A French *société anonyme* with a share capital of €8,099,283
Registered office: Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France
Bordeaux B 493 845 341

DOCUMENT DE RÉFÉRENCE

DISCLAIMER

The English version of the *document de référence* is a free translation of the official *document référence* prepared in France and registered with the *Autorité des marchés financiers* on January 12, 2015 under number R. 15-004. Certain sections have been intentionally omitted.

All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions expressed therein, the original version of the *document de référence* in French takes precedence over this translation.

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GENERAL COMMENTS

Definitions

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

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

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

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

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

Notice

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

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

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

1. PERSONS RESPONSIBLE

1.1. PERSON RESPONSIBLE FOR THE DOCUMENT DE REFERENCE

Ludovic Lastennet, Implanet Chief Executive Officer.

1.2. STATEMENT OF THE PERSON RESPONSIBLE

Martillac, France, 12 January 2015

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

[**INTENTIONALLY OMITTED**]

Ludovic Lastennet
Chief Executive Officer

1.3. PERSON RESPONSIBLE FOR THE FINANCIAL INFORMATION

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

2. AUDITORS

2.1. STATUTORY AUDITORS

Ernst & Young Audit, member of the Versailles regional company of auditors, 1-2, Place des Saisons, 92037 Paris La Défense Cedex
represented by Franck Sebag
Date of appointment: 30 April 2013
Duration of appointment: six years
Expiry of appointment: General Shareholders' Meeting called to approve the financial statements for the year ended 31 December 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: 19 November 2013
Duration of appointment: six years
Expiry of appointment: General Shareholders' Meeting called to approve the financial statements for the year ended 31 December 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: 30 April 2013
Duration of appointment: six years
Expiry of appointment: General Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2018.

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

2.3. STATUTORY AUDITORS WHO RESIGNED, WERE DISMISSED OR WHOSE APPOINTMENT WAS NOT RENEWED

Cabinet Roche Mameri & Azoulay, member of the Paris regional company of auditors, 11, Passage Desgrais, 75019 Paris
represented by Michel Azoulay
Expiry of appointment: General Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2012.

Karim Mameri
25, Quai Saint Vincent, 69001 Lyon
Deputy to Cabinet Roche Mameri & Azoulay
Expiry of appointment: General Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2012.

3. SELECTED FINANCIAL INFORMATION

3.1. HISTORICAL FINANCIAL INFORMATION

The financial information selected and presented below is taken from the Company's IFRS financial statements for the fiscal year ended 31 December 2013 and published in section 20.1 20.1<<Financial statements prepared in accordance with IFRS for the year ended 31 December 2013>> of the *Document de référence* and interim financial statements of 1st semester 2014 published in section 20.4 "Interim financial information" 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 balance sheet in euros *IFRS*	**31/12/2013** *Extract of financial statements which were subject to an audit*	**31/12/2012** *Extract of financial statements which were subject to an audit*	**30/06/2014** *Extract of financial statements which were subject to a limited examination*	**30/06/2013** *Extract of financial statements which were subject to a limited examination*
ASSETS				
Goodwill	-	-	-	-
Intangible fixed assets	686,335	923,507	611,261	834,737
Property, plant and equipment	1,387,554	2,489,380	1,360,604	1,993,188
Other non-current financial assets (1) (2)	9,280,311	334,988	8,072,060	335,004
Total non-current assets	11,354,200	3,747,875	10,043,924	3,162,930
Inventories	4,116,925	5,114,358	4,226,498	5,390,680
Trade receivables and related accounts	2,337,119	2,015,056	2,355,293	2,137,687
Other receivables	1,149,221	808,040	1,329,382	1,028,819
Current financial assets (2)	2,001,091	-	-	-
Cash and cash equivalents	2,965,534	86,663	1,150,053	151,729
Total current assets	12,569,890	8,024,117	9,061,226	8,708,915
Total Assets	**23,924,090**	**11,771,992**	**19,105,151**	**11,871,845**
LIABILITIES				
Shareholders' equity	**13,868,467**	**4,679,411**	**10,794,004**	**1,903,083**
Non-current liabilities				
Amounts due to personnel	34,802	37,477	54,452	34,168
Non-current financial liabilities	3,211,750	903,329	2,197,322	2,285,481
Derivative liability	78,838	-	89,120	
Non-current liabilities	**3,325,391**	**940,806**	**2,340,895**	**2,319,649**
Current liabilities				
Current financial liabilities	2,703,256	1,506,774	2,323,843	3,675,632
Provisions	144,631	376,800	35,500	344,631
Trade payables and related accounts	3,216,886	3,679,716	2,988,091	3,154,110
Tax and social security liabilities	663,595	588,485	613,089	474,740
Other payables and miscellaneous debt	1,864	-	9,729	-
Current liabilities	**6,730,232**	**6,151,775**	**5,970,252**	**7,649,113**
Total Liabilities	**23,924,090**	**11,771,992**	**19,105,151**	**11,871,845**

(1) At 30 June 2014 non-current financial assets included €7,505 thousand in realizable medium-term notes and term deposits.

(2) At 31 December 2013, non-current financial assets included €8,807 thousand in realizable medium-term notes and term deposits. Current financial assets consisted of highly liquid term deposits totaling €2,001 thousand.

Simplified income statement in euros *IFRS standards*	31/12/2013 *Extract of financial statements which were subject to an audit*	31/12/2012 *Extract of financial statements which were subject to an audit*	30/06/2014 *Extract of financial statements which were subject to a limited examination*	30/06/2013 *Extract of financial statements which were subject to a limited examination*
Net revenue	**6,690,382**	**6,646,788**	**4,001,070**	**3,314,999**
Operating net income	**(6,495,864)**	**(4,146,627)**	**(3,114,235)**	**(2,656,756)**
Net income	**(6,843,456)**	**(4,276,635)**	**(3,409,652)**	**(2,698,552)**
Net earnings per share	*(2.14)*	*(0.14)*	*(0.63)*	*(0.09)*
Weighted average number of shares outstanding	**3,196,648**	**29,556,037**	**5,399,522**	**29,556,037**

Simplified cash flow statement *IFRS standards*	31/12/2013 *Extract of financial statements which were subject to an audit*	31/12/2012 *Extract of financial statements which were subject to an audit*	30/06/2014 *Extract of financial statements which were subject to a limited examination*	30/06/2013 *Extract of financial statements which were subject to a limited examination*
Cash flows from operating activities	**(5,380,127)**	**(3,988,432)**	**(2,944,515)**	**(3,047,469)**
Of which, free cash flow	*(5,323,456)*	*(2,535,530)*	*(2,299,242*	*(1,788,368)*
Of which, variation in working capital requirement	*56,671*	*1,452,902*	*645,273*	*1,259,102*
Cash flows from investing activities	**(11,353,667)**	**5,032,810**	**2,833,078**	**(282,848)**
Cash flow from financing activities	**(19,853,819**	**(1,505,199)**	**(1,722,604)**	**2,699,059**
Change in cash and cash equivalents	**3,120,026**	**(460,821)**	**(1,837,170)**	**(631,259)**
Cash and cash equivalents at the start of the year	(154,492)	306,329	2,965,534	(154,492)
Cash and cash equivalents at the year end	2,965,534	(154,492)	1,128,364	(785,751)

Level of net indebtedness of the Company IFRS Standards	31/12/2013 *Extract of financial statements which were subject to an audit*	31/12/2012 *Extract of financial statements which were subject to an audit*	30/06/2014 *Extract of financial statements which were subject to a limited examination*	30/06/2013 *Extract of financial statements which were subject to a limited examination*
+ Non-current financial liabilities	3,211,750	903,329	2,197,322	2,285,481
+ Current financial liabilities	2,703,256	1,506,774	2,323,843	3,675,632
- Cash and cash equivalents	2,965,534	86,663	1,150,053	151,729
Total net indebtedness	**2,949,472**	**2,323,440**	**3,371,112**	**5,809,384**

4. RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

If these companies continue to develop, Implanet estimates:

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

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

With regard to the innovative Jazz product for the spinal surgery market, competition is less intense on the more recent braided implant segment (see section 6.9). However, the Company is still in competition with major players who develop and market classic solutions (screws, rods and/or hooks) which are currently used in the majority of surgical procedures targeted by the Company. Although Jazz has all the prerequisits 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 31 December 2014, the Company had sold 6,089 Jazz implants since their launch at the start of 2013. The Company is now working on the international rollout of Jazz, in particular in France, Europe, the United States and Australia.
In order to accelerate the marketing of this product, the Company is continuing its research and development efforts and intends to launch Jazz implants of different sizes on the market (see Chapter 6) and create a broad technological platform to meet practitioners' needs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.2. RISKS LINKED TO THIRD PARTIES

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

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

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

4.2.1.1. Indirect sales via commercial partners (distributors)

Implanet has established an indirect sales network by means of distribution agreements with local commercial partners who, at 31 December 2013, accounted for around 66% of Implanet's annual sales.

On the Date of the present *Document de référence*, Implanet has distribution agreements with 12 commercial partners in 15 countries (see section 6.2.1.1).

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

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

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

4.2.1.2. Direct sales

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

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

More specifically, since its creation, Implanet America Inc. has signed 25 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 twenty subcontractors based on very strict specifications.

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

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

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

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

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

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

4.3. RISKS LINKED TO THE COMPANY'S ORGANIZATION

4.3.1. Risks linked to key personnel

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

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

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

The Company has put in place a talent management policy to motivate and retain all of its Key Personnel over the long term. Key Personnel receive variable remuneration amounts based on certain quantitative and qualitative criteria. They are also allocated 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 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 subcontracts certain tasks. Thus, the Company uses the following in particular: consultants, distributors or local regulatory representatives to submit certification files too certain local regulatory authorities, specialist intellectual property firms for filing and instructing on files, or insurance brokers.

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

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

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

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

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

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

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

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

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

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

These products can only be placed on the market when they have been granted certificates allowing them to use the CE marking, which are valid for three years. CE marking confirms that the medical device concerned complies with the essential health and safety requirements fixed by the applicable

European Directive and certifies that it has undergone adequate evaluation procedures to determine its compliance.

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

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

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

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

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

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

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

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

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

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

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

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

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

4.4.2.3. Risks linked to the regulatory environment in other countries

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

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

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

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

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

4.4.3. Risks linked to product liability claims

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

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

4.4.4. Risks linked to reimbursement policies for medical devices

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.4.6. Litigation and exceptional events

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

The Company may become involved in legal, administrative or regulatory procedures in the normal course of its activity. The Company recognizes a provision when it is probable that such proceedings will result in charges for the Company.

4.5. RISKS LINKED TO INTELLECTUAL PROPERTY AND ASSOCIATED DISPUTES

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 zone, which could reduce revenues;
- obtain a license from the holder of the intellectual property rights, a license that may not be possible to obtain or may be obtained under unfavorable conditions;

- review its design or, with regards to claims concerning trademarks, rename its products to avoid infringing on the intellectual property rights of third parties, which may be impossible or involve a long and costly process and could impact de facto on its marketing efforts.

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

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

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

4.5.3.3. Impact of legal action

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

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

On 19 July 2013, the Company concluded a venture loan agreement with Kreos Capital IV (UK) LTD which took the place of a framework agreement organizing the subscription of a €5 million bond issue by Kreos Capital IV (UK) LTD, the issue of share subscription warrants 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 and to be held 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, as well as on early repayment events) .

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

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

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

4.6. INDUSTRIAL AND ENVIRONMENTAL RISKS

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

4.7. FINANCIAL RISKS

4.7.1. Risks linked to operating losses

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

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

For the year ended 31 December 2013, the Company recorded a net loss of €6,843 thousand. In the first half of 2014, the Company also generated a net loss of €3,410 thousand.

In the event that the Company is not able to sufficiently increase its revenue in the forthcoming years, it could experience new losses due to:

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

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

4.7.2. Credit risk

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

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

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

With regards to the concentration of credit risk, three French distributors accounted for 33% of the Company's total sales and three export distributors accounted for 25% of the Company's total sales in the 2013 fiscal year.

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

4.7.3. Risks linked to the management of working capital

The marketing of orthopedic implants requires the Company to:

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

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

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

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

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

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

4.7.4. Liquidity risk

Historically, the Company has financed its growth by consolidating its equity by means of capital increases (including during its listing on the Paris Euronext regulated market in November 2013), totaling €52,945 thousand since its creation.

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

The Company has also used public funding:

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

Please refer to section 10.1 of the *Document de référence*.

The repayment schedule for the repayable advances presented according to IFRS breaks down as follows at 30 June 2014:

Amounts in euros	Repayable advances OSEO Knees
At 30 June 2014	**267,791**
Part due in less than 1 year	78,587
Part due between 1 and 5 years	189,203
Part due in more than 5 years	

In addition, on 24 July 2013, the Company concluded a venture loan agreement with Kreos Capital IV (UK) LTD, which took the place of a framework agreement for the subscription of a bond issue of €5 million by Kreos Capital IV (UK) LTD ("**Kreos**"), the issue of Company warrants in favor of Kreos Capital IV (Expert Fund) LTD and the pledge of the Company's business goodwill in favor of Kreos Capital IV (UK) LTD (see section 22.3, in particular, for further details on the commitments given by the Company in relation to the bond, as well as on early repayment events.)

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

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

This loan has fixed monthly repayments of €191 thousand between January 2014 and June 2014. The same monthly payments will apply from July 2014 to June 2016.

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

CHANGES IN BOND ISSUES (Amount in euros)	Non-convertible Kreos bond issue
At 31 December 2012	**0**
(+) Receipts	4,887,500
(-) Derivative liability	-214,124
(-) Repayment	0
(+) Capitalized interest/accretion	
(+/-) Impact of amortized cost	60,007
(+/-) Translation	0
At 31 December 2013	**4,733,383**
(+) Receipts	
(-) Derivative liability	
(-) Repayment	-927,964
(+) Capitalized interest/accretion	
(+/-) Impact of amortized cost	75,871
(+/-) Translation	
At 30 June 2014	**3,881,290**

(See sections 22.3 of the *Document de référence*, in particular, for the commitments given by the Company in relation to this bond, and early repayment events.)

Since its establishment, the Company has made significant investments in research and development, commercial expenses and marketing, all of which contributed to the negative operating cash flow, which amounts to €2,945 thousand in the first half of 2014 and €5,380 thousand for the fiscal year ended 31 December 2013.

As of 30 June 2014, the Company's cash and cash equivalents amounted to €1,150 thousand. The amount of realizable non-current financial assets (cash balances) totals €7,204 thousand.

As of the Date of closing of the interim accounts, the Board of Directors deemed the Company as going concern, given its financial strength in terms of its funding requirements over the next 12 months.

The Board of Directors' analysis took into account the following elements:

- available cash on 30 June 2014 of +€1.1 million (after taking into account a bank balance of -€0.02 million);
- the cash generated by activity in the second half of 2014;
- the cashing of the 2013 research tax credit (CIR), totaling €302 thousand;
- realizable non-current financial assets amounting to €7,204 thousand;
- the opening of an equity line of credit with Kepler Cheuvreux in July 2014.

At the Date of the *Document de référence*, the above-mentioned items should enable the Company to cover its requirements until June 2015.

With regards to covering later requirements, financial powers authorizing a capital increase in particular, were approved by the General Shareholders' Meeting on 9 January 2015.

Revenue sources over forthcoming years will be:

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

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

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

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

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

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

4.7.5. Risks of dilution

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

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

At the Date of this *Document de référence*, the full exercise of all of the instruments giving access to the share capital allocated and outstanding on this date would enable the subscription of 455,852 new shares, thus leading to dilution equal to 8.44% based on the capital existing today, and 7.79% based on the fully diluted share capital (excluding exercise of the warrants (BEAs) issued in favor of Kepler Cheuvreux (for detailed terms and conditions see section 21.1.4.2 of the Document de référence)). On this same date, the exercise of all BEAs issued in favor of Kepler Cheuvreux would enable the subscription of 530,000 shares, leading to dilution of 9.82% based on the share capital existing today, and of 8.30% based on the fully diluted share capital. Thus, the full exercise of all instruments giving access to the share capital allocated and outstanding on this date (including the BEAs issued in favor of Kepler Cheuvreux) would enable the subscription of a maximum of 985,852 new shares, leading to total dilution of 18.26% based on the share capital existing today, and of 15.44% based on the fully diluted share capital).
As part of its policy to motivate its executives and employees and to attract and retain qualified personnel, the Company may, in the future, issue or allocate shares or new financial instruments

giving access to the share capital of the Company, which could result in further, potentially significant, dilution for the Company's shareholders.

Moreover, the powers granted to the Board of Directors by the Combined Shareholders' Meeting on 9 January 2015 with a view to carrying out one or several capital increases and/or the issue of securities giving access to the capital, the details of which are included in section 21.1.5 of the *Document de référence*, concern a maximum overall amount of 100% based on the capital existing at the Date of the *Document de référence*.

4.7.6. Risks linked to the research tax credit

The Company receives the research tax credit (CIR), which is a tax credit offered by the French state to companies who make significant investments in research and development.

The amount requested for the 2013 CIR totaled €302 thousand and was received on 4 August 2014.

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

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

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

4.7.7. Risks linked to public advances

During the last two fiscal years, the Company was granted the following repayable loans:

At 30 June 2014	Amount granted in thousands of euros	Amount received in thousands of euros	Amount repaid in thousands of euros
OSEO Knee	350	350	65
OSEO – Beep N Track	650	650	650
COFACE USA – Beep N Track	194	194	194
Total	**1,194**	**1,194**	**909**

On 25 February 2010, OSEO granted Implanet an interest-free repayable innovation loan of €350 thousand to "develop a three-compartment knee prosthesis for first-line treatment and the related instruments".

The payments made under this loan are broken down as follows:

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

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

With regards to the repayable OSEO advances, should the Company fail to respect the contractual conditions set out in the loan agreements, it could be forced to pay the sums back early.

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

4.8. MARKET RISKS

4.8.1. Interest rate risks

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

The Company issued a non-convertible bond for the sum of €5,000 thousand to Kreos Capital IV (UK) LTD on 19 July 2013, with fixed-rate interest of 11.5%. (See section 22.3 of the *Document de référence*).

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

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

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

4.8.2. Foreign exchange risks

The Company's cash is exclusively invested in euro-denominated investment products. At 30 June 2014, all cash was denominated in euros.

The Company's strategy is to favor the euro as the currency for signing its commercial agreements (except for the agreements signed by the Company's American subsidiary, Implanet America, Inc.). The main risks related to the foreign exchange exposure from sales and purchases made in foreign currencies are not considered to be significant.

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

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

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

4.9. INSURANCE AND COVERAGE OF RISKS

The Company has put in place a policy to cover the main insurable risks with the amount of security suitable for the nature of its activity. The expenses paid by the Company relating to its insurance policies (France and United States) amounted to €237,446 for the fiscal year ended 31 December 2013.

Table summarizing the Company's insurance policies:

Type of insurance	Insurance Company or Broker	Coverage	Amounts covered	Deductible per claim
Third Party liability for businesses	Gras Savoye - CNA	Region: Worldwide		
	Operation	All damages taken together, including personal injury, of which: (per claim and per year of insurance)	€7,500,000	Nil.
		- Inexcusable fault	€1,000,000	€5 thousand per victim
		- Material and immaterial damages including:	€1,500,000	€2,000
		- Theft committed by agents/employees	€50,000	€500
		- Damages to entrusted goods	€30,000	€2,000
		- Non-consecutive immaterial damages	€300,000	€2,000
		- Sudden and accidental pollution	€500,000	€2,000
	Products/after Delivery	All damages taken together, including personal injury, of which:		
		per claim	€3,500,000	€10,000
		and per period of insurance	€10,000,000	
		Immaterial non-consecutive damages	€500,000	€15,000
		Withdrawal expenses	€500,000	€15,000
		USA/Canada guarantee per claim	€3,500,000	€20,000
		USA/Canada guarantee per period of insurance	€10,000,000	
	Legal expenses	Legal expenses	€100,000	Disputes exceeding €500

Type of insurance	Insurance Company or Broker	Coverage	Amounts covered	Deductible per claim
Industrial and commercial Multi-risk Damages to goods and Operating Losses	Gras Savoye - CNA	Principal guarantees:		
		Fire, Explosions, Lightning, Falling aircraft, Impact by terrestrial vehicle, Storms, Vandalism, Terrorism, Water damage	Guaranteed €600,000	up to the amounts insured
		Damage to electrical, electronic, computer and office equipment		
		Breakage of IT and office equipment	€600,000	
		Breakage of Machines	€8,000	
		Breakage of Windows	€10,000	
		Theft, attempted theft (assets, furniture, goods for resale)	€300,000	
		Cash and valuables in cash registers or safety deposit box	€5,000	
		Transport of funds	Excluded	
		Loss of goods for resale subject to controlled temperatures	Excluded	
		Subsidence	€100,000	
		Other natural events	€100,000	
		All risks except (other material damages)	€50,000	
		Goods during transport	€10,000	
		Goods in any place at third parties	€10,000	
		Goods entrusted	€10,000	
		Assets during construction	Excluded	
		Goods during "Assembly-Trials"	Excluded	
		Automatic Insurance	€100,000	
		Differences in conditions, limits and definitions	€1,000,000	
Transported goods for resale	Gras Savoye - CNA	Sea transport	€300,000	with no deductible
		River, air and land transport	€200,000	with no deductible
		Own transport	€60,000	with no deductible
		Trade fairs-Exhibitions	€150,000	with no deductible
		Postal	€1,000	with no deductible
Third-Party liability of the executives and executive Directors of listed companies	Gras Savoye - CNA	Third-party liability for the executive Directors, Legal defense fees, assistance in criminal cases	€3,000,000	
Automobile fleet	AXA	Damages caused by all Accidents, Collisions, Fire or Explosion		
		Criminal damage, Hail and Storms		
		Theft		
		Breakage of windows		
		Natural disasters		
		Personal injury		
Insurance of Subsidiary Premises (Boston USA)	Willis Insurance - Hartford Insurance			
		OCC	US$2,000,000	
		AGG GL	US$3,000,000	
		TIV PROP	US$85,000	
Unemployment Insurance for Company Directors	GSC	Coverage for loss of income for the Chief Executive Officer in the event of the involuntary loss of employment (exclusion by French Unemployment Office)	70% Tranche A & B and 55% Tranche C	

5. INFORMATION ON THE ISSUER

5.1. HISTORY AND DEVELOPMENT OF THE COMPANY

5.1.1. Registered name of the Company

The Company's registered name is: Implanet SA.

