>			
Revenue	14	3,632	4,119
Cost of sales	15.1	(1,609)	(2,014)
<b>Gross margin</b>		<b>2,023</b>	<b>2,105</b>
Research and Development expenses			
Research and Development expenses	15.3	(447)	(604)
Share-based payments	15.3	(6)	(6)
Subsidy	15.3	77	87
Cost of regulatory affairs and quality assurance			
Cost of regulatory affairs and quality assurance	15.4	(427)	(377)
Share-based payments	15.4	(1)	(0)
Subsidy	15.4	2	9
Sales and marketing expenses			
Sales and marketing expenses	15.2	(2,190)	(2,536)
Share-based payments	15.2	(18)	(34)
Operating costs			
Operating costs	15.5	(410)	(392)
Share-based payments	15.5	0	(4)
General costs			
General costs	15.6	(1,341)	(1,316)
Share-based payments	15.6	(12)	(15)
<b>Current operating income</b>		<b>(2,750)</b>	<b>(3,084)</b>
Non-recurring operating income and expenses	16	-	(456)
<b>Net operating income</b>		<b>(2,750)</b>	<b>(3,539)</b>
Financial expenses	17	(322)	(243)
Financial income	17	(1)	1
Change in the fair value of the derivative	17	302	95
Foreign exchange gains and losses	17	(1)	(4)
<b>Net income before taxes</b>		<b>(2,772)</b>	<b>(3,690)</b>
Tax expense	18	-	-
<b>Net P/L</b>		<b>(2,772)</b>	<b>(3,690)</b>
Share attributable to parent company shareholders		(2,772)	(3,690)
Minority interests		-	-
Weighted average number of shares in circulation		28,276,392	21,693,625
<b>Basic earnings per share (€/share)</b>	19	<b>(0.10)</b>	<b>(0.17)</b>
<b>Diluted earnings per share (€/share)</b>	19	<b>(0.10)</b>	<b>(0.17)</b>

**Statement of consolidated comprehensive income**

IMPLANET	6/30/2018 6 months €'000	6/30/2017 6 months €'000
<b>STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME</b>	<b>€'000</b>	<b>€'000</b>
<b>Net income/(loss) for the period</b>	<b>(2,772)</b>	<b>(3,690)</b>
Actuarial differences	9	(10)
<b>Items non-recyclable in profit/(loss)</b>	<b>9</b>	<b>(10)</b>
Translation differences	35	(57)
<b>Items recyclable in profit/(loss)</b>	<b>35</b>	<b>(57)</b>
<b>Other comprehensive income (net of taxes)</b>	<b>44</b>	<b>(67)</b>
<b>Comprehensive income</b>	<b>(2,728)</b>	<b>(3,757)</b>
<i>Group share</i>	<i>(2,728)</i>	<i>(3,757)</i>
<i>Minority interests</i>	<i>-</i>	<i>-</i>

**Changes in shareholders' equity**

IMPLANET		Capital	Capital	Additional paid-in capital	Reserves and net income	Translation differences	Actuarial differences	Shareholders' equity - Group share	Interest Minority interests	Shareholders' equity
CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY	Note	Number of shares	in €'000							
<b>At December 31, 2016</b>		21,305,061	14,914	387	(5,214)	(398)	(28)	9,660	-	9,660
Total net income/(loss)					(3,690)			(3,690)		(3,690)
Other comprehensive income						(57)	(10)	(67)		(67)
<b>Comprehensive income</b>			-	-	(3,690)	(57)	(10)	(3,757)	-	(3,757)
Conversion of bonds		772,028	39	511				550		550
Exercise of warrants (BSA)		375,000	263	0				263		263
Capital decrease			(14,092)	14,092				-		-
Change in treasury shares					6			6		6
Share-based payments	9				59			59		59
Share issue costs				(0)				(0)		(0)
<b>At June 30, 2017</b>		22,452,089	1,123	14,990	(8,839)	(455)	(38)	6,779	-	6,779
<b>At December 31, 2017</b>		27,592,562	1,380	17,167	(11,737)	(466)	(55)	6,288	-	6,288
Total net income/(loss)					(2,772)			(2,772)		(2,772)
Other comprehensive income						35	9	44		44
<b>Comprehensive income</b>			-	-	(2,772)	35	9	(2,728)	-	(2,728)
Conversion of bonds	8	1,721,432	86	584				670		670
Exercise of warrants (BSA)				6				6		6
Change in treasury shares					(1)			(1)		(1)
Share-based payments	9				36			36		36
Share issue costs				(3)				(3)		(3)
<b>At June 30, 2018</b>		29,313,994	1,466	17,754	(14,473)	(431)	(46)	4,269	-	4,269

## Consolidated cash flow statement

IMPLANET	Notes	6/30/2018 6 months €'000	6/30/2017 6 months €'000
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>			
<b>CASH FLOWS GENERATED FROM OPERATIONS</b>			
<b>Total net income/(loss)</b>		<b>(2,772)</b>	<b>(3,690)</b>
(-) Elimination of depreciation, amortization and impairment on intangible fixed assets	3.1	(51)	(90)
(-) Elimination of depreciation and amortization on property, plant and equipment	3.2	(252)	(404)
(-) Allocations to provisions	11, 12	(34)	(528)
(-) Expense related to share-based payments	9	(36)	(59)
(-) Gross financial interest paid		(9)	(68)
(-) Capitalized financial interest		(3)	(5)
(-) Change in the fair value of the derivative	10.3	302	95
(-) Capital gains or losses on disposals of fixed assets		(1)	(17)
(-) Other (accretion of advances, impact of amortized cost, etc.)		(268)	(175)
<b>Free cash flow before cost of net financial indebtedness and taxes</b>		<b>(2,420)</b>	<b>(2,439)</b>
<b>(-) Change in the working capital requirement (net of impairment of trade receivables and inventories)</b>		<b>422</b>	<b>80</b>
<b>Cash flow generated from operations</b>		<b>(2,843)</b>	<b>(2,520)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of intangible fixed assets	3.1	(11)	(5)
Capitalization of development expenses	3.1	(99)	(146)
Acquisition of property, plant and equipment	3.2	(150)	(221)
Demobilization of term accounts classed as other current and non-current financial assets		275	-
Subscription of term accounts classed as other current and non-current financial assets		(275)	-
Financial interests		(1)	1
<b>Cash flows from investing activities</b>		<b>(260)</b>	<b>(371)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital increase, net of conversion of bonds into shares	8	-	263
Expenses relating to capital increase		(0)	(138)
Redemption of Kreos bond		-	(516)
Issue of convertible bonds, net of expenses	10.3	1,000	1,410
Bank borrowings	10.4	500	200
Repayment of conditional advances	10.2	-	(45)
Repayment of finance leases	10.1	(27)	(158)
Repayment of bank loans	10.4	(180)	(89)
Gross financial interest paid		(9)	(68)
Other financing flows (factoring)	10	(170)	(271)
<b>Cash flows related to financing activities</b>		<b>1,114</b>	<b>588</b>
Impact of variations in exchange rates		4	(57)
<b>Increase (reduction) in cash</b>		<b>(1,985)</b>	<b>(2,360)</b>
Cash and cash equivalents at the start of the year (including overdraft facilities)	7	2,609	6,067
Cash and cash equivalents at the year end (including overdraft facilities)	7	624	3,708
<b>Increase (reduction) in cash</b>		<b>(1,985)</b>	<b>(2,360)</b>



**Detailed analysis of the changes in the working capital requirement (WCR)**

Details of the change in the working capital requirement (Amounts in €'000)	06/30/2018 6 months	06/30/2017 6 months
Other non-current assets	0	(1)
Inventories (net of inventory impairment)	328	181
Trade receivables and related accounts (net of impairment of trade receivables)	(95)	338
Other receivables	137	(17)
Trade and other accounts payable	(162)	(470)
Tax and social security liabilities	200	43
Other payables and miscellaneous debt	13	6
<b>Total variations</b>	<b>422</b>	<b>80</b>

## Notes to the half-year condensed consolidated financial statements

*(Unless indicated otherwise, the amounts shown in these notes are in thousands of euros, with the exception of data related to shares. Some numbers may have been subject to rounding for the purposes of calculating the financial information contained in the half-year condensed consolidated financial statements. As a result, the totals in some tables may not correspond exactly to the sum of the preceding figures.)*

### Note 1: Information relating to the Company and its business

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The information below constitutes the Notes to the half-year condensed consolidated IFRS financial statements at June 30, 2018.

The half-year condensed consolidated financial statements of Implanet were approved by the Board of Directors on September 18, 2018 and authorized for publication.

#### 1.1. Information relating to the Company and its business

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

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

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

Implanet is a listed company since November 25, 2013 and transferred its listing from the Euronext regulated market in Paris (compartment C) to the Euronext Growth continuous multilateral trading facility on July 11, 2017.

Address of the registered office:

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

Registry number: RCS 493 845 341 - Bordeaux, France

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

#### 1.2. Significant events in the first half of 2018

##### January 2018:

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

##### February 2018:

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

March 2018:

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

May 2018:

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

June 2018:

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

### 1.3. Subsequent events

July 2018:

- Creation of its subsidiary in Germany.
- BPI France granted Implanet a repayable advance under what is known as a “market prospection insurance policy” covering “Germany” and “United Kingdom” benefiting from a guarantee 65% of its prospecting expenses within the limit of €300 thousand. On august 2018, the Company received an advance of €89 thousand.

August 2018:

- Issue of an additional tranche of convertible bonds for a nominal amount of €500 thousand with EUROPEAN SELECT GROWTH OPPORTUNITIES FUND

The Company also carried out a capital increase of €67 thousand following the conversion of 34 convertible bonds by EUROPEAN SELECT GROWTH OPPORTUNITIES FUND

## Note 2: Accounting principles, rules and methods

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### 2.1. Principle for preparation of the financial statements

#### Declaration of compliance

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

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

In accordance with the provisions of European Regulation No. 1606/2002 dated July 19, 2002, the half-year condensed consolidated financial statements of Implanet at June 30, 2018 have been prepared in compliance with IAS 34 "Interim Financial Reporting", as adopted by the European Union.

Since they are condensed financial statements, they do not include all the information required by the IFRS guidelines for the preparation of consolidated financial statements. These notes must therefore be supplemented by reading the consolidated financial statements of Implanet published in respect of the fiscal year ended December 31, 2017.

### **Going concern principle**

The going concern principle was used by the Board of Directors in view, in particular, of the following factors:

- Available cash and cash equivalents of €0.6 million;
- Its cash investments available in the next twelve months for €0.8 million;
- The collection of €0.1M from BPI as an advance under what is known as a "market prospection insurance policy" executed on July 2018 (refer to note 1.3 in subsequent events);
- The Issuance of an additional tranche of convertible bonds for a nominal amount of €0.5 million on August 2018 (refer to note 1.3 in subsequent events);
- The possible use of a financing line by issue of notes convertible into shares ("OCA") that could give rise to additional financing of €3.5 million, subject to:
  - both the closing price and volume-weighted average price over the five trading days preceding the issue request being at least €0.40;
  - the direct and indirect investments by EUROPEAN SELECT GROWTH OPPORTUNITIES FUND in the Company's capital not exceeding 8.5% of the capital and voting rights given the potential number of shares resulting from the conversion of convertible bonds;
  - the Company's authorized and available shares must amount to at least 2.5 times the number of shares to be delivered upon conversion of the bonds, shares to be issued and outstanding shares.

Moreover, 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 line of financing with EUROPEAN SELECT GROWTH OPPORTUNITIES FUND.