5.1.2. Company's place and registration number

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

The Company's NAF code is 4646Z.

5.1.3. Date of incorporation and duration

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

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

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

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

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

5.1.5. History of the Company

2006

- Establishment of the Company by its founders

2007

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

2008

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

2009

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

2010

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

2011

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

2012

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

- Signing of distribution agreement for Jazz in Belgium
- Submission of regulatory filings for the Knee range in India and Brazil

2013

- Signing of distribution agreements for Jazz in Italy, Australia and New Zealand
- Signing of distribution agreements in Russia and submission of registration filings for the Knee and Spinal ranges
- Registration of Spinal and Knee ranges in India
- Submission of regulatory filings for the Spinal range in Brazil
- Opening of US subsidiary Implanet America in February
- Deployment of Jazz in France and Europe
- Signing by Implanet America of sales agents agreements with specialized Spine distributors on the East and West coasts of the United States
- First placements of Jazz in the United States in June
- Issue of bonds redeemable in shares for an amount of €1.5 million in January 2013, and of convertible bond for a total amount of €2.9 million in May and July 2013
- Issue of €5 million in non-convertible bonds in favor of Kreos Capital IV (UK) LTD
- Listing on the Euronext Paris stock market in November

2014

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

5.2. INVESTMENTS

5.2.1. Main investments made in the last three fiscal years and during the first half of 2014

Audited consolidated data - IFRS	Principal capital investments during the first half year	Principal capital investments during the fiscal year	Principal capital investments during the fiscal year
in euros	30/06/2014	31/12/2013	31/12/2012
Intangible assets	41,959	59,558	819,778
of which, software	*15,780*	*53,308*	*216,768*
of which, capitalization of R&D	*0*	*0*	*603,010*
Property, plant and equipment	476,041	394,109	1,881,940
of which, equipment and tooling	*442,102*	*389,104*	*1,819,913*
Total	**518,000**	**453,667**	**2,701,718**

In 2013 and during the first half of 2014, the Company's investments in intangible assets mainly comprised software purchases.

Investments in property, plant and equipment during the fiscal year presented and the first half of 2014 consisted primarily in ancillary equipment or instrument purchases.

5.2.2. Key ongoing investments

In November 2014, the Company entered into a lease financing agreement for an amount of €750 thousand to fund the purchase of ancillary devices and instruments (mainly for Jazz). As of the Date of this *Document de référence*, no irreversible commitment has been made in relation to clinical studies.

5.2.3. Key future investments

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

6. OVERVIEW OF ACTIVITIES

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

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

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

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

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

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

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

[1] It is noted that this figure is affected by the termination of the "hip" activity during the first half of 2014 (see section 12.1).

[2] Company Estimate (see section 6.4).

6.1. SIGNIFICANT PROGRESS IN 2014

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

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

6.1.1.1. Objectives announced

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

6.1.1.2. Achievements in 2014


implanet

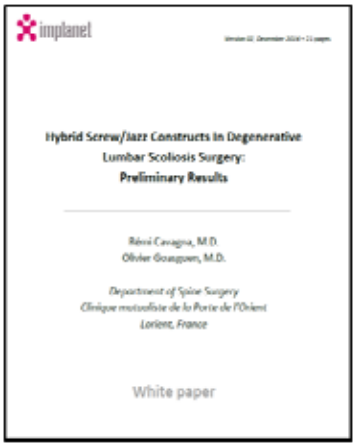
Adolescent Idiopathic Scoliosis treated by posteromedial translation using Jazz sublaminar bands: results at minimum 1 year-follow-up

Brice Ilharreborde MD, PhD

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

White paper

Publication of a white paper by Professor Ilharreborde's team on the results of a clinical study on the restoration of frontal and sagittal balance in scoliosis surgery on adolescents (12 month follow-up/20 patients).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Hybrid Screw/Jazz Constructs in Degenerative Lumbar Scoliosis Surgery: Preliminary Results

Rémi Cavagna, M.D.
Olivier Gouagnon, M.D.

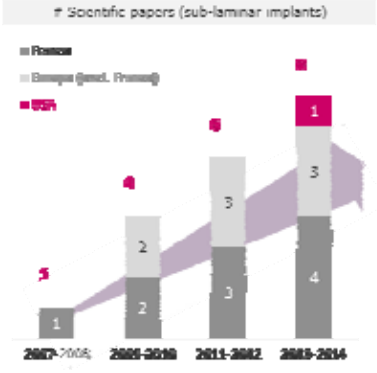
Department of Spine Surgery
Clinique mutualiste de la Porte de l'Orient
Lorient, France

White paper

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

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

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



competing braided implant. Since summer 2014, Dr Albert's team has been using the Jazz implant regularly.

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

6.1.1.3. Development pathways

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

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

6.1.2. Enhance the range of implants

6.1.2.1. Objectives announced

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

6.1.2.2. Achievements in 2014

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

6.1.2.3. Development pathways

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

6.1.3. Large-scale deployment of the sales network

6.1.3.1. Objectives announced

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

6.1.3.2. Achievements in 2014

Acceleration in the United States

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

Europe and Rest of the world

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

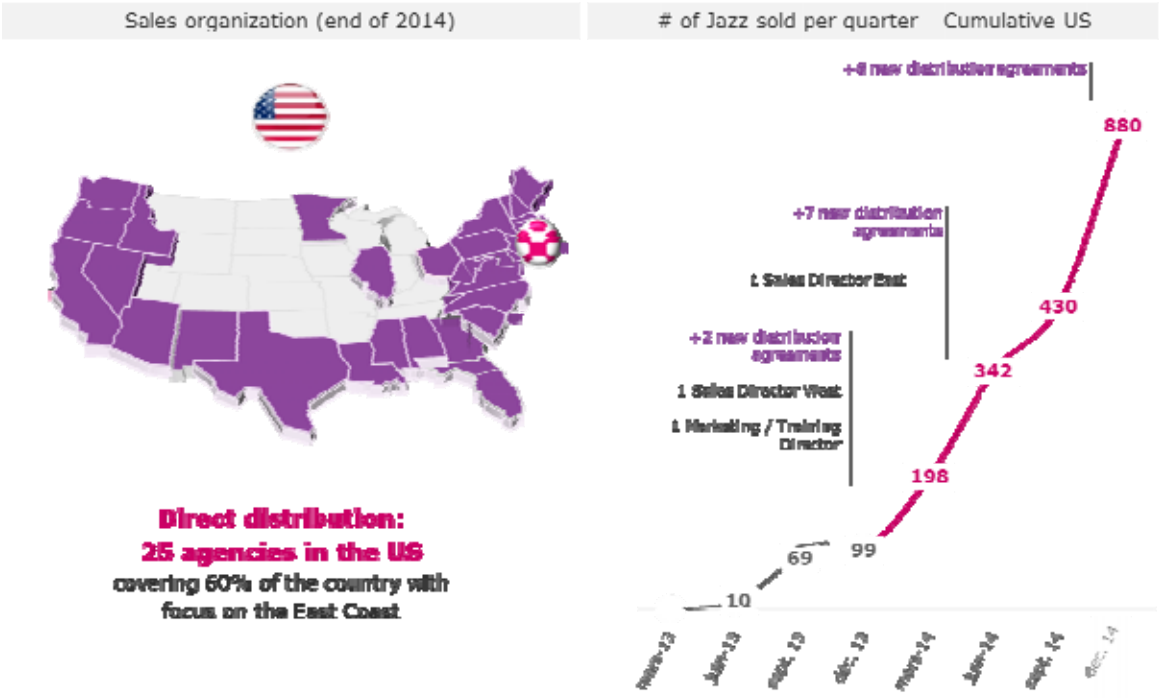
It is specified that in India, major modifications to the government's reimbursement policy have meant that the Company has had to delay its commercial rollout.

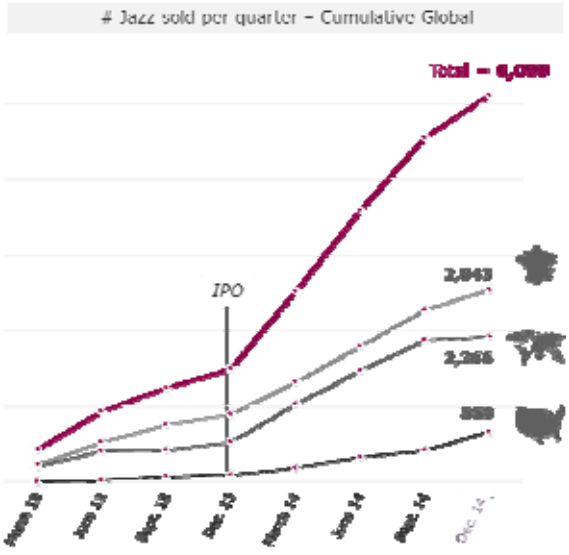
6.1.3.3. Development pathways

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

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

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





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

Sales in the Spinal activity in 2014 experienced growth of:

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

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

6.1.5. Concentration of general orthopedic activity on the knee

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

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

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

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

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

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

6.2. THE IMPLANET STRATEGY: BASING ITS GROWTH ON JAZZ

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

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

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

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

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

6.2.1.1. Marketing through specialist agents and distributors for rapid growth

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

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

[3] Source: Company, see section 6.4.

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

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

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

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

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

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

Name of business partners	Territory covered (entirely or partly)
American Medical Concepts	Washington and Oregon
Griffin Surgical & Spine*	Colorado
Mad River Medical*	Connecticut

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

Business partner selection is based on the recognized competence of these stakeholders on spinal implants, on the strength and reputation of their sales network, and especially on the provenability 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 allowq high margins. The Company's strategy is an average unit sales price for its implant to American healthcare establishments (invoiced directly by Implanet America, Inc.) of US$1,450 and a sales price to importing distributors in other countries of €300 on average. Thus, based on an average price of US$1,000 per implant, the gross margin generated by the Company should remain above 85% (before commissions paid to sales agents, where applicable).

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

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

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

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

6.2.2. Clear strategic themes for the Jazz division

Implanet has defined a strategy comprising three main themes for Jazz: (i) publication of clinical studies to boost the Company's marketing efforts, (ii) extension of the range, and (iii) strong presence on the American market. These strategic objectives are consistent with the positioning the Company wishes to take on the braided implants market: use the ease of implanting Jazz to accelerate the choice of braided implants and take up position as the leader in implant technology for vertebral fusion.

6.2.2.1. A clinical program to support marketing

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

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

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

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

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

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

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

Clinical program

	Design	Issue	Next step
Large deformities (Pediatrics + AIS)			
1st Sub-Laminar Study Group: Versatility of Jazz in AIS Corrections	• 1st Sub-Laminar Study Group • Multi-center • Standardized data collection • Retrospective / prospective	• Results on large cohorts • International working group	• Protocol validation • Kick-off meeting
Osteo-degenerative (old patients)			
Efficiency as an adjunct to fusion for screw protection MAYO CLINIC	• Cadaveric biomechanical	• Demonstrate the mechanical qualities for the degenerative market	• Publication
Clinical follow-up: instrumented thoracic / lumbar arthrodesis supplemented by Jazz	• Multi-center (USA) • Prospective • "*investigator initiated study*"	• Support the use of JAZZ in Osteo-degenerative bone in the US	• Recruitment • First results

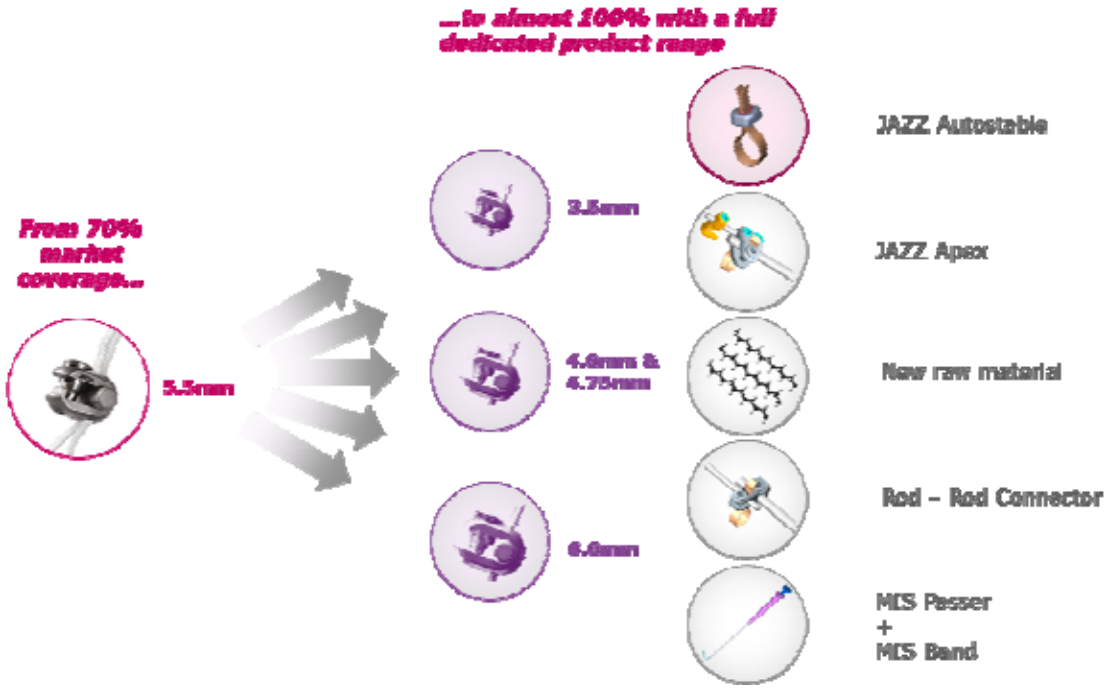
Medicoeconomic studies

	Design	Issue	Next step
Quantify the economic benefit of Jazz in the correction of AIS HEALTH ADVANCES	• Multi criteria comparative analysis • 2 cohorts of 32 patients • Retrospective • Hybrid construct with JAZZ vs. all screw construct • Conducted by independent US company	• Quantify medico-economic benefits • Strengthen referencing by hospitals	• Publication
Jazz in Deformity and Degenerative spinal surgeries Duke	• Multi center • Prospective • US centers • Coordination by the *Academic Research Organization* of Duke University	• Quantify medico economic benefits • Strengthen referencing by hospitals • Prospective • Extension to adult deformities	• Communication of the main objectives

Timetable

6.2.2.2. Transform Jazz into a technological platform

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

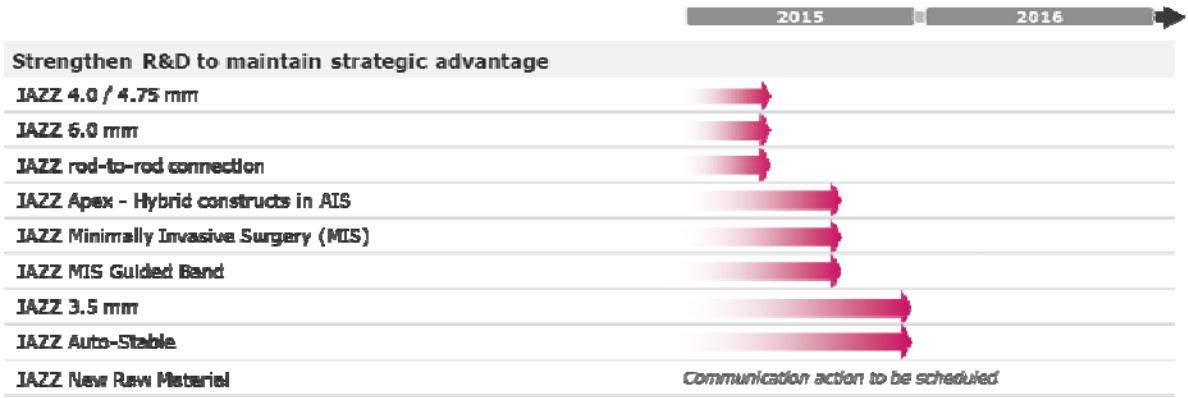


Autostable Jazz, developed by the Jazz polymer research program, is an implant which should find applications in cervical fusions, an area which was previously inaccessible to Jazz implants. The Company will also explore this product's potential in all orthopedic areas.

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

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

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



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

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

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

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

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

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

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

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

6.2.3. Continuing the development of its knee activity

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

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

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

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

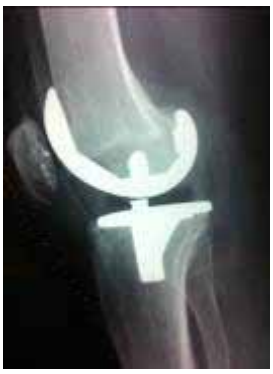
In exporting, Implanet gives priority to markets with strong growth. The Company has decided to have the distributors acquire the implant stocks and instruments provided to healthcare establishments, which considerably reduces the Company's investments and working capital requirement, even if this has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

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

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

6.3. THE GENERAL ORTHOPEDIC ACTIVITY, THE IMPLANET BASE OF EXPERTISE

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



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

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

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

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

Madison - The complete range of total knee prostheses

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

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

- An anatomical design which preserves the patient's bone reserves as much as possible. The 8 mm thick femoral component is one of the thinnest on the market. The pure lines of the trochlea reduce bone cutting to a minimum;
- A single tibial insert which obtained a European patent in 2014 (see Chapter 11);
- Simplified instrumentation reducing the learning curve for surgeons to fewer than five surgical procedures, a reduction in the number of surgical stages involving bone cutting, instrument storage in only four boxes, reducing cleaning, sterilization and storage costs;
- 125 patients in 5 reference centers were followed up for 36 months within the framework of a study to document the quality of Madison prostheses.

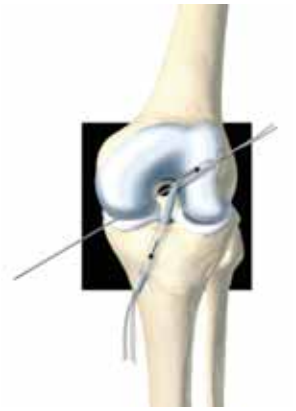
Twist - The complete “Twist” range for ligament repair

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

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

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

1- PIN INSERTION



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

2- SCREW IMPLANTATION

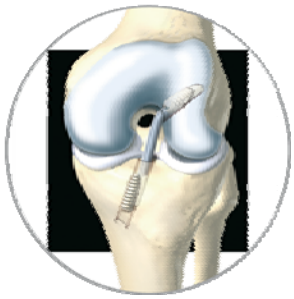
The Twist round-headed femoral interference screw can then be inserted. The screw diameter depends on the tunnel diameter, bone quality and type of transplant used.

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

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

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

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



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

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

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

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

6.3.3. Export coverage: main distributors in general orthopedics

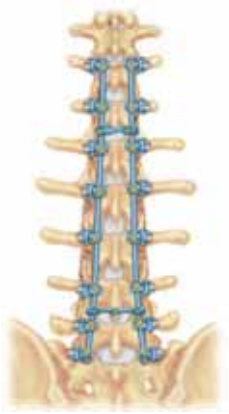
The Company markets its products (excluding Jazz and Implanet Spine System) through the specialist distributor importers shown in the table below. These distributors have been selected for their expertise in marketing orthopedic implants. They receive territorial exclusivity and are mainly active on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

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

6.4. JAZZ: A TECHNOLOGY TARGETING A MARKET WORTH MORE THAN 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 deformations 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 deformations, 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 deformations, 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 deformation, 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

[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

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).

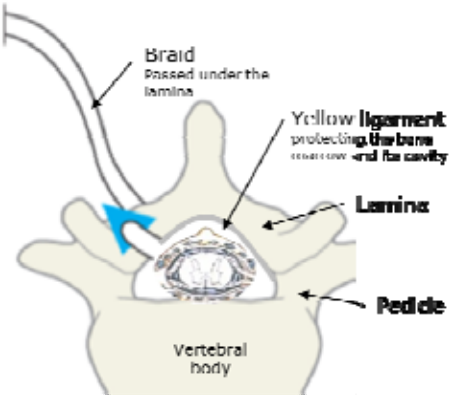
All these instrumentation techniques were first developed in the most complex area of spinal surgery: severe spinal deformations such as severe scolioses. In these applications, in addition to fixing rods to the vertebrae, the system must also facilitate "reduction" of the deformation, i.e. they must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

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

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

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

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



- Reduction capacity in the case of spinal deformations:
  - 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.

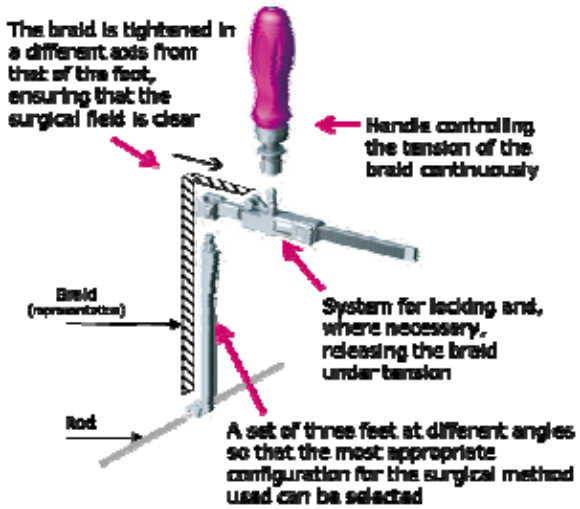
The braid is carried under the vertebral lamina. To facilitate its passage, the end is stiffened over the first few centimeters by a flat metal blade that can be preshaped. Passage is facilitated by the instruments developed by Implanet.

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.

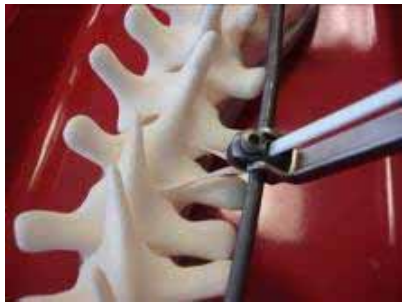
The Jazz device is then clipped to the rod using pliers provided for the purpose. The implant can easily be moved to position it in the optimal place without having to dismantle it.

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.