### **Accounting methods**

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

### **Standards, amendments to standards and interpretations applicable from January 1<sup>st</sup>, 2018**

- IFRS 9 - Financial instruments
  - IFRS 15 - Revenue from contracts with customers
- Since implementing this standard will not cause any significant impacts, the Group has decided to apply the standard according to the partial retrospective approach. Refer to Note 14 for further details.

- Clarifications to IFRS 15
- IFRIC 22 - Foreign currency transactions and advance consideration
- Amendments to IFRS 2 - Classification and measurement of share-based payment transactions
- Amendments to IFRS 4 - Applying IFRS 9 with IFRS 4
- Amendments to IAS 40 - Transfers of investment property
- Improvements to IFRS (2014-2016 Cycle)

These new standards, amendments to standards and interpretations adopted by the European Union have no material impact on the Group's financial statements.

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

##### ***Standards, amendments to standards and interpretations adopted by the EU but not mandatory for 2018 interim financial statements***

- IFRS 16 - Leases
- Amendments to IFRS 9 - Prepayment features with negative compensation

##### ***Standards and interpretations published by the IASB and not yet adopted by the European Union at June, 30 2018***

- IFRS 14 - Regulatory deferral accounts
- IFRS 17 - Insurance policies
- IFRIC 23 - Uncertainty over income tax treatments
- Amendments to IAS 28 – Long term interest in associate or joint venture
- Amendments to IAS 19 – Defined benefit pension plan change, reduction or settlement
- Improvements to IFRS (2015-2017 Cycle)

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

Application of IFRS 16 will be mandatory from January 1, 2019. IFRS 16 removes the distinction between operating leases and finance leases and stipulates that all lease contracts will be recognized in the lessee's balance sheet, as an asset (representing the right of use of the asset leased during the contract period) and a liability (in respect of the lease payment obligation). The standard will also affect the presentation of the income statement (net operating income and financial expenses) and the cash flow statement (flows from operating activities and flows from financing activities). Therefore, real estate leasing contracts and operating leases will be subject to restatement in respect of the application of IFRS 16.

## 2.2. Change of accounting method

With the exception of the new texts identified above, the Company has not made any changes to its accounting methods during the first half of 2018.

## 2.3. Use of judgments and estimates

During the course of the preparation of these interim consolidated financial statements, the main judgments made by management as well as the principal assumptions used are the same as those applied during the preparation of the financial statements for the year ended December 31, 2017, namely:

- Grant of warrants or founders' warrants or stock options to the employees, executives and external service providers (refer to note 9),
- Determination of the fair value of derivative liabilities (refer to note 10),
- Recognition of development expenses in assets (refer to note 3.1),
- Impairment of inventories (refer to note 5),
- Impairment of trade receivables (refer to note 6.1),
- Recognition of revenue (refer to note 14),
- Provision for liabilities and expenses (refer to note 12).

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.

## 2.4. Consolidation scope and methods

### Subsidiaries

As of June 30, 2018, the Company only had one wholly-owned subsidiary, Implanet America Inc., which it created at the end of February 2013.

Implanet America Inc.	6/30/2018	12/31/2017
Percentage of control	100%	100%
Percentage of interest	100%	100%

### Conversion of the financial statements of foreign subsidiaries

The exchange rates used for the periods presented are as follows:

USD – US Dollar	6/30/2018	12/31/2017	6/30/2017
Closing rate	1.1658	1.1993	1.1412
Average rate	1.2057	1.1217	1.0810

**Note 3: Intangible fixed assets, property, plant and equipment**
**3.1. Intangible fixed assets**

INTANGIBLE FIXED ASSETS (Amounts in €'000)	Software (lease- financing)	Software	Development expenses	Total
<b>GROSS VALUES</b>				
<b>Statement of financial position at December 31, 2017</b>	<b>26</b>	<b>379</b>	<b>1,633</b>	<b>2,038</b>
Capitalization of development expenses	-	-	99	99
Acquisition	-	11	-	11
Disposal	-	-	-	-
Foreign exchange impact	-	-	-	-
Transfer	-	-	-	-
<b>Statement of financial position at June 30, 2018</b>	<b>26</b>	<b>390</b>	<b>1,731</b>	<b>2,147</b>
<b>DEPRECIATION AND AMORTIZATION</b>				
<b>Statement of financial position at December 31, 2017</b>	<b>26</b>	<b>379</b>	<b>928</b>	<b>1,333</b>
Increase	-	5	46	51
Decrease	-	-	-	-
Foreign exchange impact	-	-	-	-
<b>Statement of financial position at June 30, 2018</b>	<b>26</b>	<b>384</b>	<b>974</b>	<b>1,384</b>
<b>NET CARRYING AMOUNT</b>				
<b>At December 31, 2017</b>	<b>-</b>	<b>0</b>	<b>705</b>	<b>705</b>
<b>At June 30, 2018</b>	<b>(0)</b>	<b>6</b>	<b>757</b>	<b>763</b>

Capitalized development costs capitalized over the first-half of 2018 relate mainly to relate mainly to the *Jazz™ Evo* (€41 thousand) and *Jazz™ Cap SP* (€29 thousand)

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

### 3.2. Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT								Total
(Amounts in €'000)								
	Equipment and tooling	Equipment and tooling (lease-financing)	Fixtures and fittings	Fixtures and fittings (lease-financing)	Office and IT equipment and furniture	Office and IT equipment and furniture (lease-financing)	Transport equipment (lease-financing)	
<b>GROSS VALUES</b>								
Statement of financial position at December 31, 2017	3,451	1,326	98	225	294	246	8	5,647
Acquisition	148	-	-	-	3	-	-	150
Disposal	(23)	-	-	-	-	(111)	-	(134)
Foreign exchange impact	-	-	-	-	1	-	-	1
Transfer	-	-	-	-	-	-	-	-
<b>Statement of financial position at June 30, 2018</b>	<b>3,575</b>	<b>1,326</b>	<b>98</b>	<b>225</b>	<b>298</b>	<b>135</b>	<b>8</b>	<b>5,665</b>
<b>DEPRECIATION AND AMORTIZATION</b>								
Statement of financial position at December 31, 2017	2,868	1,150	86	225	272	222	8	4,831
Increase	193	35	0	-	10	13	-	252
Decrease	(23)	-	-	-	-	(111)	-	(134)
Foreign exchange impact	-	-	-	-	1	-	-	1
<b>Statement of financial position at June 30, 2018</b>	<b>3,038</b>	<b>1,186</b>	<b>86</b>	<b>225</b>	<b>283</b>	<b>124</b>	<b>8</b>	<b>4,950</b>
<b>NET CARRYING AMOUNT</b>								
At December 31, 2017	582	176	12	-	22	24	-	817
<b>At June 30, 2018</b>	<b>537</b>	<b>141</b>	<b>12</b>	<b>0</b>	<b>14</b>	<b>11</b>	<b>0</b>	<b>715</b>

The technical installations, equipment and tooling principally comprise ancillary devices commissioned when they are delivered to healthcare facilities.

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



#### Note 4: Other financial assets

<b>OTHER FINANCIAL ASSETS</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>12/31/2017</b>
Term accounts	525	350
Liquidity contract	34	36
Guarantees	44	43
<b>Total other non-current financial assets</b>	<b>603</b>	<b>429</b>
Medium-term notes (MTN)	301	304
Term accounts	525	700
<b>Total other current financial assets</b>	<b>826</b>	<b>1,004</b>

Non-current financial assets comprise:

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

Current financial assets comprise:

- a €525 thousand term deposit maturing in 2021, with early redemption possible;
- a €300 thousand term deposit maturing in 2019, with early redemption possible.

#### Note 5: Inventories

<b>INVENTORIES</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>12/31/2017</b>
Inventories of raw materials	87	59
Inventories of goods for resale	3,332	3,067
Inventories of semi-finished products	7	5
Inventories of ancillary devices and instruments	834	748
<b>Gross total inventories</b>	<b>4,260</b>	<b>3,880</b>
Impairment of inventories of goods for resale	(440)	(405)
Impairment of stocks of ancillary devices and instruments	(85)	(85)
<b>Total impairment of inventories</b>	<b>(525)</b>	<b>(490)</b>
<b>Net total inventories</b>	<b>3,735</b>	<b>3,389</b>

#### Note 6: Receivables

##### 6.1. Trade receivables

<b>TRADE RECEIVABLES AND RELATED ACCOUNTS</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>12/31/2017</b>
Trade receivables and related accounts	3,164	3,235
Impairment of trade receivables and related accounts	(454)	(448)
<b>Net total of trade receivables and related accounts</b>	<b>2,710</b>	<b>2,787</b>

The age of the receivables breaks down as follows:

<b>TRADE RECEIVABLES AND RELATED ACCOUNTS</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>12/31/2017</b>
Not yet due	1,312	1,309
Due for less than 90 days	758	1,157
Due for between 90 days and 6 months	214	158
Due for between 6 and 12 months	398	126
Due for more than 12 months	483	485
<b>Gross total trade receivables and related accounts</b>	<b>3,164</b>	<b>3,235</b>

## 6.2. Other receivables

<b>OTHER RECEIVABLES</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>12/31/2017</b>
Research tax credit (1)	344	264
Value added tax (2)	262	302
Employees and related accounts	25	24
Business competitiveness tax credit	66	48
Prepaid expenses (3)	240	150
Miscellaneous	26	35
<b>Total other receivables</b>	<b>962</b>	<b>823</b>

### (1) Research tax credit (CIR)

- Estimated CIR at June 30, 2018: €79 thousand
- CIR 2017: €264 thousand, repayment expected in the second half of 2018

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

(3) Prepaid expenses relate to current expenses.

## Note 7: Cash and cash equivalents

<b>CASH AND CASH EQUIVALENTS</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>12/31/2017</b>
Bank accounts	624	2,609
<b>Total cash and cash equivalents</b>	<b>624</b>	<b>2,609</b>

## Note 8: Capital

### 8.1 Issued capital

<b>COMPOSITION OF THE SHARE CAPITAL</b>	<b>6/30/2018</b>	<b>12/31/2017</b>
Capital (in €'000)	1,466	1,380
Number of shares	29,313,994	27,592,562
of which ordinary shares	29,313,994	27,592,562
Nominal value (in euros)	€ 0.05	€ 0.05

At June 30, 2018, the share capital amounted to €1,465,699.70. It is divided into 29,313,994 ordinary shares which are fully subscribed and paid up with a nominal value of €0.05.

During the first half of 2018, the Company carried out a capital increase of €86 thousand following the conversion of 67 bonds held by EUROPEAN SELECT GROWTH OPPORTUNITIES FUND (formerly known as L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND) generating the issue of 1,721,432 shares with a nominal value of €0.05.

## 8.2 Management of capital

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

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

At June 30, 2018, 160,000 treasury shares were recognized as a deduction from shareholders' equity.

## 8.3 Distribution of dividends

The Company did not distribute any dividends during the periods presented.