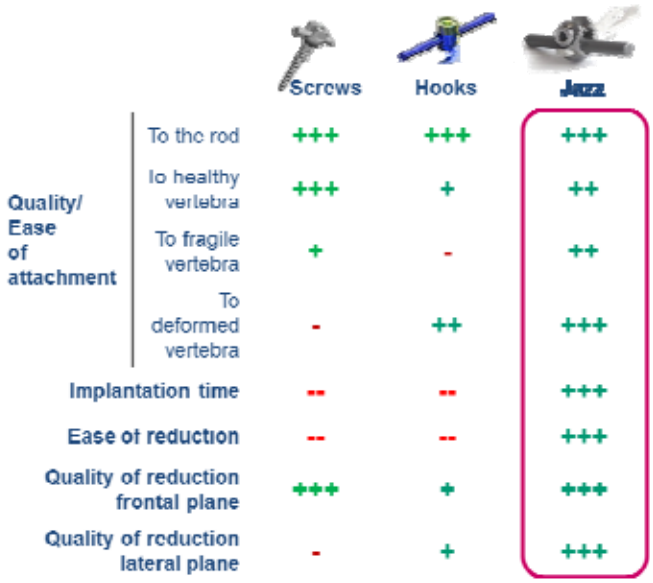
One important Jazz characteristic is its **patented clippable** stirrup. The fast method for attachment to the rod is used for initial positioning of the implant and, if necessary, repositioning throughout the surgical procedure without having to alter any or part of the system components.

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.

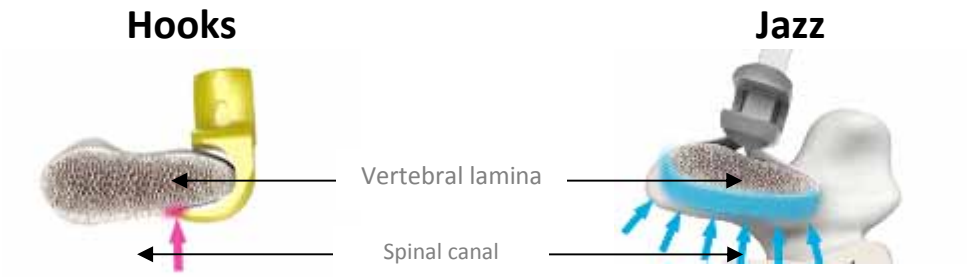


		Screws	Hooks	Jazz
Quality/ Ease of attachment	To the rod	+++	+++	+++
	To healthy vertebra	+++	+	++
	To fragile vertebra	+	-	++
	To deformed vertebra	-	++	+++
Implantation time		--	--	+++
Ease of reduction		--	--	+++
Quality of reduction frontal plane		+++	+	+++
Quality of reduction lateral plane		-	+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

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.

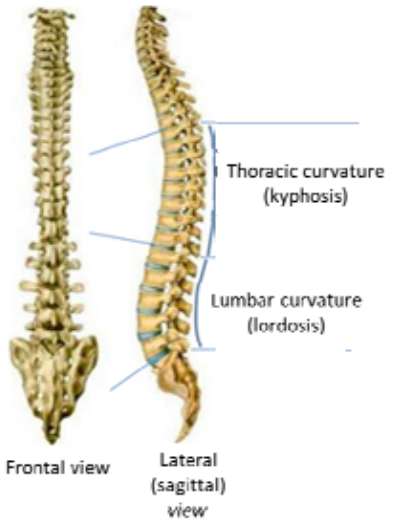
Annual global market Potential by segment	No. of potential cases	No. of units/case	Total No. of units	Average unit price (US$)	Market (US$ millions)	Sources see sections
Scoliosis/Severe deformities	80 000	6	480 000	$ 1 000	$ 480	6.4.7
Trauma/Tumors	80 000	4	320 000	$ 1 000	$ 320	6.5
Degenerative osteoporotic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

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

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

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

Normal spine



Scoliotic spine

A normal vertebral column is characterized by:

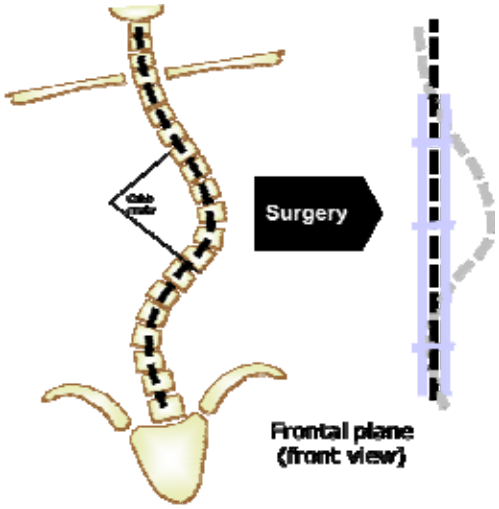
- vertebrae aligned vertically in the frontal plane;
- a large double curve in the sagittal plane. This double curve is necessary for the overall balance of the trunk and correct positioning of the center of gravity.

Scoliosis is characterized by a deformation 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.

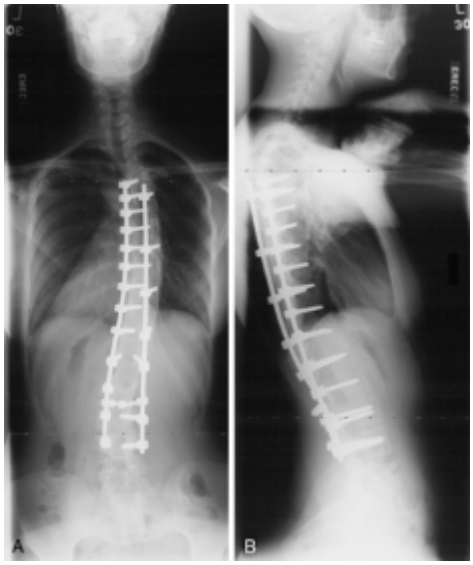
The two schools: "all screw" assemblies or hybrid "screw and hook" assemblies

There are broadly two major schools for performing these surgical procedures: the "all screw" 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 “all screw” school

An example of an “all screw” assembly.



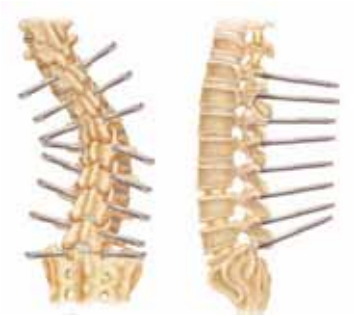
The advantages:

- Very good frontal correction
- A very stable system

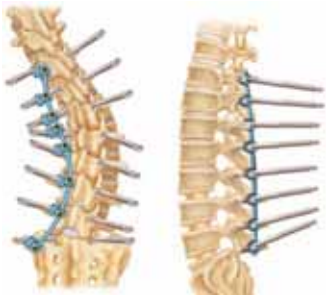
The disadvantages:

- 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)

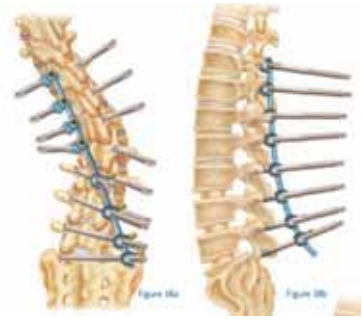
Example of “all screw” procedure as defined in the operating protocol for TSRH-3D implants from world leader Medtronic; note that the assembly has only 8 levels (as opposed to 13 in the above example):



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.

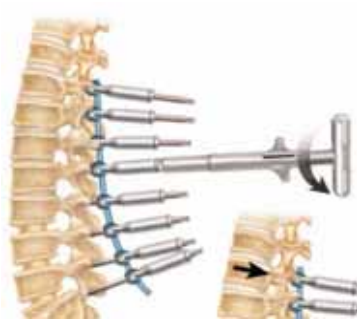


The rods, which have been preshaped, slide into the guides.

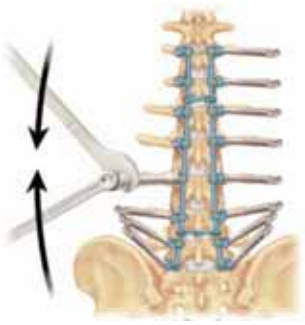


The rod is then lowered against the column to one of the ends (here, the top).

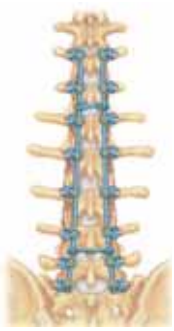
[8] Average of 7 studies and 188 patients: Crawford AH et al., Spine 2013 Epub ahead; Mattila M et al., J Bone Joint Surg Br. 2012; 94(10): 1393-8.; Cheng I et al., Spine. 2005; 30(18): 2104-12.; Liljenqvist U et al., Eur Spine J. 2002; 11(4): 336-43; Dobbs MB, et al., Spine. 2006; 31(20): 2400-4.; Mooney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



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



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



The assembly is verified by X-ray.

6.5.2. The hybrid "screw and hook" school

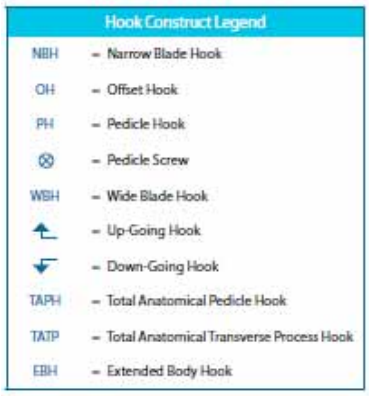
An example of a "screw and hook" assembly plan.

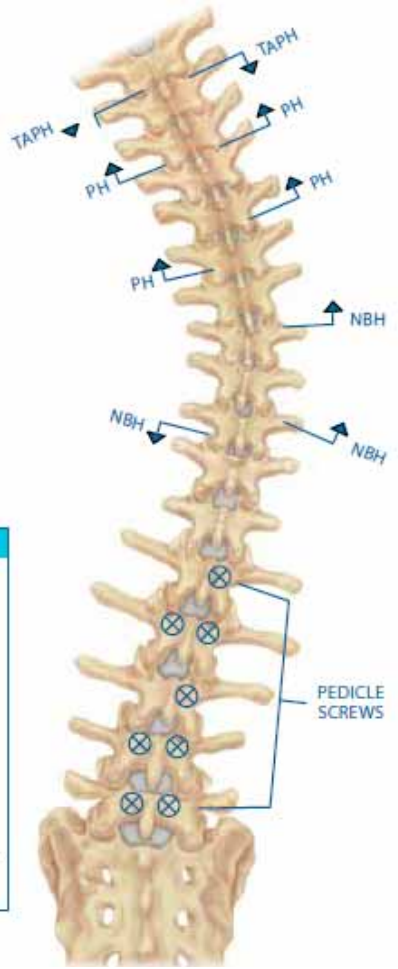
The advantages:

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

The disadvantages:

- A complex choice between 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)
- A less stable system





[9] Average of 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 perfec**t: 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 materwhich 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

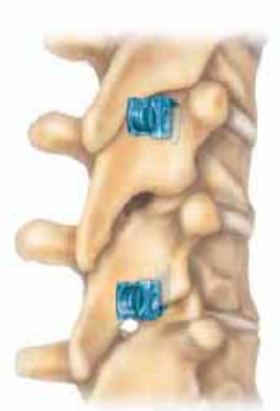
Extra Small	Small	Medium	Large
●	●	●	●

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.

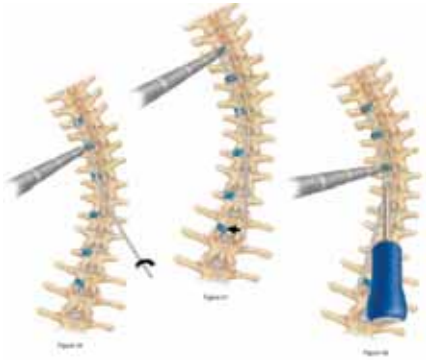
Moreover, these sets represent an investment of about €50,000 per surgical procedure.

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

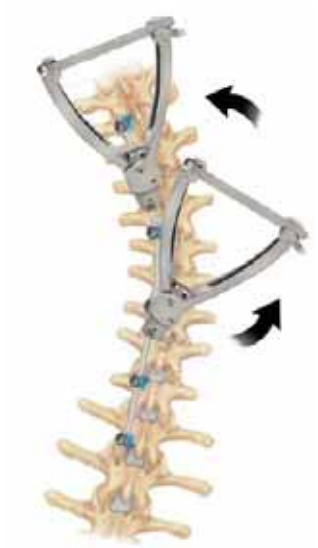


The hooks are inserted in the desired place, which is first prepared by removing parts of the bone that could get in the way.

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. "All screw" or "screw and hook": both schools coexist because each is imperfect

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

	"All screw"[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 "all screw" 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 "all screw" 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 "all screw" shows that the back is too flat (so-called hypokyphotic).	**-44%**	**-5%**

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

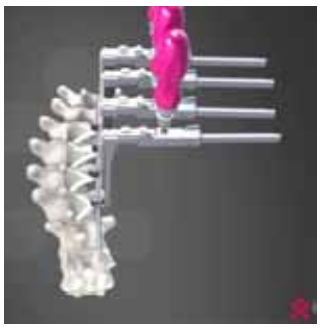
[11] Average of 7 studies and 188 patients: Crawford AH et al., Spine 2013 Epub ahead; Mattila M et al., J Bone Joint Surg Br. 2012; 94(10): 1393-8.; Cheng I et al., Spine. 2005; 30(18): 2104-12.; Liljenqvist U et al., Eur Spine J. 2002; 11(4): 336-43; Dobbs MB, et al., Spine. 2006; 31(20): 2400-4.;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

[12] Average of 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.

6.5.4. Advantage of Jazz for severe scoliosis

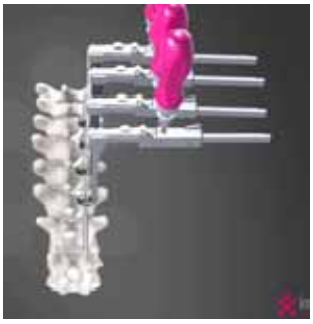
In view of this, Jazz has developed a new technology, basically compatible with both schools, which is used instead of screws or hooks, firstly in locations where screws or hooks are difficult to use, but above all, to take advantage of Jazz's exceptional ability to perform reductions, by using the flexible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

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

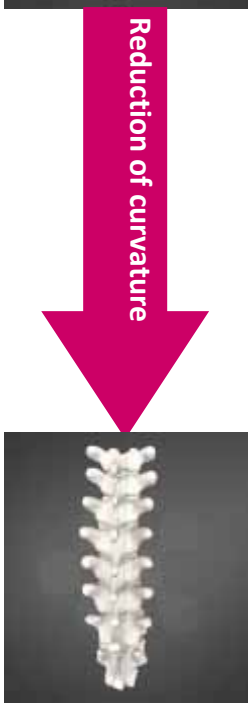


In the example shown opposite, the four tensioners are used to produce a gradual reduction at all four levels.

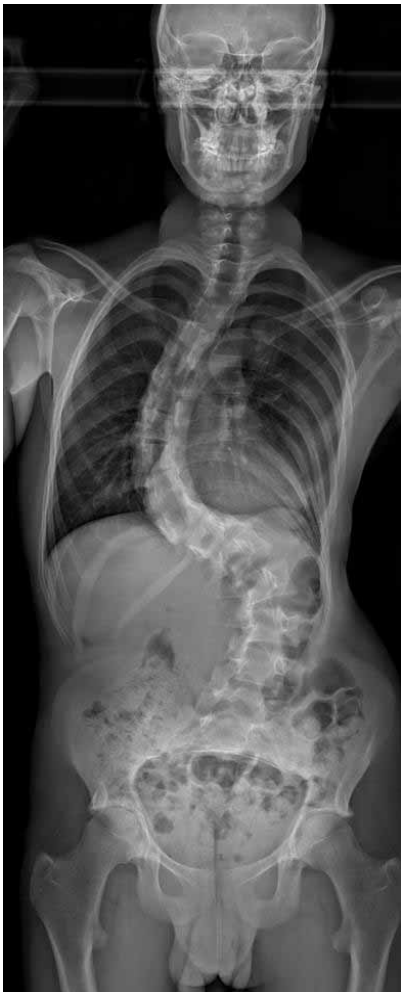
This reduction takes place evenly on all levels.



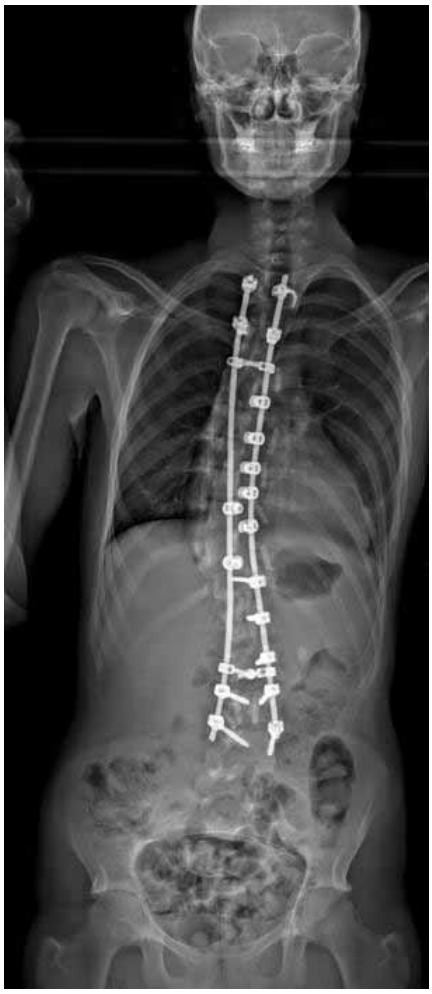
If, during this reduction, a Jazz implant has to be repositioned along the length of the rod, taking angle variations into account, this is very easy to carry out.

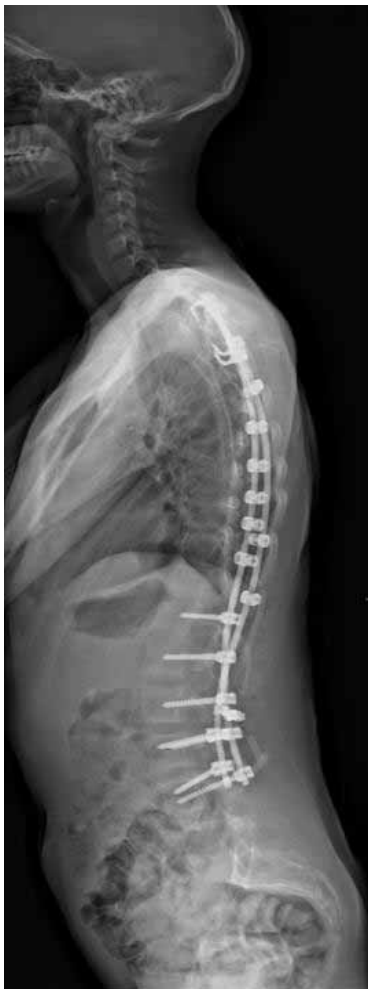


An example of scoliosis correction performed using Jazz.



Pre-surgical image showing severe thoracic scoliosis.





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

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

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

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

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

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

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

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

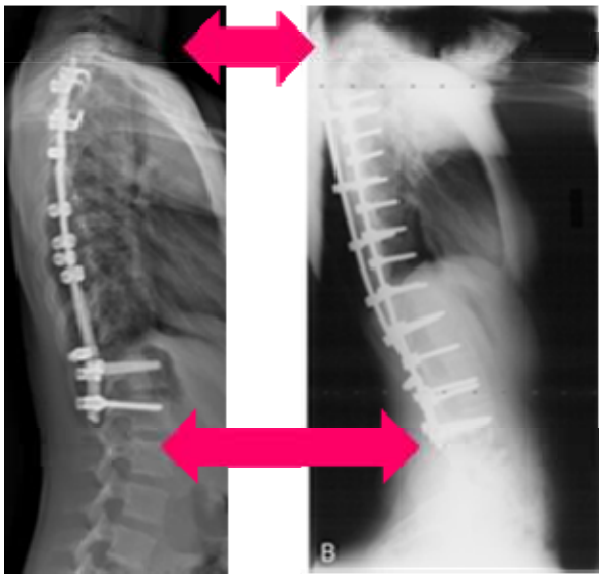
[15] Study on 2x75 patients carried out with the Universal Clamp: Sales de Gauzy Idiopathic J Child Orthop (2011).

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

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

Jazz type braided implant **"All screw" system**

13 implants 20 implants



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

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

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

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

Comparison of the economic costs of the Jazz and "all screw" assemblies for scoliosis surgery in the United States[18]

	Screw + Hook + Jazz		"All screw"	
	Quantity	Cost (US$)	Quantity	Cost (US$)
Purchases Screws	6	6 000	18	18 000
Purchases Hooks	4	3 200	0	-
Purchases Jazz	5	7 250	0	-
Surgery time (minutes)	230	11 500	320	16 000
Total cost		**US$ 27,950**		**US$ 34,000**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Economic costs compared between Jazz and the "screw and hook" method for scoliosis surgery in the United States[26]

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

6.5.7. The potential global market for Jazz in severe deformation

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

Potential annual global market for Jazz for severe deformations: US$480 M

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 M for manufacturers and distributors of braided implants, based on an average sale price of US$1,000 per implant.

6.6. USING JAZZ IN CASES OF TRAUMA/TUMOR

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

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

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

- a multipurpose implant which:

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

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

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

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

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

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

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

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

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

6.7. USING JAZZ IN CASES OF DEGENERATION

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

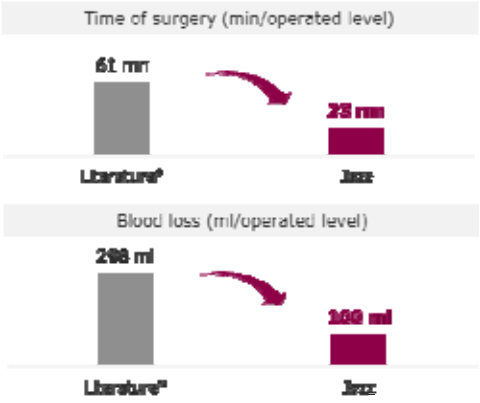
6.7.1. Degenerative spinal deformation (scoliosis-kyphosis)

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

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

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

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

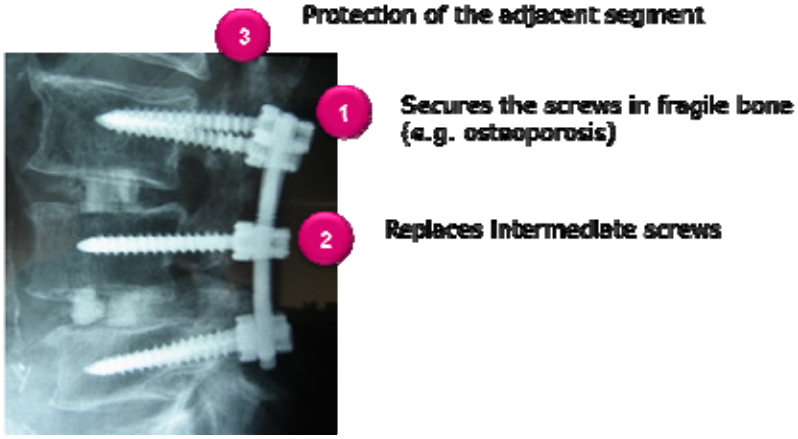


Over and above this clear indication, the following diagram identifies the two new applications that surgeons envisage for Jazz on a short lumbar assembly.