### Note 9: Warrants and founders' warrants

#### Warrants ("BSA")

The table below summarizes the data related to the plans issued during the first half of 2018, as well as the assumptions used for the valuation in accordance with IFRS2:

Type	Award date	Features of the plans			Assumptions used		
		Total number of options awarded	Exercise period	Initial exercise price	Volatility	Risk-free rate	Total initial valuation, IFRS2 (Black&Scholes) (in €'000)
BSA <sub>01/2018</sub>	Board meeting of 01/23/2018	80,000	10 years	€ 0.65	34.67%	0.08%	9

## Change in outstanding options

Type	Award date	Number of options outstanding					06/30/2018	Maximum number of subscribable shares (1) (2) (3)
		12/31/2017	Awarded	Exercised	Void			
BSA <sub>09/11</sub>	AGM of 09/26/2011	60,000					60,000	7,308
BSA <sub>05/12</sub>	AGM of 6/29/2012	10,245					10,245	1,248
BSA <sub>2012</sub>	AGM of 6/29/2012	40,000					40,000	4,872
BSA <sub>09/2012</sub>	AGM of 10/11/2012	100,000					100,000	12,180
BSA <sub>01/2013</sub>	AGM of 1/22/2013	25,000					25,000	3,045
BSA <sub>01/2014</sub>	Board meeting of 01/08/2014	16,199					16,199	19,730
BSA <sub>07/2015</sub>	Board meeting of 7/15/2015	44,699					44,699	46,934
BSA <sub>07/2016 T1</sub>	Board meeting of 7/11/2016	56,000					56,000	58,800 *
BSA <sub>07/2016 T2</sub>	Board meeting of 7/11/2016	30,000					30,000	31,500
BSA <sub>09/2017</sub>	Board meeting of 9/19/2017	40,000					40,000	40,000 *
BSA <sub>01/2018</sub>	Board meeting of 01/23/2018	-	80,000				80,000	80,000 *
<b>Total</b>		<b>422,143</b>	<b>80,000</b>	-	-		<b>502,143</b>	<b>305,617</b>

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

## Founders' warrants ("BSPCE")

The table below summarizes the data related to the plans issued during the first half of 2018, as well as the assumptions used for the valuation in accordance with IFRS2:

Type	Award date	Features of the plans			Assumptions used		
		Total number of options awarded	Exercise period	Initial exercise price	Volatility	Risk-free rate	Total initial valuation, IFRS2 (Black&Scholes) (in €'000)
BSPCE <sub>01/2018</sub>	Board meeting of 01/23/2018	418,000	10 years	€ 0.65	34.67%	0.08%	79

## Change in outstanding options

Type	Award date	Number of options outstanding					Maximum number of subscribable shares (1) (2) (3)
		12/31/2017	Awarded	Exercised	Void	06/30/2018	
BSPCE <sub>12/2007</sub>	Board meeting of 12/29/2007	-				-	-
BSPCE <sub>02/2009</sub>	Board meeting of 2/05/2009	13,000				13,000	1,583
BSPCE <sub>03/2010</sub>	Board meeting of 4/22/2010	30,000				30,000	3,654
BSPCE <sub>06/2011</sub>	Board meeting of 4/06/2011	68,000				68,000	8,283
BSPCE <sub>09/2011</sub>	Board meeting of 11/18/2011	49,000				49,000	5,969
BSPCE <sub>03/2016</sub>	Board meeting of 03/24/2016	369,000				369,000	387,450 *
BSPCE <sub>07/2016 T1</sub>	Board meeting of 07/11/2016	207,263				207,263	217,626 *
BSPCE <sub>07/2016 T2</sub>	Board meeting of 07/11/2016	50,000				50,000	52,500 *
BSPCE <sub>01/2018</sub>	Board meeting of 01/23/2018	-	418,000			418,000	418,000 *
<b>Total</b>		<b>786,263</b>	<b>418,000</b>	-	-	<b>1,204,263</b>	<b>1,095,066</b>

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

## Stock options

The table below summarizes the data related to the plans issued during the first half of 2018, as well as the assumptions used for the valuation in accordance with IFRS2:

Type	Award date	Features of the plans			Assumptions used		
		Total number of options awarded	Exercise period	Initial exercise price	Volatility	Risk-free rate	Total initial valuation, IFRS2 (Black&Scholes) (in €'000)
Stock option <sub>01/2018</sub>	Board meeting of 01/23/2018	22,500	10 years	€ 0.65	34.67%	0.08%	4

## Change in outstanding options

Type	Award date	Number of options outstanding					Maximum number of subscribable shares (1)
		12/31/2017	Awarded	Exercised	Void	06/30/2018	
Stock option <sub>07/2015</sub>	Board meeting of 07/15/2015	12,500				12,500	13,125 *
Stock option <sub>03/2016</sub>	Board meeting of 03/24/2016	70,000			(60,000)	10,000	10,500 *
Stock option <sub>01/2018</sub>	Board meeting of 01/23/2018	-	22,500			22,500	22,500 *
<b>Total</b>		<b>82,500</b>	<b>22,500</b>	-	<b>(60,000)</b>	<b>45,000</b>	<b>46,125</b>

\*note that some warrants are in the process of being vested

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

## IFRS expenses recognized during the first semester 2017 and the first semester 2018

Type (Amounts in €'000)	6/30/2017				6/30/2018			
	Probable cost of the plan to date	Cumulative expense at the start of the year	Expense for the period	Cumulative expense to date	Probable cost of the plan to date	Cumulative expense at the start of the year	Expense for the period	Cumulative expense to date
BSPCE 03/2016	133	57	28	85	129	101	13	114
BSPCE 07/2016 T1	68	37	15	52	67	59	4	64
BSPCE 07/2016 T2	18	5	5	10	18	13	2	15
BSPCE 01/2018	-	-	-	-	73	-	17	17
BSA 07/2015	22	15	3	18	22	20	1	21
BSA 07/2016 T1	12	3	4	7	12	9	2	10
BSA 09/2017	-	-	-	-	7	1	2	3
BSA 01/2018	-	-	-	-	9	-	2	2
Stock option 07/2015	14	13	(2)	11	14	12	0	13
Stock option 03/2016	25	11	5	16	11	19	(9)	10
Stock option 01/2018	-	-	-	-	4	-	1	1
<b>Total</b>			<b>59</b>				<b>36</b>	

## Note 10: Financial liabilities

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (Amounts in €'000)	6/30/2018	12/31/2017
Financial debts - finance leases (1)	33	44
Reimbursable advances and interest-free loans	724	714
Loans from financial institutions (2)	459	219
<b>Non-current financial debts</b>	<b>1,215</b>	<b>977</b>
Financial debts - finance leases (1)	26	42
Bond	248	9
Derivatives liabilities	49	2
Debt under the factoring contract	832	1,002
Loans from financial institutions (2)	301	221
<b>Current financial liabilities</b>	<b>1,457</b>	<b>1,277</b>
<b>Total financial liabilities</b>	<b>2,672</b>	<b>2,254</b>

(1) The debts relating to the finance leases are guaranteed by a pledge of a term deposit for €150 thousand.