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

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

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



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

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

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

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

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

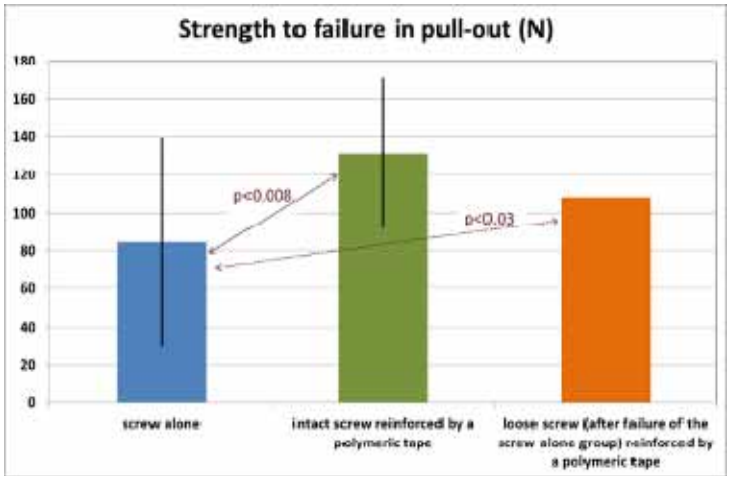
For bones weakened by osteoporosis or other bone pathologies, Jazz can be used to reinforce the assembly, making it completely secure. The principle of adding sub-laminar braids was tested in a study of an anatomical specimen published in 2010[37] and shows that even with a braid simply knotted to the rods, the assemblies are considerably stronger.

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

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

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

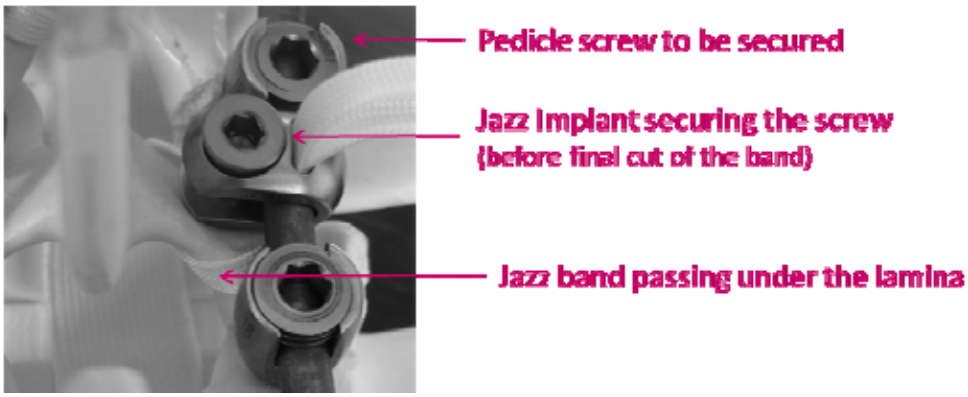
[37] Hamasaki T, Tanaka N, Kim J, Okada M, Ochi M, Hutton WC. Pedicle screw augmentation with polyethylene tape: a biomechanical study in the osteoporotic thoracolumbar spine. J Spinal Disord Tech. 2010 Apr; 23(2): 127–32.



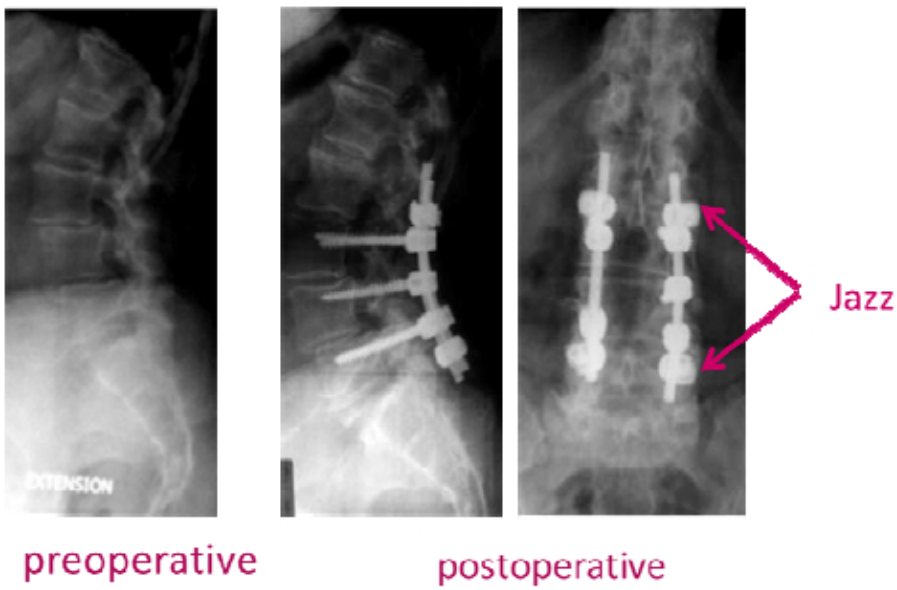
On the graph opposite, the left-hand column shows the force needed to pull out a screw. The center column shows that a force more than 60% greater is needed to pull out a screw secured by a knotted braid.

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

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



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



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

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

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

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

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

This potential market amounts to US$924 M 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.

6.7.3. Replace intermediate screws with Jazz

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

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

Potential annual global market for Jazz in replacement of intermediate screws in degenerative systems: US$400 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[40]	**200,000** (29%[41])	**2**	**400,000**

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

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

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

This potential market amounts to US$400 M 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.

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

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

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

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

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

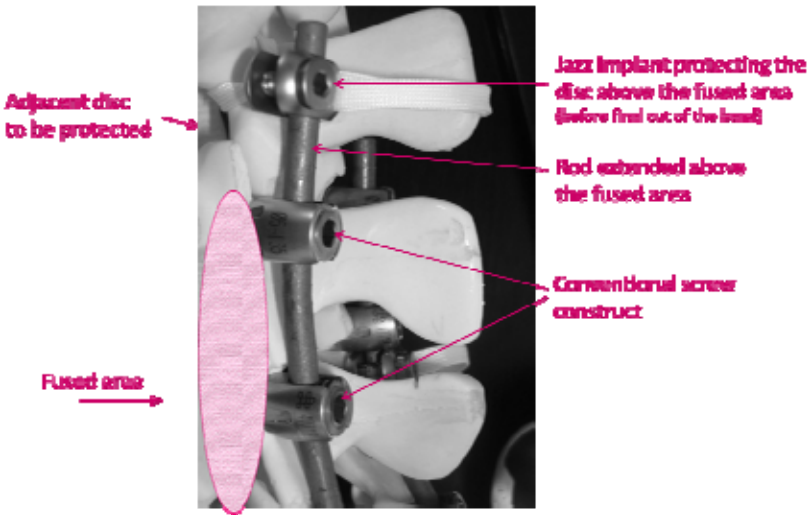
Implanet is therefore very cautious regarding the possibility and speed of development of these markets. However, since market potential is very high and its Jazz product can be used in certain applications without new technical developments, the Company expects to take up position in these applications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

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

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

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

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



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

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

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

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

There are two main product families on the market:

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

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

6.9. COMPETITION ON BRAIDED IMPLANTS

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

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

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

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

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

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

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

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

[43] Medicrea release on the "full".

6.10. ORGANIZATION OF THE COMPANY

6.10.1. An experienced management team

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

Ludovic Lastennet – *Chief Executive Officer and Director*

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

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

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

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

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

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

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

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

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

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

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

Alain Meunier – *Clinical & Scientific Affairs Director*

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

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

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

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

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

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

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

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

6.10.2. A first-rate operational organization

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

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

Implanet's activity is spread over two buildings:

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

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

6.10.2.1. Comprehensive production outline

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6.11. REGULATORY ENVIRONMENT

6.11.1. Regulatory context

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

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

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

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

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

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

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

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

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

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

6.11.2. Quality system organization and control

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

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

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

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

Since it entered the market in 2008, Implanet has been audited seven times by LNE-GMED. In 2012, as part of a regulatory compliance control ofin the orthopedics sector, Implanet was also inspected by the competentFrench 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 orderto meet the specific American requirements. In February 2014, Implanet was also audited by the FDA without any remark or non-conformity being noted.

6.11.3. Product registration and control

Within the European market, Implanet markets class IIb and class III products, corresponding respectively to spinal implants such as Jazz and joint prosthesis. Class III constitutes the most critical classification; marketing these products requires prior review of the technical file by the notified

body. As long as the remarks by the notified body have not been cleared, the product cannot be released for sale.

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

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

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

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

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

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

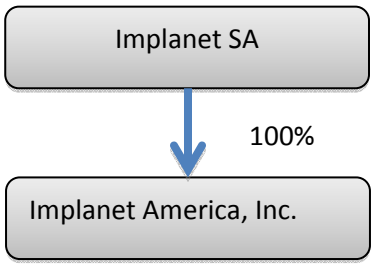
	Registered countries	Countries in the process of registration
Spinal ranges: JAZZ and traditional range	Australia, South Africa, Europe, United States, India, Iran, Turkey	Brazil, Russia
Madison knee prosthesis	Europe, India, Iran, Turkey	Brazil, Russia

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

7. ORGANIZATIONAL CHART

7.1. LEGAL STRUCTURE

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



7.2. GROUP COMPANIES

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

- **Implanet America Inc.**: incorporated in February 2013 in New York State. The Company commenced operations at the end of the first half of 2013. Ludovic Lastennet and Denis Saint-Denis, respectively Chief Executive Officer and Deputy Chief Executive Officer of Implanet SA are, respectively, Chairman and Treasurer of Implanet America Inc. At the Date of the Document de référence, this subsidiary had its offices in Boston.

7.3. GROUP FINANCIAL FLOWS

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

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

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

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

Other agreements are being drawn up concerning:

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

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

8. PROPERTY, PLANT AND EQUIPMENT

8.1. PROPERTY AND EQUIPMENT

8.1.1. Leased property

Implanet leases an office building:

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

Implanet leases a logistics building:

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

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

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

Address	8 Faneuil Hall Market Place, 3rd Floor, Boston, Massachusetts, 02109, United States	
Floor space	Variable depending on the number of offices used	
Duration of lease	1 March 2014 - 30 November 2014	1 December 2014 - 30 April 2015.
Rent excl. VAT and charges	US$63,676	US$5,715

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

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

8.1.2. Other property, plant and equipment

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

8.1.3. Encumbrances on the Company's property, plant and equipment

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 19 July 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.

9. REVIEW OF FINANCIAL POSITION AND RESULTS

The following information on the Company's financial position and results should be read in conjunction with the complete *Document de référence*, and in particular with:

- the Company's financial statements prepared in accordance with IFRS for the fiscal year ended 31 December 2013. Readers may also consult the notes to the financial statements in section 20.1 of the *Document de reference;*
- the summary interim financial statements prepared in accordance with IFRS for the period from 1 January to 30 June 2014, as well as the notes to the financial statements presented in section 20.4 of the *Document de reference.*

The comments on the financial statements in Chapters 9 and 10 of the *Document de référence* are established solely on the basis of the financial statements prepared in accordance with IFRS included in sections 20.1 and 20.4 of the *Document de référence*.

9.1. COMPANY OVERVIEW

9.1.1. Company overview

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

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

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

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

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

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

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

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

The Company ceased marketing of “hip” products in June 2014.

9.1.2. Research and development - Subcontracting

Implanet conducts research & development to design innovative orthopedic implant devices.

The Company estimates that in 2013, it devoted almost €955 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 *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 2013. Capital expenditure has been concentrated on:

- research and development for the design and registration of its product range (namely, Madison: full knee prosthesis for first-line treatment, and Jazz: posterior fixation and spinal deformation 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 PAST TWO FISCAL YEARS

9.2.1. Composition of operating profit/(loss) and net profit/(loss)

9.2.1.1. Revenue

REVENUE (Amounts in euro)	31/12/2013	31/12/2012
Revenue	6,690,382	6,646,788

The Group's revenue is primarily generated by the sale of orthopedic implants (spine, hip, knee and arthroscopy).

In addition, the Company intends to gradually withdraw from segments it considers to be non-strategic and with low profitability profiles. Accordingly, Implanet made the decision to gradually withdraw from the hip prosthesis market in 2014. In the financial statements as at 31 December 2013, this decision is reflected by depreciation of all products in the "hip" range (impact of €0.8 million in 2013, bringing the depreciation of the stock of goods and ancillary devices to €1.5 million).

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.

Revenue by region for the two years presented:

REVENUE BY REGION (Amounts in euros)	31/12/2013	31/12/2012
France	4,407,620	4,324,622
Rest of the Word	2,282,762	2,322,166
Total revenue	**6,690,382**	**6,646,788**

9.2.1.2. Operating expenses by function

Cost of sales

COST OF SALES (Amounts in euros)	31/12/2013	31/12/2012
Purchases of raw materials and goods	(3,103,060)	(3,507,022)
Amortization of ancillary devices	(1,077,185)	(959,168)
Cost of sales	**(4,180,245)**	**(4,466,190)**

Purchases of goods and/or raw materials are mainly denominated in euros. The main risks related to the foreign exchange impact on purchases and sales in foreign currencies are considered non-material. At this stage of its development, the Company has not made use of any hedging in order to protect its business against exchange rate fluctuations. However, it cannot ignore the possibility that the growth of its Implanet America Inc. subsidiary in the United States could result in greater exposure to foreign exchange risk (see section 4.8.2 and Note 25 to the financial statements prepared in accordance with IFRS presented in section 20.1.7 of the *Document de référence*).

Research and Development costs

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 R&D expenses (incurred and/or capitalized) in 2013 were accounted for by Jazz (approximately €388 thousand in 2013 and €545 thousand in 2012, according to its estimates).

Research costs are systematically charged to expenses.

During the 2012 fiscal year, the Company considered that Jazz fulfilled the capitalization criteria of IAS 38 and therefore decided to recognize the development costs in intangible 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 financial years presented here break down are as follows:

RESEARCH AND DEVELOPMENT (Amounts in euros)	**31/12/2013**	**31/12/2012**
Payroll expenses	(733,232)	(538,774)
Hardware, equipment and works	(12,467)	(50,690)
Travel, assignments and entertaining	(44,630)	(32,605)
Miscellaneous rentals	(3,820)	0
Studies and research	(86,051)	(65,174)
Intellectual property fees	(130,444)	(255,953)
Vehicle leases	(59,337)	(41,165)
Intermediary compensation & Fees	(20,465)	(54,124)
Miscellaneous	(2,675)	(5,986)
Depreciation and amortization of fixed assets	(10,233)	(74,558)
Capitalization of R&D expenses	0	474,035
Amortization of capitalized R&D expenses	(100,796)	(51,291)
Share-based payments	(981)	(4,521)
Research and Development costs	**(1,205,132)**	**(700,804)**
Research tax credit	274,846	211,217
Net Research and Development costs	**(930,286)**	**(489,587)**

Research and Development expenses essentially comprise:

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

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)	31/12/2013	31/12/2012
Payroll expenses	(494,033)	(352,870)
Travel, assignments and entertaining	(9,319)	(11,565)
Studies and research	(188,161)	(77,456)
Vehicle leases	(11,386)	(12,312)
External personnel	(101,811)	(28,558)
Materials and supplies not for stock	0	(40,681)
Intermediary compensation & Fees	(138,037)	(164,896)
Miscellaneous	(10,726)	(4,697)
Capitalization of R&D expenses	0	260,795
Amortization of capitalized R&D expenses	(63,963)	(31,856)
Depreciation and amortization of fixed assets	(10,948)	(461)
Share-based payments	(1,152)	(5,400)
Cost of Regulatory Affairs and Quality Assurance	**(1,029,536)**	**(469,956)**
Research tax credit	27,530	19,282
Net cost of Regulatory Affairs and Quality Assurance	**(1,002,006)**	**(450,674)**

Regulatory affairs and quality assurance costs primarily comprise:

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

Jazz accounted for almost €288 thousand of the Company's total expenditure on Regulatory Affairs and Quality Assurance in 2013 (incurred and capitalized expenses).

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)	31/12/2013	31/12/2012
Other payroll expense	(933,981)	(1,102,824)
Royalties	(102,063)	(63,099)
Equipment and real estate leases	(5,058)	(79,410)
Miscellaneous rentals	0	(1,259)
Sales commission	(682,892)	(521,655)
Travel, assignments and entertaining	(230,650)	(318,551)
Maintenance and repair	(5,841)	(17,043)
Vehicle leases	(59,829)	(111,574)
Materials and supplies not for stock	(54,129)	(24,215)
Advertising and public relations	(105,769)	(103,060)
Intermediary compensation & Fees	(41,414)	(165,528)
Transport of goods and people	(113,887)	(135,025)
Miscellaneous	(24,314)	(20,512)
Impairment of trade receivables	47,322	14,347
Amortization expense and provisions	(1,026)	(3,146)
Reversal of impairment provisions	(2,074)	(9,238)
Sales, Distribution and Marketing expenses	**(2,315,606)**	**(2,661,790)**
Subsidies	100,000	0
Net Sales, Distribution and Marketing expenses	**(2,215,606)**	**(2,661,790)**

Sales and marketing expenses primarily comprise:

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

Total sales and marketing expenditure for Jazz in 2013 amounted to €280 thousand.

Operating costs

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

OPERATING COSTS (Amounts in euros)	**31/12/2013**	**31/12/2012**
Payroll expenses	(471,048)	(404,285)
Equipment and real estate leases	(129,847)	(133,198)
Maintenance and repair	(28,660)	(49,591)
Finance leases	(55,998)	(78,528)
Vehicle leases	(15,414)	(19,076)
Materials and supplies not for stock	(22,617)	(20,237)
External personnel	(38,630)	(41,341)
Transport of goods and people	(51,354)	(36,658)
Intermediary compensation & Fees	(111,094)	0
Miscellaneous	(33,901)	(22,783)
Depreciation and amortization of fixed assets	(221,769)	(83,196)
Provision for impairment of stocks(1)	(1,220,258)	99,523
Share-based payments	(1,175)	(5,367)
Operating costs	**(2,401,765)**	**(794,736)**

(1) of which, €0.8 million in impairment related to the discontinuation of marketing for the hip range.

Operating costs primarily comprise:

- management of supplies, logistics and inventories;
- lease and maintenance of the logistics building;
- depreciation of dedicated assets (stackers, etc.);
- sales administration;
- inventory impairment, particularly with respect to the “hip” product range (activity discontinued in June 2014).

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)	31/12/2013	31/12/2012
Payroll expenses	(608,904)	(540,528)
Other duties and taxes	(76,020)	(70,754)
Equipment and real estate leases	(196,480)	(132,968)
Travel, assignments and entertaining	(133,010)	(58,617)
Maintenance and repair	(205,158)	(118,057)
Postal and telecommunication expenses	(57,105)	(70,627)
Vehicle leases	(17,211)	(28,042)
Materials and supplies not for stock	(37,413)	(60,097)
Insurance premiums	(237,446)	(73,301)
Intermediary compensation & Fees	(620,031)	(380,328)
Banking and related services	(98,759)	(49,427)
Public relations	(1,138)	(7,743)
Provisions for liabilities and expenses	17,998	23,200
Miscellaneous	23,596	(9,679)
Depreciation and amortization of fixed assets	(202,833)	(307,672)
Share-based payments	(6,212)	(46,828)
General and administrative expenses	**(2,456,126)**	**(1,931,468)**

General and administrative expenses primarily comprise:

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

9.2.1.3. Financial net income

FINANCIAL INCOME AND EXPENSES (Amount in euros)	31/12/2013	31/12/2012
Amortized cost of the loan	(374,706)	
Changes in the fair value of the derivative liability	135,286	
Other financial expenses	(114,509)	(119,567)
Financial income	13,352	
Foreign exchange gains and (losses)	(7,015)	(10,442)
Total financial income and expenses	**(347,592)**	**(130,009)**

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

- the factoring contract;
- the accretion of repayable advances;
- assets financed through finance leases and restated in accordance with the provisions of IAS 17;
- bond issues.

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

- cash consists solely of bank accounts;
- long-term financial assets include term accounts;
- the Company has no variable-rate debt.

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

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

9.2.1.4. Corporate tax

The Group has not recognized any corporate tax expense.

As at 31 December 2013, the Group had fiscal deficits for a total amount of €40,022 thousand in France, eligible to be carried forward for an indefinite period of time, and US$102 thousand for its American subsidiary, which can be carried forward for a period of 20 years. 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%.

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

9.2.1.5. Basic earnings per share

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

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

BASIC EARNINGS PER SHARE (Amount in euros)	31/12/2013	31/12/2012
Weighted average number of shares in circulation	3,196,648	29,556,037
Net income for the year	(6,843,456)	(4,276,635)
Basic net earnings per share (€/share)	**(2.14)**	**(0.14)**
Diluted net earnings per share (€/share)	**(2.14)**	**(0.14)**

An analysis of the composition of the operating profit/(loss) and net profit/(loss) shows:

- the growth of the "Orthopedic implants" business;
- the measures taken by the Company in 2012 and 2013 to develop and launch Jazz in 2013;
- the existence of an administrative and logistics platform that does not require a short-term increase in capacity.

9.2.2. Balance sheet analysis

9.2.2.1. Non-current assets

NON-CURRENT ASSETS (Amounts in euros)	31/12/2013	31/12/2012
Intangible assets	686,335	923,507
Tangible assets	1,387,554	2,489,380
Other non-current financial assets	9,280,311	334,988
Total non-current assets	**11,354,200**	**3,747,875**

Intangible assets mainly consist of the following:

- software licenses (notably SAP licenses);
- capitalization of development costs incurred for the Jazz project in 2012 totaling a gross amount of €603 thousand. These expenses were recognized in 2012.