(2) The bank loans are guaranteed by a pledge of a term deposit account for €275 thousand and €100 thousand respectively.

## Reconciliation redemption value/balance sheet value

RECONCILIATION REDEMPTION VALUE / BALANCE SHEET VALUE (amounts in €'000)	Redemption value 06/30/2018	Amortized cost	Fair value	Balance sheet value	
				6/30/2018	12/31/2017
Financial debts - lease-financing	59	-	-	59	86
Reimbursable advances and interest-free loans	800	(76)	-	724	714
Bond	340	(92)	-	248	9
Derivatives liabilities	-	-	49	49	2
Debt under the factoring contract	832	-	-	832	1,002
Loans from financial institutions	760	-	-	760	440
<b>Total financial liabilities</b>	<b>2,791</b>	<b>(168)</b>	<b>49</b>	<b>2,672</b>	<b>2,254</b>

## Breakdown of financial liabilities by maturity, in redemption value

FINANCIAL LIABILITIES BY MATURITY DATE IN REDEMPTION VALUE (amounts in €'000)	6/30/2018			
	Gross amount	Part due in less than one year	From 1 to 5 years	More than five years
Financial debts - lease-financing	59	26	33	-
Reimbursable advances and interest-free loans	800	-	640	160
Bond	340	340	-	-
Debt under the factoring contract	832	832	-	-
Loans from financial institutions	760	301	459	-
<b>Total financial liabilities</b>	<b>2,791</b>	<b>1,499</b>	<b>1,132</b>	<b>160</b>
<i>Current financial liabilities</i>	<i>1,499</i>			
<i>Non-current financial debts</i>	<i>1,292</i>			

### 10.1. Financial liabilities - lease-financing

CHANGES IN FINANCIAL LIABILITIES - LEASE-FINANCING (Amounts in €'000)	Financial liabilities - Lease-financing contracts	Current part	Non-current part	
			from 1 to 5 years	more than 5 years
<b>At December 31, 2017</b>	<b>86</b>	42	44	-
(+) Subscription	-			
(-) Redemption	(27)			
<b>At June 30, 2018</b>	<b>59</b>	<b>26</b>	<b>33</b>	-

### 10.2. Reimbursable advances

CHANGES IN REIMBURSABLE ADVANCES AND INTEREST-FREE LOANS (Amounts in €'000)	BPI - Interest-free innovation loan - JAZZ Braid	Total
<b>At December 31, 2017</b>	<b>714</b>	<b>714</b>
(+) Subscription	-	-
(-) Redemption	-	-
Subsidies	-	-
Financial expenses	10	10
<b>At June 30, 2018</b>	<b>724</b>	<b>724</b>

### Breakdown of reimbursable advances by maturity, in redemption value

MATURITY OF REIMBURSABLE ADVANCES AND INTEREST-FREE LOANS, IN REDEMPTION VALUE (Amounts in €'000)	BPI - Interest-free innovation loan - JAZZ Braid	Total
<b>At June 30, 2018</b>	<b>800</b>	<b>800</b>
Part due in less than one year	-	-
Part due between 1 and 5 years	640	640
Part due in more than 5 years	160	160

### 10.3. Bonds

CHANGES IN BOND ISSUES (Amounts in €'000)	Convertible Bonds European Select Growth Opportunities Fund	Total
<b>At December 31, 2017</b>	<b>9</b>	<b>9</b>
(+) Subscription	1,000	1,000
(-) Derivative liability	(349)	(349)
(-) Redemption	-	-
(+/-) Impact of amortized cost	259	259
(+/-) Translation	(670)	(670)
<b>At June 30, 2018</b>	<b>248</b>	<b>248</b>

### Breakdown of bond loans by maturity, in redemption value

MATURITY OF BOND ISSUES, IN REDEMPTION VALUE (Amounts in €'000)	Convertible Bonds European Select Growth Opportunities Fund	Total
<b>At June 30, 2018</b>	<b>340</b>	<b>340</b>
Part due in less than one year	340	340
Part due between 1 and 5 years	-	-
Part due in more than 5 years	-	-

On March 7, 2018, the Company entered into a convertible bond (“OCA”) contract enabling the Company to potentially raise €5 million at its discretion. This new financing with EUROPEAN SELECT GROWTH OPPORTUNITIES FUND cancel and replace the balance of €1.9 million from the previous financing signed in October 2015.

The OCA have the following characteristics:

- Nominal value: €10,000
- Subscription price: at par value
- Maturity: 12 months
- Conversion terms:  $N = V_n/P$  where:
  - N is the number of shares that can be subscribed;
  - $V_n$  is the value of the bond receivable;
  - P corresponds to 92% of the lowest of the 10 average daily share prices weighted by the volumes of Company shares immediately preceding the date of the conversion request and as a minimum equal to 75% of the 5 average daily share prices.



The Board of Directors decided the issue of a first tranche of 100 OCA for a total value of €1.0 million on March 7, 2018.

In accordance with IAS 39, the liability is assessed according to the amortized cost method.

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

Conversion option	Tranche 4		Tranche 1 (new loan)	
	6/30/2018	12/31/2017	6/30/2018	On issue (03/07/2018)
Number of bonds outstanding	-	1	34	100
Number of subscribable shares	n/a	28,571	1,062,500	2,272,727
Exercise price	n/a	€ 0.35	€ 0.32	€ 0.44
Anticipated term	n/a	3 months	3 months	6 months
Volatility	n/a	51.13%	40.25%	67.69%
Risk-free rate	n/a	-0.78%	-0.62%	-0.68%
<b>Value of derivative (in €'000)</b>	<b>-</b>	<b>2</b>	<b>49</b>	<b>349</b>
<b>Change in fair value during the period</b>	<b>(2)</b>		<b>(300)</b>	

At June 30, 2018, 34 convertible bonds were outstanding.