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

Non-current financial assets consist of:

- two term deposits subscribed in 2013, each with a value of €150 thousand. These two term deposits are for a 36-month period and are pledged to banks;
- negotiable medium-term notes (liquid) bearing interest at progressive variable rates according to the period of investment (€4 million expiring on 18 December 2017, and €4.5 million, expiring on 10 December 2016), classified as non-current financial assets in accordance with IAS 7;
- a €191 thousand security deposit in favor of Kreos established in the context of the €5 million bond issue in 2013. (See Note 12.4 to the IFRS financial statements presented in section 20.1.7 of the *Document de référence*);

- the cash reserve related to the liquidity contract;
- Deposits with respect to the commercial leases for its French and US premises.

9.2.2.2. Current assets

CURRENT ASSETS (Amounts in euros)	31/12/2013	31/12/2012
Inventories	4,116,925	5,114,358
Trade receivables and related accounts	2,337,119	2,015,056
Other receivables	1,149,221	808,040
Current financial assets	2,001,091	0
Income taxes recoverable	0	0
Cash and cash equivalents	2,965,534	86,663
Total current assets	**12,569,890**	**8,024,117**

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

The rise in trade accounts receivables reflects the level of business and the breakdown of sales between France and Export.

Other receivables mainly include:

- the research tax credits recognized for the reference fiscal years (€357 thousand in 2012 and €302 thousand in 2013), which have been repaid or will be repaid during the following financial year;
- deductible VAT or VAT credits;
- prepaid expenses relate to current expenditure and essentially represent insurance and rental expenses.

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

9.2.2.3. Equity

EQUITY (Amounts in euros)	31/12/2013	31/12/2012
Capital	8,099,283	29,556,037
Paid-in capital	12,332,242	4,738,744
Translation reserve	11,374	0
Other comprehensive income	1,181	(10,239)
Reserves - Group share	267,843	(25,328,495)
Profit/(loss) - Group share	(6,843,456)	(4,276,635)
Equity - Group share	**13,868,467**	**4,679,411**
Minority interests	0	0
Total equity	**13,868,467**	**4,679,411**

The Company's share capital as at 31 December 2013 was €8,099,283 divided into 5,399,522 fully subscribed and paid up shares with a par value of €1.50 each.

Variations in the Group's share capital were primarily due to the combination of:

- annual losses reflecting the Companies investments in R&D, product certification and the launch of Jazz in 2012 and 2013;
- the disposal of its Beep N Track business to GHX in December 2011 which generated capital gains of €5,589 thousand.

9.2.2.4. Non-current liabilities

NON-CURRENT LIABILITIES (Amounts in euros)	**31/12/2013**	**31/12/2012**
Amounts due to personnel	34,802	37,477
Non-current debt	3,211,750	903,329
Derivatives-liabilities	78,838	0
Deferred tax credits	0	0
Non-current liabilities	**3,325,391**	**940,806**

Amounts due to personnel consist of provision for retirement benefits.

Non-current financial debt includes:

- long-term financial liabilities (due in > 1 year) under finance leases;
- the non-current portion of the non-convertible bond issued to Kreos Capital IV (UK) LTD;
- the non-current portion of the repayable advances granted by government bodies (OSEO).

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

The first repayable advance was granted by OSEO on 28 January 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 4 February 2008, followed by a second €195 thousand installment on 28 April 2009 and the balance paid upon completion of the work on 28 April 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 25 February 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 1 March 2010, followed by the balance paid upon completion of the work on 9 May 2011.

Following the project's technical and commercial success, quarterly repayments are being made (see Note 12.3 of the notes to the financial statements presented in section 20.1.7 of the *Document de référence*) in the period 2013 to 2017.

The third repayable advance was agreed with COFACE on 28 December 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 zones concerned.
On 10 February 2011, Implanet received a €194,268 advance for the first fiscal year of cover of these expenses.

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

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

9.2.2.5. Current liabilities

CURRENT LIABILITIES (Amounts in euros)	**31/12/2013**	**31/12/2012**
Current financial debt	2,703,256	1,506,774
Provisions	144,631	376,800
Trade and other accounts payable	3,216,886	3,679,716
Tax and social security liabilities	663,595	588,485
Other payables and miscellaneous debt	1,864	0
Current liabilities	**6,730,232**	**6,151,775**

Current financial debt includes:

- short-term financial liabilities (due in < 1 year) under finance leases;
- the current portion of the repayable advances granted by government bodies (OSEO and COFACE);
- the current portion of the non-convertible bond issued to Kreos Capital IV (UK) LTD;
- current bank borrowings;
- debt under the factoring contract;
- a bond issue.

CURRENT FINANCIAL LIABILITIES (amount in euros)	**31/12/2013**	**00/01/1900**
Commercial paper	0	0
Financial liabilities – lease-financing	315,757	585,251
Repayable advance	306,775	390,023
Bank overdraft facilities	0	241,155
Bond issue	1,818,539	1
Debt under the factoring contract	262,186	290,345
Current financial liabilities	**2,703,256**	**1,506,774**

The provisions recognized as at 31 December 2013 relate to labor disputes and the tax audit (see Note 14 in sections 20.1.7 and 20.4.1 for more information on provisions).

At the end of each period, no trade payables were aged more than one year.

9.3. INTERIM FINANCIAL STATEMENTS

9.3.1. Composition of the operating profit/(loss) and net profit/(loss)

Revenue, income and operating margins

REVENUE (Amounts in euros)	30/06/2014	30/06/2013
Revenue	4,001,070	3,314,999

Implanet recorded €4,001 thousand in revenue for the first half of 2014. This performance represents growth of 21% year-on-year, driven by strong sales momentum of its Spine (JAZZ) and Knee implants. Revenue from export sales for the half year came in at €1,602 thousand and accounted for 40% of total sales.

The half year saw a promising performance from its Spine business (sales of JAZZ), with its half year revenue more than doubling (x2.3) to €879 thousand and the positive momentum of JAZZ extending throughout all geographies. In the first half year alone, Implanet grew sales 127% to 2,174 units, topping the number of Jazz units sold in full-year 2013 (1,953 units). More than 300 surgical procedures were carried out in first-half 2014 using Jazz technology.

Revenue for the Knee range in the first half of 2014 saw solid growth of 20% to €2,357 thousand, confirming the relevance of the Company's product development strategy and reflecting the change in the distribution model implemented by management in this segment in 2012. In 2013, the Company made the decision to alter its product mix and to gradually phase out its hip prosthesis business and refocus on its historical knee surgery market. The rollout of a new ligament balancing system during the second half of 2014, as well as the initial encouraging developments for a revision implant, will further cement the Company's positioning in the Knee surgery segment.

Gross margin (revenue - cost of sales) at 30 June 2014 was almost 38.5% compared to 36.1% as at 30 June 2013.

Operating costs

Implanet continued to invest consistently in research and development during the first half of 2014 in both priority areas, namely JAZZ and the MADISON knee prosthesis (see Chapter 6.3 and 6.4).

The Company also decided to gradually withdraw from sectors considered to be non-strategic and with low profitability profiles. Accordingly, Implanet made the decision in 2014 to gradually withdraw from the hip prosthesis market. In the financial statements as at 31 December 2013, this decision is reflected in the impairment of all products in the "hip" range (impairment of €1.5 million on the stock of goods and ancillary devices, including additional impairment of €0.8 million in 2013).

In the first half of 2014, Implanet divested the entire “hip” product range for €220 thousand. This amount is recognized in revenue in the income statement.

The cost of the products in the “hip” range, as well as the reversal of the corresponding provision, was entered under cost of sales leading to the recognition of a margin of 100% on this sale during the period.

In more general terms, operating costs increased by €802 thousand or 18% in the first half of 2014, compared with the first half of 2013. This rise breaks down as follows:

- +€262 thousand relating to the impact of the fair value of share purchase warrants and founders’ warrants in accordance with IFRS 2 (non-disbursable charges);
- +€479 thousand in costs relating to the establishment and development of the US subsidiary, Implanet America Inc.;
- +€60 thousand relating to other operating expenses, particularly arising from the protection of intellectual property.

Financial income

The Company reported a financial loss of €295 thousand as at 30 June 2014 (compared to a loss of €42 thousand at 30 June 2013). This variation stems mainly from the interest on the bond issued to Kreos in July 2013 for €5,000 thousand.

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

- the factoring contract;
- the accretion of repayable advances;
- assets financed through finance leases and restated in accordance with the provisions of IAS 17;
- interest on the non-convertible bond issued to Kreos Capital IV (UK) LTD.

Corporate tax

In view of prior deficits and the negative half-year pre-tax earnings, the Company did not recognize corporate tax expenses in first-half 2013 or first-half 2014.

Interim results

Implanet posted a loss of €3,410 thousand as at 30 June 2014, compared to a loss of €2,699 thousand as at 30 June 2013.

9.3.2. Balance sheet

Non-current assets

The Company's investments in intangible fixed assets (€16 thousand for licenses) and in property, plant and equipment (including €442 thousand for equipment and tooling, primarily covering ancillary devices) were moderate during the period.

Close to 90% of property, plant and equipment consisted of instruments for the fitting of implants (ancillary devices).

Current assets

The reduction in current assets (-€3,509 thousand) was essentially due to the €2,001 thousand fall in current financial assets (medium-term notes) and the reduction in cash.

The increase in other receivables stemmed from the research tax credit receivable from the 2012 financial year and the estimated research tax credit receivable as at 30 June 2013.

Equity

Equity amounted to €10,794 thousand as at 30 June 2014 (compared to €13,868 thousand as at 31 December 2013). This drop was primarily due to the loss recorded in the first half of the year.

Non-current liabilities

The reduction in non-current liabilities was primarily due to the non-current debt, broken down as follows as at 30 June 2014 and 31 December 2013:

NON-CURRENT DEBT (Amounts in euros)	**30/06/2014**	**31/12/2013**
Financial debt - finance leases	4,675	77,065
Repayable advances	189,203	219,842
Bond	2,003,443	2,914,843
Non-current debt	**2,197,321**	**3,211,750**

Debt was down notably as a consequence of the redemption of the Kreos non-convertible bond.

Current liabilities

Current debt broke down as follows as at 30 June 2014 and 31 December 2013:

CURRENT DEBT (Amounts in euros)	30/06/2014	31/12/2013
Financial debt - finance leases	169,199	315,757
Repayable advances	78,587	306,775
Current bank borrowings	21,689	0
Bond	1,877,846	1,818,539
Debt under the factoring contract	176,523	262,186
Current debt	**2,323,844**	**2,703,256**

In January 2013, the Company issued €1,543 thousand in convertible bonds.

In accordance with IFRS, debt is recognized at amortized cost (net of issue costs which are spread over the life of the loan). As at 30 June 2014, the debt at amortized cost totaled €1,878 thousand, including capitalized interest.

Provisions fell during the period reflecting the reversal of the €109 thousand provision for the tax audit. Following the settlement in the first half of 2014 (payment of a tax adjustment), a tax expense of €109 thousand was recognized resulting in a reversal of provisions in the same amount at 30 June 2014.

10. NET CASH AND SHAREHOLDER EQUITY

See Notes 8, 10 and 12 to the IFRS annual financial statements and the interim summary financial statements shown respectively in sections 20.1 and 20.4 of the *Document de reference.*

10.1. SHAREHOLDER EQUITY, CASH AND FINANCING SOURCES

As at 30 June 2014, the Company held net cash and cash equivalents (cash and cash equivalents less bank overdrafts) of €1,128 thousand compared to €2,966 thousand as at 31 December 2013.

10.1.1. Equity financing

The Company received a total of €52,945 thousand (before fees relating to the capital increase and the subscription price of warrants (BSAs)) from the founders' contributions and capital increases carried out between 2007 and 2014.

The table below shows the largest capital increases by value to 30 June 2014:

Period	Gross amount raised in € thousands	Transactions
2006	140	Founders' contribution
2007 - 2008	13,360	First round of financing raised €7.36 million at a subscription price of €1 per share and €6 million at €1.30 per share.
2009	7,620	Second round of financing at a subscription price of €1.13 per share.
2010	8,008	Third round of financing at a subscription price of €1.31 per share.
March-April 2011	2,823	Fourth round of financing at a subscription price of €1.31 per share.
September 2011	2,429	Fifth round of financing at a subscription price of €1.00 per share.
November 2013	4,458*	Conversion of convertible bonds and redemption of bonds redeemable in shares at the occasion of the listing on the Paris Euronext stock market (484,659 new shares issued with a par value of €1.50).
November 2013	14,107	Listing on the Paris Euronext stock market through a capital increase.
Total	**52,945**	

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

Note that the listing on the Paris Euronext stock market incurred fees of €2.4 million.

10.1.2. Repayable advances and subsidies

The Company has concluded three conditionnal advances:

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

Details of the repayable advance agreements are set out in section 9.2.2.4 of the *Document de référence* and Note 12.3 to the IFRS financial statements in section 20.1 of the *Document de référence*.

CHANGES IN REPAYABLE ADVANCES (Amount in euros)	OSEO Knees	OSEO - Beep N track	COFACE United States
At 1 January 2012	**309,237**	**526,200**	**186,373**
(+) Receipts			
(-) Repayment		-150,000	
Subsidies			
Financial expenses	9,758	13,082	5,881
(+/-) Other movements			
At 31 December 2012	**318,995**	**389,282**	**192,254**
(+) Receipts			
(-) Repayment	-50,000	-150,000	-194,268
Subsidies			
Financial expenses	9,579	8,762	2,014
(+/-) Other movements			
At 31 December 2013	**278,574**	**248,043**	**0**
(+) Receipts			
(-) Repayment	-15,000	-250,000	
Subsidies			
Financial expenses	4,217	1,957	
(+/-) Other movements			
At 30 June 2014	**267,791**	**0**	**0**

10.1.3. Research tax credits

OTHER RECEIVABLES (Amounts in euros)	31/12/2013	31/12/2012	30/06/2014 (1)	30/06/2013
Research tax credit (1)	302,377	357,373	566,115	511,291

(1) The research tax credit reported at 30 June 2014 is an estimate based on eligible R&D spending to date.

R&D spending in 2008, 2010 and 2011 also allowed Implanet to benefit from OSEO advances described in section 10.1.2 of the *Document de référence*.

The Company has received research tax credits since its inception. The research tax credits (CIR) for 2010 and 2011 were received the following year in each case. Note that the Company has been through a tax inspection that looked at, among other issues, the research tax credits for 2010 and 2011. This gave rise to an additional tax cost of €79,879 (including late payment interest and penalty). This amount was included in the provision of €109 thousand in respect of the tax audit, made on 31 December 2013.

The CIR claimed for 2013 was received in August 2014.

10.1.4. Borrowings

10.1.4.1. Convertible bonds

On 21 May and 19 July 2013 the Company issued 2,875,001 convertible bonds (OCA) with a nominal value of €1. These convertible bonds matured and became redeemable in shares once the Company was listed on the Paris Euronext stock market.

10.1.4.2. Finance leases

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

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

Changes in finance leases break down as follows:

CHANGES IN FINANCIAL LIABILITIES - LEASE-FINANCING (Amount in euros)	Financial debts – lease-financing contracts	Current Share	Non-current share	
			from 1 to 5 years	more than 5 years
At 1 January 2012	**1,067,613**	478,569	589,044	0
(+) Subscription	467,883			
(-) Repayment	-557,424			
At 31 December 2012	**978,071**	585,250	392,821	0
(+) Subscription	0			
(-) Repayment	-585,250			
At 31 December 2013	**392,821**	315,757	77,065	0
(+) Subscription	0			
(-) Repayment	-218,948			
At 30 June 2014	**173,873**	169,199	4,675	0

10.1.4.3. Commercial paper

Since 17 December 2012, the Company has redeemed its commercial paper (first issued in 2009) and applied for full release from the pledge against inventory. This was granted in January 2013.

10.1.4.4. Overdrafts

As of the Date of the *Document de Référence*, the Company no longer has any overdrafts.

The Company has given the following pledges:

- pledge of a €150 thousand term account to HSBC France against leases;
- pledge of a €300 thousand term account to the Banque Courtois under a new €750 thousand lease-back agreement.

10.1.4.5. Bonds redeemable in shares and convertible bonds issued in 2013

Prior to its listing on the Paris Euronext stock market the Company issued:

- on 22 January 2013, 1,543,936 bonds redeemable in shares (ORA) in the Company, with a par value of €1, to certain shareholders (founders, private investors, financial investors). These bonds redeemable in shares expired on 30 June 2014 unless the bond were redeemed or terminated early. Annual interest was a fixed 3%, capitalized until maturity and payable in shares. The whole of this loan (principal and interest) was repaid in shares during the Company's listing on the Paris Euronext stock market;
- on 21 May 2013, 1,875,001 convertible bonds (OC) and on 19 July 2013 a further 1,000,000 convertible bonds. All these bonds were converted during the Company's listing on the Paris Euronext stock market.

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

On 19 July 2013, the Company entered 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 to Kreos and the pledge of the Company's business goodwill to Kreos.

These transactions were implemented as follows:

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

- The free issue of 65,000 warrants for shares in the Company to Kreos was resolved by the Extraordinary General Shareholders' Meeting of 19 July 2013;

- the Company's goodwill was pledged on 19 July 2013.

The bond is repayable in monthly installments between 1 January 2014 and 1 June 2016. It pays interest of 11.5%.

See section 22.3 of the *Document de référence* for further details of the bond and other commitments given by the Company.

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 31 December 2013 and 30 June 2014 were as follows:

	Less than one year	From 1 to 5 years	More than 5 years
Off-balance sheet commitments at 31/12/2012 (amount in euros)	127,569	147,402	0
Off-balance sheet commitments at 31/12/2013 (amount in euros)	99,568	92,918	0
Off-balance sheet commitments at 30/06/2014 (amount in euros)	92,419	47,895	0

10.1.5.2. Property leases

At 30 June 2014, future rents payable on leases of the administrative and logistics buildings at Martillac, France, and the Boston, USA, offices until the next termination period are as follows:

					Commitment until the next termination date	
Location	**Real estate leasing contracts**	**Effective start date of lease**	**Expiry date of lease**	**Leasing expenses excluding charges at 30/06/2014**	**Due in less than 1 year**	**From 1 to 5 years**
MARTILLAC	Administration building	08/10/2007	08/10/2016	68,006	136,104	176,179
MARTILLAC	Logistics building	15/12/2010	15/12/2019	63,199	126,396	251,388
BOSTON	Administrative offices	01/03/2014	30/11/2014	27,833	35,845	

10.2. CASH FLOWS

10.2.1. Cash flows from operating activities

Cash burn related to operating activities during the year ended 31 December 2013 totaled €5,380 thousand.

In the first half of 2014, cash burn related to operating activities totaled €2,945 thousand compared to €3,047 thousand in the same period in 2013.

10.2.2. Cash flows from investing activities

In the year ended 31 December 2013, the Company generated negative cash flows from investing activities of -€11,354 thousand (due to the subscription of €8,500 thousand term deposits which were reported as other non-current financial assets).

In the first half of 2014, cash used in investing activities was a positive €2,833 thousand (mainly due to the use of these term deposits) against a €283 thousand negative cash flow from investing activities in the first half of 2013.

Production is largely subcontracted and therefore requires no significant capex.

The Company does, however, invest in:

- instruments or ancillary goods made available to health facilities for placement of implants;
- special storage machines;
- capitalized R&D expenses (€603 thousand in 2012).

Cash flows from investing activities include the acquisition of €394 thousand of property, plant and equipment in the year ended 31 December 2013.

10.2.3. Cash flow from financing activities

The Company has carried out a number of capital increases since it was founded in 2006 (see section 10.1.1) and received advances or subsidies in 2010 and 2011 (see section 10.1.2), taken out cash loans (see section 10.1.4), issued bonds in 2010 and 2013 (see section 10.1.4) and was listed on the Paris Euronext stock market in November 2013 (see section 4.7.4).

Cash flows from financing activities are shown below.

IMPLANET - IFRS Consolidated cash flow statement	31/12/2013 *Audited*	31/12/2012 *Audited*	30/06/2014 *Having been the subject of a limited examination*	30/06/2013 *Having been the subject of a limited examination*
Capital increase net of conversion of bonds into shares	14,106,668	-	-	-
Subscription of warrants (BSAs)	4,396	36,729	-	3,146
Costs related to the planned stock market introduction	(2,413,252)		-	(103,793)
Receipt of advances and conditional subsidies	100,000	-	-	-
Issue of Kreos bonds net of costs	4,887,500	-	-	-
Repayment of the Kreos bonds			(927,964)	
Deposit on Kreos bonds	(190,735)		-	
Gross financial interest paid	(52,018)	(88,782)	(225,029)	(43,817)
Issue of convertible bonds/bonds redeemable in shares	4,418,938		-	3,411,458
Repayment of loans and conditional advances	(394,268)	(650,000)	(265,000)	(292,012)
Repayment of finance leases	(585,250)	(557,424)	(218,948)	(298,308)
Other financing flows (factoring)	(28,159)	(245,722)	(85,663)	22,385
Cash flow related to financing operations	19,853,819	(1,505,199)	(1,722,604)	2,699,059

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.

Pledge of term accounts

- pledge of a €150 thousand term account to HSBC France against leases;
- pledge of a €300 thousand term account to the Banque Courtois under a €750 thousand lease-back agreement.

10.4. RESTRICTIONS ON USE OF CAPITAL

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 more details on the characteristics of these bonds).

10.5. EXPECTED SOURCES OF FINANCING FOR FUTURE INVESTMENTS

As at 30 June 2014, the Company had net cash and cash equivalents (including bank overdrafts) of €1,128 thousand compared to cash burnt in its operating activities of €2,945 thousand in the first half of 2014.

At 30 June 2014, the Company had €7,505 thousand in realizable non-current financial assets (term deposits and medium-term notes).

Moreover, on 9 July 2014, the Company arranged an equity financing line with Kepler Cheuvreux (see section 21.1.4.2 of the *Document de référence*).

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

11.1. RESEARCH AND DEVELOPMENT

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

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

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

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

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

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

If approved, all development phases are planned out and the plan is monitored and updated in light of project progress. The process begins with specifications and ends with the award of regulatory certifications (510(k), CE marking), having gone through design, prototyping, mechanical trials, anatomical studies and in-vitro surgical simulations, etc. All Company departments are involved throughout the project stages (Production, Quality, Logistics) to assess all apects 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:

	2012	2013
R&D costs (€ thousands)	701	1,205
Gross capitalized R&D costs (€ thousands)	474	-

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 element 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 for industrial property rights serves two goals: (i) to protect its new technologies and (ii) to maintain its competitive advantage over other companies conducting business in the field.

, 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, patents applications have been filed for five inventions covering 11 distinct product families. Implanet's portfolio is thus made of 46 patents and patent applications belonging to the Company, most of which are still pending.

11.2.2. Type and extent of the Company's patents

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

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

11.2.2.1. The “Madison knee prosthesis” range

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

Product range	Filing date[44]	Title	Patent holder	Extensions			
				Country	Filing No.	Publication[45]	Grant of patent[46]
Madison knee prosthesis	16/03/2010	Knee prosthesis having a mixed meniscal plate	Implanet	France	FR 10/01056	FR 2957518	
				PCT[47]	PCT/FR2011/000148	WO 2011/114024	
				Europe	11716284.2	EP 2547291	
				United States	13/583,701	US 2013006374	
				South Africa	2012/06423		ZA 2012/06423
				South Korea	10-2012-7024005	KR 20130006447	

11.2.2.2. The “Jazz” range

Jazz is a spinal surgery implant. It is designed to make it possible to fuse vertebrae together in order 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.

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

[45] “*Publication*” refers to a patent application that has been filed and published by the competent authority, with the corresponding reference (this generally happens 18 months after the filing date). This publication prevents any subsequent filing for the same invention on the grounds of lack of novelty.

[46] “*Grant*” means that the patent has been accepted in the country concerned and that the Company can make use of it without restriction to protect an invention.

[47] The PCT (Patent Cooperation Treaty) creates a centralized "international" filing system that offers a simple safeguarding method covering a large number of territories. The competent office for PCT international filings runs a search for prior patents and issues a report to the applicant with a preliminary recommendation on whether the invention is patentable. At the end of the international phase of a PCT filing (which lasts 30 or 31 months from the filing date) the countries/regions where the patent is to be applied must be chosen.

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 six filings in France, which have since been extended according to the procedure explained above. The first four filings resulted in four French invention patents (10/00040, 10/04786, 11/02072 and 11/03319). The patents and patent applications covering this product range are as follows:

Product Range	Priority Date	Title	Applicant	Extensions			
				Country	Filing Number	Publication	Grant of Patent
JAZZ	6 Jan. 2010	Vertebral Attachment device	IMPLANET	France	10/00040	FR 2954905	FR 2954905
				PCT	PCT/FR2011/000005	WO 2011/083261	
				Europe	11703720.0	EP 2521500	EP 2521500
				United-States	13/541,271	US 20120271354	
				South Africa	2012/04047		ZA2012/04047
				Australia	2011204541	AU 2011204541	
				China	201180005413.3	CN102695467	CN102695467
				South Korea	10-2012-7017518	KR20120107984	
				India	5247/DELNP/2012		
				Japan	2012-547528		
	8 Dec. 2010	Device for tensioning a flexible band	IMPLANET	France	FR 10/04786	FR 2968739	FR 2968739
				PCT	PCT/FR2011/000639	WO 2012/076771	
				Europe	11807713.0		
				United-States	13/906550		
	30 June 2011	Vertebral fixation device	IMPLANET	France	FR 11/02072	FR 2977138	FR 2977138
				PCT	PCT/FR2012/0000259	WO 2013/001180	
				Europe	12738485.7	EP 2725993	
				Australia	2012277658		
				South Korea	10-2013-7034261	KR 20140074871	
				India	10048/DELNP/2013		
				Japan	2014-517867	JP 2014525769	
				United-States	14/128214	US 2014114356	
	28 Oct. 2011	Device for tensioning a flexible strip and assembly comprising such a device with a flexible strip	IMPLANET	France	FR 11/03319	FR 2981841	FR 2981841
				PCT	PCT/FR2012/052454	WO 2013/060990	
				Europe	12794370.2	EP 2770925	
				China	201280053640.8	CN 103917182	
				South Korea	10-2014-7010814	KR 20140088103	
				Japan	2014-537697		
				United States	14/350387	US 2014277207	
	18 Oct. 2013	Device and system for vertebral fixation of a vertebra with a rod, Method to lock a loop with such a device	IMPLANET	France	FR 1360195		
				Europe	14003529.6		
				United States	14/514764		
	19 Dec. 2013	[Device for double vertebral fixation, System and method to lock a loop with such a device]	IMPLANET	France	13/63093		
				PCT			

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	Filing date	Title	Patent holder	Extensions			
				Country	Filing No.	Publication	Grant of patent
Other spinal implants	08/04/2010	Transverse connection system and device for the vertebral column	Implanet	France	FR 10/01489	FR 2958532	FR2958532
				PCT	PCT/FR2011/000200	WO 2011/124789	
				Europe	11719595.8	EP 2555697	
				United States	13/639298	US 2013030468	
				South Africa	2012/07024		ZA 2012/07024
				South Korea	10-2012-7026102	KR20130041778	
				India	8615/DELNP/2012		
				Japan	2013-503151	JP2013523300	
	08/02/2012	Intersomatic implant and tool for installing such an implant	Implanet	France	FR 12/00385	FR 2986416	
				PCT	PCT/FR2013/050254	WO 2013/117861	
				Europe	13706645.2		
				United States	14/377198		

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	Filing date	Title	Patent holder	Extensions			
				Country	Filing No.	Publication No.	Grant No.
Arthroscopy	21/12/2007	Ancillary device for anchoring a tissue	Implanet	France	FR 07/09089	FR 2925286	FR 2925286
	21/12/2007	Device for anchoring tissue in a bone	Implanet	France	FR 07/09090	FR 2925287	FR 2925287
				PCT	PCT/FR2008/001814	WO 2009/106741	
				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 displaythe territories covered by each of the Company's patent families.

11.2.5. Litigation

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

11.2.6. Licenses

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

11.3. BRANDS, DRAWINGS AND MODELS

As part of its strategy, Implanet registers its brands, drawings and models either nationally or internationally. Brand registrations are generally granted for ten years, renewable indefinitely on payment of the corresponding fees and, in some countries, on condition that they are genuinely exploited. Registration of drawings and models is generally granted for five years, renewable five times, on payment of the corresponding fees.

There is no litigation under way relating to brands and no legal claims by the Company (against a third party filing a conflicting brand) or by a third party (challenging one of the Company's brands).Implanet owns the following brands:

Filing date	Title	Initial filing	Classes	Certificate	Extensions
14/11/2007	Implanet PARTNERS (verbal)	France	9, 10, 42	07/3537411	Italy, Germany, Spain, United Kingdom, United States
14/11/2007	Implanet (Logo)	France	9, 10, 42	07/3537412	Italy, Germany, Spain, United Kingdom, United States
14/11/2007	Implanet (verbal)	France	9, 10, 42	07/3537413	Italy, Germany, Spain, United Kingdom, United States
14/11/2007	Implanet SMART SYSTEM	France	9, 10, 42	07/3543997	Italy, Germany, Spain, United Kingdom, United States

05/02/2009	Implanet + Logo + "Gold Standards For Everybody"	France	9, 10, 42	09/3627623	Italy, Germany, Spain, United Kingdom, United States
05/02/2009	Combination of colors: PINK 5rubine Red C) + Gray	France	10, 35, 42	09/3627625	
11/05/2009	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
26/05/2009	Digital Assistant	Implanet	United States	D626550	02/11/2010	Granted
			United States	D626558	02/11/2010	Granted
			United States	D626551	02/11/2010	Granted

11.4. DOMAIN NAMES

Implanet owns the following domain names:

Domain names	Creation date	Expiry date	Date of last update
implanet.biz	2007-02-20	2015-02-19	2014-11-22
implanet.com	2007-08-09	2015-04-24	2014-10-08
implanet.fr	2007-02-20	2015-02-20	2014-11-22
implanet.name	2007-02-19	2015-02-19	2014-11-21
implanet.org	2007-02-19	2015-02-19	2014-11-21
implanet-institute.org	2008-09-23	2015-09-23	2014-09-05
implanet-invest.com	2013-09-12	2015-09-12	2014-10-27
implanet-spine.biz	2007-06-12	2015-06-11	2014-08-22
implanet-spine.com	2007-06-12	2015-06-12	2014-10-08
implanet-spine.info	2007-06-12	2015-06-12	2014-08-25
implanet-spine.net	2007-06-12	2015-06-12	2014-09-09
implanet-spine.org	2007-06-12	2015-06-12	2014-09-03
implanet-spine.us	2007-06-12	2015-06-11	2014-07-21

Domain names are indefinitely renewable annually or biannually.

11.5. PLEDGE OF INTELLECTUAL PROPERTY RIGHTS

To guarantee repayment of the Company's €5 million bond issue subscribed by Kreos Capital IV (UK) Ltd, the Company granted the lender a pledge on its business *(fonds de commerce)* on 19 July 2013, including all present and future intellectual property rights (patents, drawings and models, domain names, brands) as described in this Chapter 11 (see section 22.3 of the *Document de référence* for the terms of the said bond issue).

12. INFORMATION ON TRENDS

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

Revenue (in € thousands - IFRS)	**2014 Unaudited**	2013	Change
Spine	1,930	811	+138%
Knee + Arthroscopy	4,342	4,086	+6%
Hip	765	1,793	-57%
Annual revenue	**7,037**	**6,690**	**+5%**

2014 revenue: strong acceleration in sales across all markets

Implanet posted growth of +5% to €7,037 thousand in full year 2014, compared to €6,690 thousand in 2013, impacting by the termination of the "Hip" activity (which contributed €765 thousand in 2014 compared to €1,793 thousand in 2013). After restatement for the "hip" activity, Implanet's revenue saw a solid increase of +28% over the year. In France, the year's sales amounted to €3,985 thousand (57% of revenue in 2014). Export sales totaled €3,052 thousand (43% of revenue in 2014) and confirmed the increasing strength of the US subsidiary with revenue amounting to €821 thousand (12% of revenue in 2014). More than 600 surgical procedures were carried out using JAZZ implants over the year.

The performance seen in 2014 demonstrates the accelerating adoption of the JAZZ technological platform by spine surgeons: the sales more than doubled (x2.4) in the year to €1,930 thousand (compared to €811 thousand in 2013). Over the full year, Implanet sold 4,260 JAZZ implants (compared to 1,829 in 2013), with volume up by 133%. In total since the launch of JAZZ, 6,089 units have been sold, of which 2,843 in France, 880 in the United States and 2,366 in the rest of the world.

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

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, and Denis Saint-Denis is Deputy Chief Executive Officer.

Ludovic Lastennet was first appointed CEO on 27 November 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 15 October 2014 for an unlimited term. Denis Saint-Denis also has a contract of employment as the Company's CFO.

14.1.1. Composition of the Board of Directors

At the Date of the *Document de référence*, the Board of Directors is composed of the following eight members:

Name	Corporate office	Main position in the Company	Main position outside the Company	Start and end date of term of office
Jean-Gérard Galvez 5, rue Malar 75007 Paris	Director	Chairman of the Board of Directors	General Manager of HM Conseils	Appointed as Director at the General Shareholders' Meeting of 31 March 2010 and reappointed at the General Shoareholders Meeting of 30 April 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 31 December 2015. Appointed as Chairman of the Board of Directors on 8 January 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 22 January 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 31 December 2015.
Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski 47, rue du Faubourg Saint Honoré 75008 Paris	Director	-	Raphaël Wisniewski is a Partner in the Life Sciences unit of Edmond de Rothschild Investment Partners	Appointed as Director at the General Shareholders' Meeting of 5 February 2007 and most recently reappointed at the Meeting of 30 April 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 31 December 2015.

Name	Corporate office	Main position in the Company	Main position outside the Company	Start and end date of term of office
COFA-Invest represented by Marie Hélène Plais 48, avenue du Président Wilson 75016 Paris	Director	-	Marie Hélène Plais is Chairman of COFA-Invest	Appointed as Director at the General Shareholders' Meeting of 5 February 2007 and most recently reappointed at the Meeting of 30 April 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 31 December 2015.
Rainer Strohmenger Margaretenanger 4 A Lohhof Unterschleibheim (Germany)	Director	-	Partner at Wellington Partners	Appointed as Director at the Board of Directors' meeting of 24 May 2007 and most recently reappointed at the General Shareholders' Meeting of 30 April 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 31 December 2015.
Brian Ennis 1465 East Massey Road, Memphis, TN 38120 (USA) (replacing Luc Kerboull)	Independent Director	-	Strategy consultant	Appointed as Director by the Board of Directors on 8 January 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 31 December 2015. Appointment ratified at the General Shareholders' Meeting of 10 June 2014.
Jan Egberts Koninginneweg 4 2243 Hb Wassenaar (Netherlands)	Independent Director	-	Chief Executive Officer of Octoplus	Appointed as Director at the General Shareholders' Meeting of 31 March 2010 and reappointed at the Meeting of 30 April 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 31 December 2015.
Paula Ness Speers 187 Grove Street, Wellesley, Massachussets 02482 (USA)	Independent Director	-	Partner of Health Advances	Appointed as Director at the General Shareholders' Meeting of 10 June 2014 for a term of three years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended 31 December 2016.

14.1.2. Other corporate offices

Other current corporate offices

Name	Office	Company*
Jean-Gérard Galvez	Chairman of the Board of Directors Director Director Director General Manager	Fastbooking SA Echosens SA Biophytis SA Polaris SA HM Conseils
Ludovic Lastennet	Director	Lagae SA
Denis Saint-Denis	General Manager	North Island SARL
Edmond de Rothschild Investment Partners	Member of the Supervisory Board Director	Genticel SA Poxel SA

Name	Office	Company*
represented by Raphaël Wisniewski	Director	Cellnovo Group SA
COFA-Invest represented by Marie Hélène Plais	Director Director	Spinewave Fondation Cotrel at the *Institut de France*
Rainer Strohmenger	Managing Director Director Director Director Director Director	Wellington Partners Life Science Venture Capital Consulting GmbH Immatics Biotechnologies GmbH Nimbus Biotechnology GmbH Oxford Immunotec Ltd Invendo Medical GmbH
Brian Ennis	Chairman	EnniTech LLC
Jan Egberts	Chief Executive Officer Chairman of the Board of Directors Director Chairman of the Board of Directors Member of the Supervisory Board	OctoPlus Acertys EndoSense Skyline Diagnostics CHDR
Paula Ness Speers	Partner Director Director Member of the Supervisory Board	Health Advances Partners Continuing Care Friends of Korea For His Children

* The companies listed are independent from one another (i.e. they do not belong to the same group of companies).

Expired corporate offices held in the last five years:

Name	Office	Company*
Jean-Gérard Galvez	Chairman of the Supervisory Board Director	Ceprodi SA Wagram Finances
Ludovic Lastennet	None	None
Denis Saint-Denis	None	None
Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski	Director Director Director Director	Biospace Lab SA EOS Imaging SA Novagali Pharma MDx Health
COFA-Invest represented by Marie Hélène Plais	Director Director Director Member of the Supervisory Board	Tigenix EOS Imaging Biospace LBA Innovation (formerly Vitalitec)
Rainer Strohmenger	Director Director Director	Trigen MTM Laboratories Sovicell
Brian Ennis	None	None
Jan Egberts	Partner/Senior consultant Industry Chief Executive Officer Director	3i NovaDel Bmeye
Paula Ness Speers	None	None

* The companies listed are independent from one another (i.e. they do not belong to the same group of companies).

Biographies of the Chairman of the Board of Directors, the Chief Executive Officer, the Directors and the observer

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 of years in leading US IT groups (Control Data, Banctec), including stints as head of subsidiaries and International VP, Jean-Gérard joined French start-up ActivCard in 1995 as Chairman and CEO. The Company designs and sells web-based security and authentication solutions. The Company moved to Silicon Valley and was listed on the Nasdaq in 2000, raising US$300 million with a US$2 billion market capitalization.

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

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

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

Ludovic Lastennet – *Chief Executive Officer and Director*

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

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

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

Denis Saint-Denis – *Deputy Chief Executive Officer*

Denis has 20 years' experience in spinal implants as CFO and COO in market-leading companies (Stryker, Abbott Spine).

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

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

Raphaël Wisniewski – *Permanent representative of Edmond de Rothschild Investment Partners, Director*

Raphaël joined the Life Sciences team at Edmond de Rothschild Investment Partners in 2001, where he took part in some 20 investments in European or US biotech, medical technology and molecular diagnosis companies. Previously he worked in London in the Healthcare Corporate Finance department of Salomon Smith Barney and of Goldman Sachs, as wall as in the financial department of the private UK clinics belonging to the Générale de Santé Group.

Raphaël Wisniewski is a graduate of the HEC business school and holds an Economics and Finance degree from the *Institut d'Etudes Politiques de Paris*.

Raphaël Wisniewski sits on the boards of Implanet, Genticel, Poxel and Cellnovo.

Marie Hélène Plais – *Permanent representative of COFA-Invest, Director*

Having trained as a doctor, Marie-Hélène helped develop the market-leading company Sofamor-Danek and was instrumental in its sale to Medtronic in 1999. She is a shareholder and director of several medical companies.

Rainer Strohmenger – *Director*

Rainer has made more than 20 investments in start-ups and is one of the most experienced venture capital investors in European Life Sciences. In 1997 he joined Wellington Partners, where he became a partner in December 2000. In his 15-year investment career he has contributed to some of the most notable European success stories in biotech, medical technology and diagnostic companies.

Before joining Wellington Partners, Rainer was a medical researcher in cardiovascular physiology and also worked in health economics at the Ludwig-Maximilians University in Munich.

Rainer holds a doctorate in Medicine and a *Maîtrise* (Master's degree) in Economics.

Brian Ennis – *Independent Director*

Brian brings to Implanet with more than 30 years of success in developing and growing medical technology companies. After 11 years at Stryker Corporation in a variety of roles as Executive and Chairman in Europe and the United States, he is currently International President of Wright Medical Group, a group specializing in biotechnology and orthopedic devices; Chairman at Empi, a company specializing in electrotherapeutic medical solutions; President 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 spent most of his career in the United States, first at McKinsey (Mergers & Acquisitions) and then 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: OCTO) which was recently acquired by Dr Reddy's Laboratories in a takeover bid. Dr Egberts is non-executive Chairman of Acertys (Belgium) and Skyline Diagnostics (Netherlands) as well as a non-executive Director of EndoSense (Geneva). He was also a non-executive Director of Bmeye (sold to Edwards) and a number of other US companies specializing in healthcare.

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

Paula Ness Speers – *Independent Director*

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

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

14.1.3. Declarations regarding executives and directors

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

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

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

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

The Chairman of the Board of Directors, the Chief Executive Officer, the Deputy Chief Executive Officer and the Executive Directors are directly or indirectly shareholders of the Company and/or hold securities giving access to the share capital of the Company (see section 17.2 of the *Document de référence*).

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

To the best of the Group's knowledge, there is no actual or potential conflict of interest in the Group's administrative bodies and management between members' duties to the Group and their private interests and/or other duties, as set out in paragraphs 14.1 above.

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

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

15. COMPENSATION AND BENEFITS

15.1. EXECUTIVE CORPORATE OFFICER' COMPENSATION

Table 1: Summary of compensation and 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		
	2012 fiscal year	**2013 fiscal year**
Ludovic Lastennet – CEO(1)		
Compensation due in respect of the fiscal year *(detailed in table 2)*	€181,613	€219,684
Valuation of the multi-year variable compensation awarded during the year	€0	€0
Valuation of the options awarded during the year *(detailed in table 4)*	€2,617	€0
Valuation of the free shares granted during the year *(detailed in table 6)*	€0	€0
Total	**€184,230**	**€219,684**
Eric Cloix – Chairman/CEO(2)		
Compensation due in respect of the fiscal year *(detailed in table 2)*	€169,290	€0
Valuation of the multi-year variable compensation awarded during the year	€0	€0
Valuation of the options awarded during the year *(detailed in table 4)*	€744	€0
Valuation of the free shares granted during the year *(detailed in table 6)*	€0	€0
Total	**€170,034**	**€0**
Jean-Gérard Galvez – Chairman of the Board of Directors(3)		
Compensation due in respect of the fiscal year *(detailed in table 2)-(4)*	€82,500	€72,000
Valuation of the multi-year variable compensation awarded during the year	€0	€0
Valuation of the options awarded during the year *(detailed in table 4)*	€4,782	€2,308
Valuation of the free shares granted during the year *(detailed in table 6)*	€0	€0
Total	**€87,282**	**€74,308**
Denis Saint-Denis – Deputy CEO(5)		
Compensation due in respect of the fiscal year *(detailed in table 2)-(6)*	€150,000	€223,800
Valuation of the multi-year variable compensation awarded during the year	€0	€0
Valuation of the options awarded during the year *(detailed in table 4)*	€390	€0
Valuation of the free shares granted during the year *(detailed in table 6)*	€0	€0
Total	**€150,390**	**€223,800**

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

(2) Eric Cloix's term as Chief Executive Officer ended on 27 November 2012 and his term as Member of the Board of Directors ended on 6 January 2013.

(3) Appointed as Chairman byf the Board of Directors at the Board of Directors' Meeting of 6 April 2011.

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

(5) Appointed as Deputy Chief Executive Officer by the Board of Directors' Meeting of 15 October 2014. In the fiscal year 2014, his employment contract as CFO and COO specified a gross fixed salary of €150,000. Denis Saint-Denis receives no compensation for his status of Deputy Chief Executive Officer.

(6) Fees paid to North Island, whose General Manager is Denis Saint-Denis. The unwritten service provision agreement between this company and Implanet was canceled prior to the Date of the Document de référence.

Table 2: Compensation each paid to executive corporate officer

The tables below show compensation owed and paid to each the executive corporate officer in respect of the fiscal years ended 31 December 2012 and 2013.