726,310 BSA (294,988 BSA<sub>T1</sub>, 244,755 BSA<sub>T2</sub> and 186,567 BSA<sub>T3</sub>), issued in respect of the previous agreement signed in October 2015, were outstanding as of June 30, 2018.

#### 10.4. Bank loans

CHANGE IN BANK LOANS (Amounts in €'000)	Loan 06/2015	Loan 04/2017	Loan 09/2017	Loan 04/2018	Total
<b>At December 31, 2017</b>	<b>85</b>	<b>162</b>	<b>193</b>	-	<b>440</b>
(+) Subscription				500	500
(-) Redemption	(85)	(33)	(34)	(27)	(180)
<b>At June 30, 2018</b>	<b>-</b>	<b>128</b>	<b>159</b>	<b>473</b>	<b>760</b>

On April 17, 2018, the Company took out a new loan agreement with Banque Courtois for the purpose of "financing the instruments". The main characteristics of this loan are as follows:

- Nominal value: €500,000
- Term: 3 years
- Interest rate: 1.50% per year
- Interest paid monthly in arrears

#### Breakdown of loans from bank loans by maturity, in redemption value

BANK LOANS BY MATURITY (Amounts in €'000)	Loan 04/2017	Loan 09/2017	Loan 04/2018	Total
<b>At June 30, 2018</b>	<b>128</b>	<b>159</b>	<b>473</b>	<b>760</b>
Part due in less than one year	67	70	165	301
Part due between 1 and 5 years	62	89	308	459
Part due in more than 5 years	-	-	-	-

## Note 11: Employee benefit obligations

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

ACTUARIAL ASSUMPTIONS	06/30/2018		12/31/2017	
	Managers	Non managers	Managers	Non managers
Retirement age	Voluntary departure between ages 65 and 67			
Collective agreements	Metallurgy Engineers and Managers	Metallurgy Gironde Landes	Metallurgy Engineers and Managers	Metallurgy Gironde Landes
Discount rate (IBOXX Corporates AA)	1.45%		1.30%	
Mortality table	INSEE 2017		INSEE 2017	
Rate of revaluation of salaries	2.00%		2.00%	
Rate of turnover	Average (AG2R table)		Average (AG2R table)	
Rate of Social Security charges	51%	50%	51%	49%

The provision for retirement commitments has changed as follows:

AMOUNTS DUE TO PERSONNEL (Amounts in €'000)	Retirement benefits
<b>At December 31, 2017</b>	<b>144</b>
Past service costs	9
Financial costs	1
Actuarial differences	(10)
<b>At June 30, 2018</b>	<b>144</b>

## Note 12: Provisions

PROVISIONS (Amounts in €'000)	6/30/2018				Amount at year end
	Amount at start of year	Allocations	Reversals	Release of surplus provisions	
Provisions for legal disputes	576	24	-	-	600
<b>Total provisions for liabilities and expenses</b>	<b>576</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>600</b>

## Note 13: Current liabilities

### 13.1. Tax and social security liabilities

TAX AND SOCIAL SECURITY LIABILITIES (Amounts in €'000)	6/30/2018	12/31/2017
Employees and related accounts	291	408
Social Security and other social bodies	346	399
Other taxes, duties and similar payments	13	43
<b>Total tax and social security liabilities</b>	<b>651</b>	<b>850</b>

### 13.2. Other current liabilities

<b>OTHER CURRENT LIABILITIES</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>12/31/2017</b>
Directors' fees due to members of the Board of Directors	12	30
<b>Total other current liabilities</b>	<b>12</b>	<b>30</b>

## Note 14: Revenue

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### Accounting principles

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

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

Revenue is recognised for the amount to which it expects to be entitled in exchange for the goods or services supplied. The highly probable elements of variable consideration and the significant financial elements are included in the transaction price.

The Company has reviewed its contracts and not detected any significant elements of variable consideration, such as specific return clauses. In addition, the Company does not grant or benefit from any special financing arrangements as part of its contracts.

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

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

The Company's revenue result from the sales of orthopedics' implants.

Revenue by region and type of products is as follows:

<b>REVENUES BY REGION</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>6/30/2017</b>
France	2,122	2,124
United States	1,084	1,059
Brazil	207	214
Rest of the World	218	722
<b>Total revenue</b>	<b>3,632</b>	<b>4,119</b>

<b>REVENUES BY TYPE OF PRODUCTS</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>6/30/2017</b>
Spinal	2,197	2,404
Knee + Arthroscopy	1,434	1,716
<b>Total revenue</b>	<b>3,632</b>	<b>4,119</b>

With regard to the concentration of credit risk, one French distributor represents more than 31% of consolidated revenue at June 30, 2018. Other distributors individually represent less than 8% of consolidated revenue.