Summary table of the compensation of each executive corporate officer				
	2012 fiscal year		2013 fiscal year	
	Amounts due(1)	Amounts paid(2)	Amounts due(1)	Amounts paid(2)
Ludovic Lastennet – CEO(3)				
Fixed compensation	€152,000	€152,000	€166,177	€166,177
Annual variable compensation	€20,185 (10)	€20,185 (10)	€1,319 (10)	€1,319 (10)
Multi-year variable compensation	€0	€0	€0	€0
Exceptional compensation	€2,500	€15,000	€45,000 (9)	€2,500
Attendance fees	€0	€0	€0	€0
Benefits in kind (car)	€6,928	€6,928	€7,189	€7,189
TOTAL	**€181,613**	**€194,113**	**€219,684**	**€177,184**
Eric Cloix – Chairman/CEO(4)				
Fixed compensation	€151,250	€151,250	€0	€0
Annual variable compensation	€0	€0	€0	€0
Multi-year variable compensation	€0	€0	€0	€0
Exceptional compensation	€0	€20,000	€0	€0
Attendance fees	€0	€0	€0	€0
Benefits in kind (car)	€18,040	€18,040	€0	€0
TOTAL	**€169,290**	**€189,290**	€0	€0
Jean-Gérard Galvez – Chairman of the Board of Directors(5)				
Fixed compensation(6)	€82,500	€18,000	€72,000	€124,500
Annual variable compensation	€0	€0	€0	€0
Multi-year variable compensation	€0	€0	€0	€0
Exceptional compensation	€0	€0	€0	€0
Attendance fees	€0	€0	€0	€0
Benefits in kind (car)	€0	€0	€0	€0
TOTAL	**€82,500**	**€18,000**	**€72,000**	**€124,500**
Denis Saint-Denis - Deputy CEO(7)				
Fixed compensation(8)	€150,000	€150,000	€188,800	€188,800
Annual variable compensation	€0	€0	€0	€0
Multi-year variable compensation	€0	€0	€0	€0
Exceptional compensation(9)	€0	€0	€35,000	€0
Attendance fees	€0	€0	€0	€0
Benefits in kind (car)	€0	€0	€0	€0
TOTAL	**€150,000**	**€150,000**	**€223,800**	**€188,800**

(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 27 November 2012.

(4) Eric Cloix's term as Chief Executive Officer ended on 27 November 2012 and his term as Member of the Board of Directors on 6 January 2013.

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

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

(7) Appointed as Deputy Chief Executive Officer by the Board of Directors' Meeting of 15 October 2014.

(8) Fees paid to North Island, whose General Manager is Denis Saint-Denis.

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

(10) Sales commissions received by Ludovic Lastennet in respect of his role as Sales Director in 2012.Payment of these commissions was subject to the reaching of an annual revenue figure defined by the CEO according to a sales budget covering all countries under his responsability.

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

Mr. Saint-Denis entered into an employment contract with the Company on 2 January 2014. The agreement between Implanet and North Island (of which Denis Saint-Denis is the General Manager) was terminated on the same date. As of 2 January 2014, Mr. Saint-Denis' bonus is defined at the annual review and based on a precise set of quantitative and qualitative objectives. These objectives are included in an additional clause to his employment contract. The size of the variable compensation is validated by the Compensation Committee.

Table 3: Attendance fees and other compensation paid to non-executive corporate officers

Attendance fees and other compensation paid to non-executive corporate officers			
Non-executive corporate officers		Amounts paid during the 2012 fiscal year	Amounts paid during the 2013 fiscal year
Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski	Attendance fees	€0	€0
	Other compensation	€0	€0
COFA-Invest represented by Marie Hélène Plais	Attendance fees	€0	€0
	Other compensation	€0	€0
Rainer Strohmenger	Attendance fees	€0	€0
	Other compensation	€0	€0
Luc Kerboull (1)	Attendance fees	€0	€0
	Other compensation	€0	€0
Seventure Partners represented by Emmanuel Fiessinger (2)	Attendance fees	€0	€0
	Other compensation	€0	€0
Jan Egberts	Attendance fees	€0	€0
	Other compensation	€0	€0
Brian Ennis (3)	Attendance fees	n/a	n/a
	Other compensation	n/a	n/a
Paula Ness Speers (4)	Attendance fees	n/a	n/a
	Other compensation	n/a	n/a
Auriga Partners represented by Philippe Peltier (non-voting member) (5)	Attendance fees	€0	€0
	Other compensation	€0	€0
Kreos Capital IV (UK) LTD represented by Maurizio Petitbon (non-voting member) (6)	Attendance fees	n/a	€0
	Other compensation	n/a	€0

(1) Resignation accepted at the Board of Directors' Meeting of 8 January 2014.

(2) Resignation accepted at the Board of Directors' Meeting of 15 October 2014 (with effect from 7 October 2014).

(3) Appointed to the Board of Directors on 8 January 2014 approved at the General Shareholders' Meeting of 10 June 2014.

(4) Appointed by the General Shareholders' Meeting of 10 June 2014.

(5) Resigned on 20 October 2014.

(6) Appointed by the General Shareholders' Meeting of 19 November 2013.

Table 4: warrants (BSA) or founders' warrants (BSPCE) granted to executive corporate officers by the Company or other Group companies in the fiscal years ended 31 December 2012 and 2013 and during the fiscal year 2014

Warrants (BSAs) and founders' warrants (BSPCEs) 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 05/2012 29/06/2012	Founders' warrant (BSPCE)	€2,617	6,890*	€10	Lapsed
	BCE 01/2014 08/01/2014 - 1	Founders' warrant (BSPCE)	€3,288	1,258*	€6.68	Until 08/01/2024
	BCE 01/2014 08/01/2014 - 4	Founders' warrant (BSPCE)	€359,206	137,414	€6.68	Until 08/01/2024
Eric Cloix – Chairman and Chief Executive Officer	BCE 05/2012 29/06/2012	Founders' warrant (BSPCE)	€744	1,960*	€10	Lapsed
Jean-Gérard Galvez - Chairman of the Board of Directors	BSA 09/2012 11/10/2012	Warrant (BSA)	€4,782	50,000*	€15	Until 11/10/2022
	BSA 01/2013 22/01/2013	Warrant (BSA)	€2,308	25,000*	€15	Until 22/01/2023
	BCE 01/2014 08/01/2014 - 4	Founders' warrant (BSPCE)	€105,330	40,294	€6.68	Until 08/01/2024
Denis Saint-Denis – Deputy Chief Executive Officer	BSA 05/12 29/06/2012	Warrant (BSA)	€390	3,785*	€15	Until 29/06/2022
	BCE 01/2014 08/01/2014 - 4	Founders' warrant (BSPCE)	€70,566	26,995	€6.68	Until 08/01/2024

** Following the reverse share split approved by the Extraordinary General Shareholders' Meeting of 19 July 2013, ten warrants entitle the holder to subscribe for one share with a par value of €0.15.*

Table 5: Warrants (BSA) or founders' warrants (BSPCE) exercised by executive corporate officers in the fiscal years ended 31 December 2012 and 2013

None.

Table 6: Free shares granted to executive corporate officers in the fiscal years ended 31 December 2012 and 2013

None.

Table 7: Free shares granted to executive corporate officers that have became available in the fiscal years ended 31 December 2012 and 2013

None.

Table 8: History of previous allocations of 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: Warrants (BSA) or founders' warrants (BSPCE) granted to or exercised by the top ten employees who are not corporate officers, and warrants exerciced by them

SHARE SUBSCRIPTION OPTIONS OR BSPCE GRANTED TO OR EXERCISED BY THE TOP TEN EMPLOYEES WHO ARE NOT DIRECTORS	Total number of options awarded/ shares subscribed or purchased	Weighted average subscription price per share	2014		2013		2012	
	Founders' warrants (BSPCE)	Founders' warrants (BSPCE)	Warrants (BSA)	Founders' warrants (BSPCE)	Warrants (BSA)	Founders' warrants (BSPCE)	Warrants (BSA)	Founders' warrants (BSPCE)
Options granted during the year by the issuer and all companies included within the scope of award of options to the ten employees of the issuer or any company included in this perimeter, for whom the number of options thereby granted is the highest (overall information)	39,827	6.68 €	-	39,827	-	-	-	-
Options held in the issuer and the companies referred to previously, exercised during the fiscal year by the ten employees of the issuer and of these companies, for whom the number of options thereby purchased or subscribed is the highest (overall information)	-	-	-	-	-	-	-	-

Table 10: Past free share allocations

None.

Table 11:

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

Executive Directors	Employment contract		Supplementary retirement schemes		Compensation or benefits due or likely to be due as a result of any termination or change of function		Compensation relating to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Ludovic Lastennet – CEO	X			X	X (1)		X (2)	
Start date of mandate:	First appointment: 27 November 2012							
Expiry date of mandate:	Not fixed							
Jean-Gérard Galvez, Chairman of the Board of Directors;		X		X		X		X
Start date of mandate:	First appointment: 6 April 2011							
Expiry date of mandate:	At the end of the General Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2015							
Denis Saint-Denis - Deputy CEO	X			X		X	X (3)	
Start date of mandate:	First appointment: 15 October 2014 with retroactive effect to 1 October 2014							
Expiry date of mandate:	Not fixed							

(1) The Company took out a GSC unemployment insurance policy for the Company's senior members beginning on 1 October 2014.

(2) Non-compete compensation is 60% of total compensation earned in the 12 months preceding departure. The Company's commitments were assessed at 31 December 2014 at €128,972.

(3) Non-compete compensation is 75% of the basic monthly salary (calculated on the basis of the most recent three months of activity) for 12 months. The Company's commitments were assessed on 31 December 2014 at €112,500.

Mr. Lastennet entered into an employment contract with the Company on 2 April 2007. He was appointed Chief Executive Officer during the Board of Directors' meeting of 27 November 2012, and the Board of Directors decided to retain him in his position as salaried Sales and Marketing Director inasmuch 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 2 January 2014. He was appointed as Deputy Chief Executive Officer during the Board of Directors' meeting of 15 October 2014, and the Board of Directors decided to retain him in his position as salaried CFO in as much as his employment contract relates to technical functions that are distinct from the functions exercised under his corporate office.

15.2. AMOUNTS PROVISIONED OR RECOGNIZED BY THE COMPANY OR ITS SUBSIDIARIES FOR THE PAYMENT OF PENSIONS, RETIREMENT BENEFITS OR OTHER BENEFITS PAYABLE TO ITS DIRECTORS AND EXECUTIVES.

Except for the mandatory legal retirement obligations set out in Note 13 to the IFRS financial statements on 31 December 2013 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 Directors.

15.3. WARRANTS AND FOUNDERS' WARRANTS

The table below shows a summary of all unlapsed securities or rights giving access to the Company's share capital at the Date of the Document de référence, of whatever type, issued by the Company to its Directors.

	$BSA_{09/11}$*	$BSA_{05/12}$*	$BSA_{09/12}$*	BSA_{2012}*	$BSA_{01/13}$*	$BSA_{01/2014}$	$BSPCE_{01/2014-1}$	$BSPCE_{01/2014-2}$	$BSPCE_{01/2014-3}$	$BSPCE_{01/2014-4}$	Number of potential shares issuable as a result of these rights**
Jean-Gérard Galvez	-	-	50,000	-	25,000	-	-	-	-	40,294	47,794
Ludovic Lastennet	-	-	-	-	-	-	1,258	-	-	137,414	138,672
Denis Saint-Denis	60,000	3,785	-	-	-	-	-	-	-	26,995	33,373
Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski	-	-	-	-	-	-	-	-	-	-	0
COFA-Invest represented by Marie Hélène Plais	-	-	-	-	-	-	-	-	-	-	0
Rainer Strohmenger	-	-	-	-	-	-	-	-	-	-	0
Brian Ennis	-	-	-	-	-	16,199	-	-	-	-	16,199
Jan Egberts	-	-	50,000	-	-	11,199	-	-	-	-	16,199
Paula Ness Speers	-	-	-	-	-	-	-	-	-	-	-

(1) Details of the terms and conditions of the plans shown above can be found in section 21.1.4 "Convertible or exchangeable securities or securities with warrants" of the Document de référence. The figures given are the number of shares that can be subscribed by exercising each of the rights or securities giving access to the share capital.

** Following the reverse share split approved by the Extraordinary General Shareholders' Meeting of 19 July 2013, ten warrants entitle the holder to subscribe for one share with a par value of €0,15.*

*** Allowing for the reverse share split.*

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 6 April 2011, the Board of Directors decided to separate the offices of Chairman of the Board of Directors and Chief Executive Officer. As a result, the Board of Directors is chaired by Jean-Gérard Galvez, Chairman of the Board of Directors, and Ludovic Lastennet, Chief Executive Officer, is responsible for the Company's general management. Ludovic Lastennet is assisted by Denis Saint-Denis, who was appointed Deputy Chief Executive Officer on 15 October 2014. The Chief Executive Officer and the Deputy Chief Executive Officer represent the Company in its dealings with third parties.

16.2. THE CONTRACTS BETWEEN THE COMPANY AND ITS EXECUTIVES.

With the exception of the employment contracts and service provider contracts listed in this section, there are no other contracts in force between the Group and a Director of the Company.

16.2.1. Employment contracts entered into between executives and the Company

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

Denis Saint-Denis entered into a permanent employment contract with the Company as its Chief Financial Officer on 2 January 2014.

16.2.2. Services agreements entered into between executives and the Company

16.2.2.1. Services agreements entered into between the Company and Ennitech LLC

The Company entered into a service agreemen with the US company Ennitech LLC, whose Chief Executive Officer is Brian Ennis. As the services provided constitute regulated agreements, they will by ratified by the annual General Shareholders' Meeting called to approve the accounts for the fiscal year ended 31 December 2014 and will be subject to a special report by the Company's statutory auditors.

Under this agreement, EnniTech LLC provides the Company with assistance and consulting services including, for example, the drafting of a two-year strategic plan aimed at developing the Company's sales in the US 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 flat rate per month of US$12,000 excl. tax. As of the Date of the *Document de référence*, the Company paid EnniTech LLC for services rendered under this agreement:

- US$60,000 excl. tax for fees for the period 1 starting on February 2014 and ending on 30 June 2014; and

- US$24,000 excl. tax for fees for the period starting on July 2014 and ending on August 2014.

16.2.2.2. Services agreement entered into between the Company and HM Conseils

The Company has also entered into an unwritten services agreement with HM Conseils, a limited liability company managed by Jean-Gérard Galvez. This agreement was ratified by the Company's General Shareholders' Meeting on 19 July 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 the preparation of documentation for the anticipated stock market listing.

HM Conseils provides these services for a flat rate per day of €1,500 excl. tax. From July 2013, the services provided by HM Conseils have been based on a fixed monthly fee of €5,000 excl. tax in accordance with the decisions of the Compensation Committee between July 2013 and January 2014.

As of the Date of the *Document de référence*, the Company had incurred the following costs under this contract:

- €13,500 excl. tax in fees for the period 31 March 2010 to 30 September 2010;
- €22,500 excl. tax in fees for the period 1 October 2010 to 2 May 2011;
- €18,000 excl. tax in fees for the period 3 May 2011 to 31 December 2011;
- €82,500 excl. tax in fees for the year 2012;
- €72,000 excl. tax in fees for the year 2013;
- €60.000 excl. tax in fees for the year 2014.

16.3. BOARD OF DIRECTORS AND SPECIAL COMMITTEES – CORPORATE GOVERNANCE

16.3.1. Board of Directors

For the fiscal year ended 31 December 2013, the Company's Board of Directors met 14 times with an average attendance rate of 80.4%. For the fiscal year ended 31 December 2014, the Company's Board of Directors met 8 times with an average attendance rate of 90.8%.

The composition of the Board of Directors and the information about its Members can be found in the developments described in Chapters 14 "Administrative, Management, Supervisory and Executive Bodies" and 21.2 "Act of Incorporation and Bylaws" of the *Document de référence*.

Directors may be paid attendance fees, which are granted to the Directors based on their attendance at the Board of Directors'meetings and their participation to the Special Committees.

Internal rules were adopted on 11 April 2013 and amended on 21 May 2013 to define the guidelines for 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 agree to maintain independence in analysis, judgment and action and to actively participate in the work of the Board. They will inform the Board of Directors of any conflicts of interest that may arise. Moreover, the rules of procedure refer to the current regulations on the disclosure and use of inside information and specify that the Directors must refrain from trading Company securities when they have inside information. Members of the Board of Directors are required to report any direct or indirect trading in the securities of the Company to the Company and to the French Financial Markets Authority (the AMF).

The Company believes that Paula Ness Speers, Brian Ennis and Jan Egberts meet the criteria for independent Directors as defined by the MiddleNext Corporate Governance Code for Small and Medium Capitalization as published in December 2009 and approved as code of practive 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 Director or reference shareholder; and
- have not been Company auditors in the course of the previous three years.

16.3.2. Special Committees

16.3.2.1. Audit Committee

16.3.2.1.1. Composition

On 8 January 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 internal rules 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, Director; and
- Jan Egberts, Director.

16.3.2.1.2. Roles and responsabilities

The Audit Committee's responsability 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 responsabilities of the Audit Committee include:

- monitoring the preparation of the financial information;
- monitoring the efficiency of the internal control and risk management systems;
- monitoring the audit of the annual accounts and consolidated accounts by the Statutory auditors;
- issuing a recommendation on the Statutory auditors nominated for appointment at the General Shareholders' Meeting and reviewing their compensation terms;
- monitoring the independence of the Statutory auditors;
- Checking the progress of any major disputes on a regular basis; and
- in general, offering any relevant advice and recommendations on the points listed above.

16.3.2.1.3. Operating procedures

The Audit Committee meets at least twice a year, according to a schedule set by its Chairman, to examine the consolidated annual, half-yearly and, where appropriate, quarterly financial statements, following an agenda decided by its Chairman and sent to the Audit 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 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 fall under 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 controlling the financial statements (Chief Financial Officer or the main Finance Division managers).

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

16.3.2.1.4. Reports

The Chairman of the Audit Committee ensures that its operating reports providethe 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 internal rules, amended by a decision of the Board of Directors on 7 June 2013, as described below. Where possible, this committee is composed of at least two Members of the Board of Directors appointed by the Board of Directors.

It is hereby stated, for whatever purpose it may serve, that no Member of the Board of Directors exercising a management function within the Company can be a member of the Compensation Committee.

As of the Date of the Document de référence, the members of the Compensation Committee are:

- Jean-Gérard Galvez, Chairman of the Board of Directors;
- Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski, Member of the Board of Directors; and
- Brian Ennis, Member of the Board of Directors.

16.3.2.2.2. Roles and responsabilities

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 non-executive corporate officers not members of the Board of Directors, including free share plans and share subscription and purchase options;
- to examine the compensation of the non-executive corporate officers 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 plan, benefits in kind, and the other financial benefits of the Directors, including in the event of the termination their duties. 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 Directors;
- 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 by two of its members, or by the Board of Directors.

The non-executive coporate officers who are not members of the Compensation Committee may freely 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 present his 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 manager with the expertise required to handle a specific agenda item. The Chairman of the Compensation Committee or of the meeting will highlight the confidentiality obligations incumbent on all attendees.

The Compensation Committee met once during fiscal year 2013 and once during fiscal year 2014.

16.3.2.2.4. Reports

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

The annual report will include a summary on the Committee's work over the year.

One of the duties of the Compensation Committee is to examine the Company's draft report on directors' compensation.

16.4. CORPORATE GOVERNANCE DECLARATION

In the interests of transparency and public information and in order to comply with the requirements of Article L. 225-37 of the French Commercial Code, the Company has adopted the MiddleNext Corporate Governance Code for Small and Midcapitalizations companies, published in December 2009 as its reference for governance guidelines.

The table below lists the different recommendations of the Corporate Government Code for Small and Midcapitalizations companies and indicates whether or not the Company complies with them as of the Date of the Document de référence:

MiddleNext Code recommendations	Compliant	Non-compliant
I. Executive Power		
R 1: Combination of an employment contract with a Director position	X(1)	
R 2: Definition and transparency of the compensation of executive corporate officers	X	
R 3: Severance pay	X	
R 4: Supplementary retirement schemes	X	
R 5: Stock options and free shares		X(2)
II. Supervisory Power		
R 6: Introduction of Board's internal rules	X	
R 7: Ethics of Members of the Board of Directors	X	
R 8: Composition of the Board - Independent directors	X	
R 9: Choice of the Members of the Board of Directors	X	
R 10: Term of office of the Members of the Board of Directors	X	
R 11: Information of the Members of the Board of Directors	X	
R 12: Creation of committees	X	
R 13: Board and committee meetings	X	
R 14: Compensation of Members of the Board of Directors	X	
R 15: Introduction of Board evaluation		X(3)

(1) The Board of Directors has authorized the Chief Executive Officer and the Deputy Chief Executive Officer to hold both an employment contract and a Director position, in view of the size of the Company and the distinct technical functions exercised by these individuals in accordance with their respective employment contracts.

(2) To date, the Company has not attached any performance conditions to the exercise of the Founders' warrants (BSPCE) granted to some of its executives since its stock market listing. The Company does, however, intend to adhere to this recommendation for any profit-sharing instruments that may be granted to executives in the future.

(3) At this point, the Company did not comply with this MiddleNext Code recommendation during fiscal year 2014. Such an evaluation has not been deemed necessary to date as the Company's Board of Directors' meetings have always run smoothly. Likewise, no complaints about the preparation and organization of the work of the Board of Directors were recorded during fiscal year 2014 or for any of the previous fiscal years. The Company is, however, currently studying the implementation of a formalized method of evaluating the operations of the Board of Directors and this is expected to be put in place shortly.

16.5. REPORT ON INTERNAL CONTROL

In accordance with Article 222-9 of the General Regulations of the French Financial Markets Authority (AMF) and in application of Article L. 225-37 of the French Commercial Code (see Notes to the *Document de référence*), the Chairman of the Board of Directors delivers 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 of the *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, allowing it to monitor the budget very closely.

The Company draws up "monthly reports" including an operating account, a balance sheet and cash forecasts. These reports are submitted to the Management Committee comprising Ludovic Lastennet (Chief Executive Officer), Denis Saint-Denis (Deputy Chief Executive Officer and Chief Financial Officer), Régis Le Couedic (Research and Development Director), Alain Meunier (Clinical & Scientific Affairs Director) and Franck Laporte (Operations Director).