## Note 15: Operating expenses

### 15.1. Cost of sales

<b>COST OF SALES</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>6/30/2017</b>
Purchases of raw materials and goods	(1,420)	(1,686)
Depreciation and amortization of ancillary devices	(189)	(328)
<b>Cost of sales</b>	<b>(1,609)</b>	<b>(2,014)</b>

### 15.2. Sales and marketing expenses

<b>SALES, DISTRIBUTION AND MARKETING</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>6/30/2017</b>
Leases	(26)	(27)
Materials and supplies	(40)	(55)
Insurance policies	(47)	(56)
Intermediary compensation Fees	(90)	(114)
Advertising	(94)	(92)
Transport	(7)	(3)
Travel, assignments and entertaining	(272)	(384)
Duties and taxes	(1)	(1)
Payroll expenses	(954)	(1,046)
Depreciation and amortization of fixed assets	(6)	(10)
Share-based payments	(18)	(34)
Royalties	(85)	(110)
Sales commission	(542)	(584)
Allocations/reversals of provisions for impairment of trade receivables	(4)	(25)
Miscellaneous	(23)	(30)
<b>Sales, distribution and marketing expenses</b>	<b>(2,208)</b>	<b>(2,570)</b>

### 15.3. Research and development expenses

<b>RESEARCH AND DEVELOPMENT</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>6/30/2017</b>
Leases	(12)	(12)
Hardware, equipment and works	(9)	(6)
Studies and research	(36)	(75)
Fees and other intellectual property expenses	(107)	(156)
Travel, assignments and entertaining	(9)	(11)
Duties and taxes	(3)	(1)
Payroll expenses	(322)	(355)
Capitalization of R&D expenses	85	73
Depreciation and amortization of capitalized R&D expense	(31)	(58)
Depreciation and amortization of fixed assets	(1)	(1)
Share-based payments	(6)	(6)
Miscellaneous	(2)	(1)
<b>Research and Development expenses</b>	<b>(453)</b>	<b>(610)</b>
Research tax credit	77	87
<b>Subsidies</b>	<b>77</b>	<b>87</b>
<b>Research and development costs, net</b>	<b>(376)</b>	<b>(524)</b>

### 15.4. Costs of Regulatory affairs and quality assurance

<b>REGULATORY AFFAIRS AND QUALITY ASSURANCE</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>6/30/2017</b>
Materials and supplies not for stock	(33)	(25)
Studies and research	(76)	(53)
Intermediary compensation Fees	(20)	(55)
Payroll expenses	(273)	(262)
Capitalization of R&D expenses	14	73
Depreciation and amortization of capitalized R&D expense	(15)	(29)
Depreciation and amortization of fixed assets	(9)	(11)
Share-based payments	(1)	(0)
Miscellaneous	(13)	(15)
<b>Regulatory affairs and quality assurance costs</b>	<b>(428)</b>	<b>(377)</b>
Research tax credit	2	9
<b>Subsidies</b>	<b>2</b>	<b>9</b>
<b>Regulatory affairs and quality assurance costs, net</b>	<b>(425)</b>	<b>(368)</b>

## 15.5. Operating costs

<b>OPERATING COSTS</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>6/30/2017</b>
Materials and supplies not for stock	(5)	(5)
Leases	(66)	(67)
Hardware, equipment and works	(19)	(19)
Transport	(22)	(23)
Travel, assignments and entertaining	(1)	(2)
Payroll expenses	(223)	(277)
Depreciation and amortization of fixed assets	(32)	(36)
Share-based payments	0	(4)
Allocation/reversal of provision for impairment of inventories	(35)	(137)
Scrapping and inventory adjustment	-	193
Miscellaneous	(8)	(19)
<b>Operating costs</b>	<b>(410)</b>	<b>(396)</b>

## 15.6. General and administrative expenses

<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>6/30/2017</b>
Materials and supplies not for stock	(38)	(48)
Leases	(98)	(98)
Hardware, equipment and works	(68)	(60)
Insurance policies	(99)	(102)
Intermediary compensation Fees	(424)	(451)
Advertising	(2)	(18)
Travel, assignments and entertaining	(55)	(59)
Postal and telecommunication expenses	(22)	(27)
Banking services	(18)	(14)
Duties and taxes	(5)	13
Payroll expenses	(478)	(477)
Attendance fee	(10)	(16)
Depreciation and amortization of fixed assets	(20)	(21)
Share-based payments	(12)	(15)
Gain on lapsed trade payable	-	59
Miscellaneous	(3)	4
<b>General costs</b>	<b>(1,353)</b>	<b>(1,331)</b>

### Note 16: Non-recurring operating income and expenses

The Company did not book any non-recurring operating income and expenses as of June 30, 2018.

Non-recurring operating expenses on June 30, 2017 were related to a provision for a commercial dispute following the sale of its Hip business. In the context of the sale of its Hip business in 2014, the Company transferred its distribution contracts to the purchaser, involving the modification of certain sales arrangements. One of the distributors alleges that this operation amounts to the cancellation of the sales agreement and is claiming damages.

### Note 17: Financial income and expenses, net

<b>FINANCIAL INCOME AND EXPENSES</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>6/30/2017</b>
Amortized cost of loans	(307)	(215)
Changes in the fair value of derivative liabilities	302	95
Other financial expenses	(15)	(28)
Financial income	(1)	1
Foreign exchange gains and (losses)	(1)	(4)
<b>Total financial income and expenses</b>	<b>(22)</b>	<b>(150)</b>

### Note 18: Income tax

Based on the same rules as applied at December 31, 2017, the Group did not recognize any deferred tax assets at June 30, 2018.

### Note 19: Earnings per share

<b>BASIC EARNINGS PER SHARE</b>	<b>6/30/2018</b>	<b>6/30/2017</b>
Net income for the year (Amounts in €'000)	(2,772)	(3,690)
Weighted average number of shares in circulation	28,276,392	21,693,625
<b>Basic earnings per share (€/share)</b>	<b>(0.10)</b>	<b>(0.17)</b>
<b>Diluted earnings per share (€/share)</b>	<b>(0.10)</b>	<b>(0.17)</b>

### Note 20: Related parties

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

#### 20.1. Executive 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 breaks down as follows:

<b>COMPENSATION OF CORPORATE OFFICERS</b> (Amounts in €'000)	<b>6/30/2018</b>	<b>6/30/2017</b>
Fixed compensation due	108	244
Variable compensation due	23	46
Benefits in kind	16	14
Share-based payments	18	34
Advisers' fees	54	54
Attendance fees	11	17
<b>TOTAL</b>	<b>229</b>	<b>408</b>

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

### Note 21: Off-balance sheet commitments

Off-balance sheet commitments at December 31, 2017 have not changed significantly over the period.