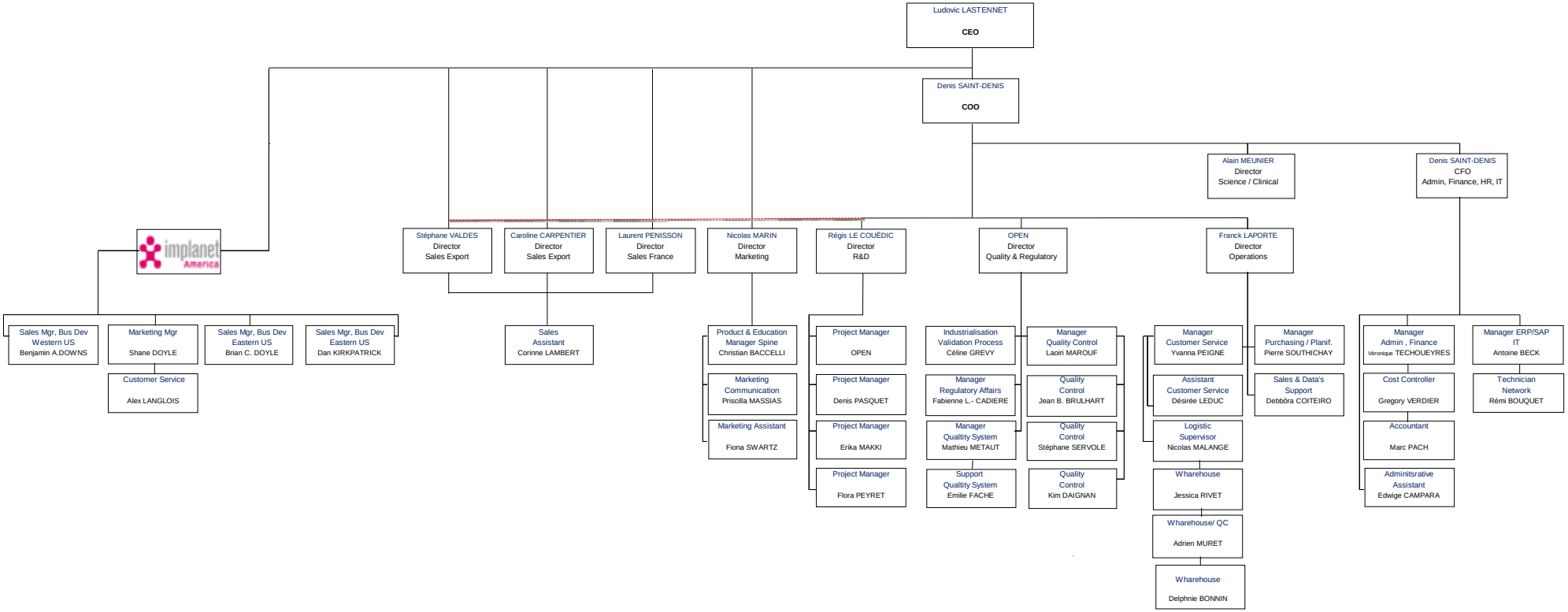
Delegation of powers

Each cost center manager has a capped expenditure authorization, which must be approved by the Company's general management as soon as the threshold is reached. These purchase requests are then checked off against the invoices and delivery notes for the goods before payment is approved.

17. EMPLOYEES

17.1. NUMBER OF EMPLOYEES BY FUNCTION

17.1.1. Organizational chart



The Group's principal managers all have long experience in their fields (see section 6.10.1 of the *Document de référence*).

17.1.2. Number and breakdown of employees

As at the end of the periods shown, the Group's employees by category were as follows:

Name	Year		
	2012	**2013**	**2014**
Administrative	4	7	8
Sales & Marketing "General orthopedics"	4	4	5
Sales & Marketing "Jazz"	2	2	8
Operational	9	8	10
Compliance & Quality	8	9	8
Research & Development	4	5	6
Total	**31**	**35**	**45**

As at December 31, 2014, Implanet had 39 employees in France and 6 in the United States.

17.2. MANAGEMENT SHAREHOLDINGS AND STOCK OPTIONS

See Chapter 15 – Administrative, management and supervisory bodies and general management of the *Document de référence*.

17.3. EMPLOYEE SHAREHOLDINGS

Some employees hold warrants (BSAs) and/or founders' warrants (BSPCEs) entitling them to a 5.30% stake in the Company's share capital assuming all are exercised (see sections 21.1.4.1 and 21.1.4.2).

17.4. INCENTIVES AND PROFIT-SHARING AGREEMENTS

None.

18. PRINCIPAL 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*.

	Situation as of the *Document de référence* on a non diluted basis		Situation as of the Date of the *Document de référence* on a fully diluted basis			
	Number of shares	% of share capital and the voting rights	Number of shares that may be subscribed uponexercise of warrants (BSA)*	Number of shares that may be subscribed uponexercise of founders' warrants (BSPCE)	Number of shares after exercise of warrants (BSA and founders' warrants (BSPCE))	% of the share capital and the voting rights after exercise of warrants (BSA and BSPCE)**
Founders and historical investors	**437.050**	**8.09%**	**646**	**1,444**	**439,140**	**7.50%**
Seventure Partners	366,763	6.79%			366,763	6.26%
Cofa-Invest	153,388	2.84%			153,388	2.62%
Auriga Partners	555,657	10.29%			555,657	9.49%
EDRIP	604,004	11.19%			604,004	10.32%
Kreos Capital IV (Expert Fund) Limited			65,000		65,000	1.11%
Champeil Asset Management	1,000	0.02%			1,000	0.02%
Financial investors	**1,680,812**	**31.13%**	**65,000**		**1,745,812**	**29.82%**
Directors, employees and consultants	**90,135**	**1.67%**	**62,776**	**325,986**	**478,897**	**8.18%**
Other shareholders	**339**	**0.01%**			**339**	**0.01%**
Free float	**3,191,186**	**59.10%**			**3,191,186**	**54.50%**
Total	**5,399,522**	**100%**	**128,422**	**327,430**	**5,855,374**	**100%**

** Excluding any shares created by exercise of the warrants issued under the equity credit line with Kepler Cheuvreux.*
*** The percentage of voting rights is equal to the percentage of share capital held.*

- **Seventure Partners**

Seventure Partners is a venture capital firm approved by the AMF, which manages several funds investing in the electronic, telecoms, software and internet sectors, as well as in life sciences.

- **COFA Invest**

COFA Invest is a business angel headed by Marie-Hélène Plais. In 1999, Marie-Hélène was involved in setting up the Cotrel foundation for research in spinal disease, under the auspices of the *Institut de France*, and she became a member of the Board of Directors and a scientific adviser to the foundation.

- **Auriga Partners**

Auriga Partners is a venture capital firm approved by the AMF, which manages several funds investing in the IT, communication and life sciences sectors.

- **Edmond de Rothschild Investment Partners (EDRIP)**

Edmond de Rothschild Investment Partners is a venture capital firm approved by the AMF. It manages €980 million through specialized funds and is a leader in the French market for taking non-controlling stakes in unlisted companies. The fund invests in three areas: growth capital mid-caps, life sciences and growth capital small caps.

- **CM-CIC Capital Privé**

CM-CIC Capital Privé is a venture capital firm approved by the AMF, which manages €380 million through several specialized funds investing in the SMEs and innovative companies with proven market positions and the potential to grow fast. CM-CIC is a subsidiary of CM-CIC Capital Finance.

- **Wellington Partners Venture Capital**

Wellington Partners Venture Capital manages €800 million through a number of European funds with specific investment strategies in the life sciences and technology sectors.

18.2. MAIN SHAREHOLDERS NOT REPRESENTED ON THE BOARD OF DIRECTORS

As of the Date of the *Document de référence*, the funds managed by Auriga Partners, Seventure Partners and CM-CIC Capital Privé all held more than 5% of the Company's share capital And are not represented on the Board of Directors.

18.3. VOTING RIGHTS OF THE MAIN SHAREHOLDERS

As of the Date of the *Document de référence*, the voting rights of each shareholder were equal to the number of shares held by each of them. No double voting rights have been instituted.

18.4. CONTROL OF THE COMPANY

As ofthe 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 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 PLEDGE AS COLLATERAL

None.

19. RELATED-PARTIES TRANSACTIONS

19.1. INTRA-GROUP TRANSACTIONS

Implanet America Inc., the Company's only subsidiary, was incorporated in New York State in February 2013. It began operations at the end of the first half of 2013.

See 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. Service provider agreement between the Company and Ennitech LLC

The Company has concluded a service provider agreement with the US company Ennitech LLC, whose Chief Executive Officer is Brian Ennis. As the services provided constitute regulated agreements, they will by ratified by the annual General Shareholders' Meeting called to approve the accounts for the fiscal year ended 31 December 2014 and will be the subject of a special report by the Company's Statutory auditors.

Under this agreement, EnniTech LLC will provide the Company with support and consultancy services including, for example, the drafting of a two-year strategic plan aimed at developing the Company's sales in the American market, identifying business partners in the United States, identifying opinion leaders who could sit on the Company's scientific board, helping with the selection of reference centers in order to offer them surgeon training programs.

EnniTech provides these services for a fixed monthly fee of US$12,000 excl. VAT. As of the Date of the *Document de référence*, the Company had paid EnniTech LLC for services rendered under this agreement:

- US$60,000 excl. VAT for fees for the period 1 February 2014 to 30 June 2014; and
- US$24,000 excl. VAT for fees for the period July 2014 to August 2014.

19.2.2. Service provider agreement between the Company and HM Conseils

The Company has also entered into an unwritten service provider agreement with HM Conseils, a limited liability company with Jean-Gérard Galvez as its Managing Director. This agreement was ratified by the Company's General Shareholders' Meeting on 19 July 2013 and was the subject of a special report by the Company's Statutory auditors' (see section 19.3 of the *Document de référence*) prepared for this purpose.

Under this agreement, HM Conseils will provide the Company with support and consultancy services including, for instance, the preparation and definition of the Company's various budgets, definition of the Company's strategy in relation to the rollout of its operations in the United States, identifying and selecting investment banks, as well as preparation of documentation for the Company's stock market listing.

HM Conseils provides these services for a fixed monthly fee of €5,000 excl. VAT which was set by the Compensation Committee in July 2013 and confirmed by the same Committee in January 2014. Until July 2013, compensation was based on a daily rate of €1,500 excluding VAT.

As of the Date of the *Document de référence*, the Company had incurred the following payments to HM Conseils under this agreement:

- €82,500 excl. VAT in fees for the year 2012;
- €72,000 excl. VAT in fees for the year 2013;
- €60,000 excl. VAT in fees for the year 2014.

19.3. STATUTORY AUDITORS' SPECIAL REPORTS ON REGULATED AGREEMENTS

19.3.1. Statutory auditors' special report on regulated agreements for the fiscal year ended 31 December 2013

"To the shareholders,

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

No new agreements or commitments were reported to us as having been authorized during the past year and requiring approval at the General Shareholders' Meeting under Article L. 225-38 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED AT THE GENERAL SHAREHOLDERS' MEETING

Agreements and commitments approved during the past year

We were informed of the implementation during the past year of the following agreement, which was approved at the General Shareholders' Meeting of 19 July 2013, on the basis of the Statutory auditors' special report issued on 4 July 2013.

Agreement with HM Conseils

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

Nature and purpose: A consultancy agreement made on 31 March 2010 between Implanet and HM Conseils.

Terms and conditions: for consulting and coaching services provided to the Company's management during the year ended 31 December 2013, HM Conseils was paid fees of €72,000 excl. VAT.

Lyon and Paris-La Défense, 19 March 2014

The Statutory auditors

INKIPIO AUDIT	**ERNST & YOUNG Audit**
Clément Albrieux	Franck Sebag"

19.3.2. Statutory auditors' special report on regulated agreements submitted to the Combined Shareholders' Meeting of 19 July 2013

"To the shareholders,

In our capacity as Statutory auditors of your Company, we hereby report on a previously unauthorized regulated agreement made in accordance with Articles L. 225-42 and L. 823-12 of the French Commercial Code.

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 and why the authorization process was not followed. We are not required to comment as to whether they are beneficial or appropriate or to establish whether any other agreements exist. It is your responsibility under Article R. 225-31 of the French Commercial Code, to assess the benefits resulting from these agreements and decide whether to approve them.

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.

We have been informed of the following agreement made during the year ended 31 December 2010, which has not been submitted for approval at the General Shareholders' Meeting.

Agreement with HM Conseils

Person concerned

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

Nature and purpose

A consultancy agreement made on 31 March 2010 between Implanet and HM Conseils.

Terms and conditions

For consulting and coaching services provided to the Company's management, at a daily rate of €1,500 excl. tax, HM Conseils was paid:

- €13,500 excl. tax in fees for the period 31 March 2010 to 30 September 2010;
- €22,500 excl. tax in fees for the period 1 October 2010 to 2 May 2011;
- €18,000 excl. tax in fees for the period 3 May 2011 to 31 December 2011;
- €82,500 excl. tax in fees for the year 2012.

Due to an oversight by the Board of Directors, the abovementioned agreement was not previously authorized as required by Article L. 225-38 of the French Commercial Code.

Paris-La Défense 4 July 2013

The Statutory auditors
ERNST & YOUNG Audit

Franck Sebag"

19.3.3. Statutory auditors' special report on regulated agreements for the year ended 31 December 2012

"To the shareholders,

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

In accordance with Article L. 225-40 of the French Commercial Code, we were informed of the following agreements that were previously approved by your Board of Directors.

We are not required to establish whether any other agreements exist but to inform you, on the basis of the information provided to us, of the key terms and conditions of those agreements indicated to us. We are not required to comment as to whether they are beneficial or appropriate. It is your responsibility under Article R. 225-31 of the French Commercial Code, to assess the benefits resulting from these agreements and decide whether to approve them.

We carried out our work in accordance with professional standards applicable in France; these require us to verify that the information provided to us is consistent with the documentation from which it has been taken.

1. New agreements

No new agreements that would be subject to Article L. 225-38 of the French Commercial Code were reported to us as having been made during the year.

2. Previous agreements which remained in force during the year

In accordance with the French Commercial Code, we were informed that the following agreements approved in previous years remained in force during the past year.

Insurance policies benefiting the Chairman and Chief Executive Officer and Directors

The private unemployment insurance policy (*Garantie Sociale des Chefs d'Entreprise*, or "GSC") taken out on behalf of Erick Cloix, with contributions in the A/B/C tranches incurred premiums for the Company of €15,002 in the year ended 31 December 2012. The policy was canceled on 27 November 2012.

Erick Cloix also benefited from a health insurance policy with Generali costing up to €3,000 annually, a life insurance policy with Axa costing up to €5,000 annually (at the rate of 2% of tranche A and 3% of tranches B and C) and retirement insurance with Mederic.

In the year ended 31 December 2012, contributions paid by your Company were as follows:

- Generali health insurance: €1,960.42;
- Axa life insurance: €4,925.67;
- Mederic retirement insurance: €23,697.95.

As of 31 December 2012, the Directors' Civil Liability insurance authorized at the Board of Directors' Meetings of 23 February and 24 May 2007 incurred a charge to the Company of €2,126.37.

Paris, 15 April 2013

Cabinet Roche Mameri & Azoulay

Michael Azoulay"

20. FINANCIAL INFORMATION CONCERNING THE ASSETS, FINANCIAL SITUATION AND RESULTS OF THE COMPANY

20.1. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS FOR THE YEAR ENDED 31 DECEMBER 2013

20.1.1. Statement of financial position

IMPLANET Statement of financial position	Notes	31/12/2013	31/12/2012
ASSETS			
Intangible fixed assets	3	686,335	923,507
Property, plant and equipment	4	1,387,554	2,489,380
Other non-current financial assets (1) (2)	5	9,280,311	334,988
Deferred tax assets		-	-
Total non-current assets		11,354,200	3,747,875
Inventories	6	4,116,925	5,114,358
Trade receivables and related accounts	7.1	2,337,119	2,015,056
Other receivables	7.2	1,149,221	808,040
Current financial assets (2)	5	2,001,091	-
Tax assets due		-	-
Cash and cash equivalents	8	2,965,534	86,663
Total current assets		12,569,890	8,024,117
Assets intended for disposal		-	-
Total Assets		**23,924,090**	**11,771,992**
LIABILITIES			
Shareholders' equity			
Share capital	10	8,099,283	29,556,037
Paid-in capital	10	12,332,242	4,738,744
Translation reserve	10	11,374	-
Other comprehensive income	10	1,181	(10,239)
Reserves - Group share	10	267,843	(25,328,495)
Profit/(loss) - Group share	10	(6,843,456)	(4,276,635)
Shareholders' equity		**13,868,467**	**4,679,411**
Interests not conferring control		-	-
Total shareholders' equity		**13,868,467**	**4,679,411**
Non-current liabilities			
Amounts due to personnel	13	34,802	37,477
Non-current financial liabilities	12	3,211,750	903,329
Derivative liabilities		-	-
Operating liabilities and other non-current liabilities		-	-
Provisions and other non-current liabilities		-	-
Derivative liability	12	78,838	-
Deferred tax liabilities		-	-
Non-current liabilities		**3,325,391**	**940,806**
Current liabilities			
Amounts due to personnel		-	-
Current financial liabilities	12	2,703,256	1,506,774
Provisions	14	144,631	376,800
Trade payables and related accounts	15.1	3,216,886	3,679,716
Tax and social security liabilities	15.2	663,595	588,485
Other payables and miscellaneous debt		1,864	-
Current liabilities		**6,730,232**	**6,151,775**
Liabilities relating to assets intended for disposal		-	-
Total Liabilities		**23,924,090**	**11,771,992**

20.1.2. Income Statement

IMPLANET Income Statement	Notes	31/12/2013 *12 months*	31/12/2012 *12 months*
Revenues	16	6,690,382	6,646,788
Cost of sales	17.1	(4,180,245)	(4,466,190)
Gross margin		**2,510,137**	**2,180,598**
Research and Development expenses			
Research and Development expenses	17.3	(1,205,132)	(700,804)
Subsidy	17.3	274,846	211,217
Cost of regulatory affairs and quality assurance			
Cost of regulatory affairs and quality assurance	17.4	(1,029,536)	(469,956)
Subsidy	17.4	27,530	19,282
Sales and Marketing expenses			
Sales and Marketing expenses	17.2	(2,315,606)	(2,661,790)
Subsidy	17.2	100,000	-
Operating costs	17.5	(2,401,765)	(794,736)
General and administrative expenses	17.6	(2,456,126)	(1,931,468)
Other income		1,434	2,443
Other expenses		(1,646)	(1,412)
Operating net income		**(6,495,864)**	**(4,146,626)**
Financial expenses	19	(489,215)	(119,567)
Financial income	19	13,352	-
Changes in the fair value of the derivative	19	135,286	-
Foreign exchange gains and losses	19	(7,015)	(10,442)
Net income before taxes		**(6,843,456)**	**(4,276,635)**
Tax expense		-	-
Net income for the period from continuing operations		**(6,843,456)**	**(4,276,635)**
Income from discontinued operations		-	-
Net income		**(6,843,456)**	**(4,276,635)**
Group share		*(6,843,456)*	*(4,276,635)*
Interests not conferring control		-	-
Weighted average number of shares in circulation		3,196,648	29,556,037
Basic net earnings per share (€/share)	22	**(2.14)**	**(0.14)**
Diluted net earnings per share (€/share)	22	**(2.14)**	**(0.14)**

20.1.3. Statement of Comprehensive Income

IMPLANET - IFRS Statement of Consolidated Comprehensive Income	31/12/2013 in euros	31/12/2013 in euros
Net income for the year	(6,843,456)	(4,276,635)
Cash flow hedge		
Actuarial differences (non-recyclables)	11,421	(11,441)
Assets available for sale		
Consolidation translation differences	11,374	-
Tax effects related to these items		
Other comprehensive income (net of taxes)	22,794	(11,441)
Comprehensive Income	**(6,820,662)**	**(4,288,076)**
Group share	*(6,820,662)*	*(4,288,076)*
Interests not conferring control	-	-

20.1.4. Changes in shareholders' equity

IMPLANET Changes in shareholders' equity	Share capital *Number of shares*	Share capital	Additional paid-in capital	Reserves and net income	Translation differences	Actuarial differences	Shareholders' equity - Group share	Interests not conferring control	Shareholders' equity
		€	€	€	€	€	€	€	€
At 31 December 2011	*29,556,037*	**29,556,037**	**4,702,016**	**(25,399,849)**	**-**	**1,202**	**8,859,406**	**-**	**8,859,406**
2012 net income				(4,276,635)			(4,276,635)		(4,276,635)
Other comprehensive income						(11,441)	(11,441)		(11,441)
Comprehensive Income		-	-	(4,276,635)	-	(11,441)	(4,288,076)	-	(4,288,076)
Dividends							-		-
Issue of shares							-		-
Subscription of warrants (BSAs)			36,729				36,729		36,729
Share-based payments				71,354			71,354		71,354
Other							-		-
At 31 December 2012	*29,556,037*	**29,556,037**	**4,738,744**	**(29,605,130)**	**-**	**(10,239)**	**4,679,412**	**-**	**4,679,412**
2013 net income				(6,843,456)			(6,843,456)		(6,843,456)
Other comprehensive income					11,374	11,421	22,794		22,794
Comprehensive Income		-	-	(6,843,456)	11,374	11,421	(6,820,662)	-	(6,820,662)
Dividends							-		-
Effect of the reverse share split	*(26,600,436)*								
Issue of shares	*1,959,262*	2,938,892	11,167,776				14,106,668		14,106,668
Conversion of bonds	*484,659*	726,989	3,730,905				4,457,894		4,457,894
Deduction of the negative retained earnings from the share capital		(25,122,634)	(4,738,744)	29,861,379			0		0
Subscription of warrants (BSAs)			4,396				4,396		4,396
Liquidity contract			(157,583)				(157,583)		(157,583)
Share-based payments				11,595			11,595		11,595
Costs related to the planned stock market introduction			(2,413,252)				(2,413,252)		(2,413,252)
Other							-		-
At 31 December 2013	*5,399,522*	**8,099,283.3**	**12,332,243**	**(6,575,613)**	**11,374**	**1,181**	**13,868,468**	**-**	**13,868,468**

20.1.5. Cash flow statement

IMPLANET - IFRS Consolidated cash flow statement	Notes	31/12/2013	31/12/2012
Cash flow generated from operations			
Net income from continuing operations		(6,843,456)	(4,276,635)
Net income from discontinued operations		-	-
Net income		(6,843,456)	(4,276,635)
(-) Elimination of amortization of intangible assets	3	(296,729)	(165,194)
(-) Elimination of depreciation on property, plant and equipment	4	(1,427,852)	(1,394,024)
(-) Allocations to provisions	14	(153,377)	(32,684)
(-) Reversals of provisions		376,800	50,000
(-) Expense related to share-based payments	11	(11,595)	(71,354)
(-) Taxes paid		-	-
(-) Gross financial interest paid		(52,018)	(88,782)
(-) Capitalized financial interest		(38,958)	
(-) Change in deferred taxes		-	-
(-) Change in the fair value of the derivative		135,286	
(-) Capital gains or losses on disposals of fixed assets		(68,083)	(10,347)
(-) Subsidy transferred to net income		100,000	-
Other		(83,475)	(28,721)
Cash flow before cost of net financial debt and taxes		**(5,323,456)**	**(2,535,530)**
(-) Change in the working capital requirement (net of impairment of trade receivables and inventories)		56,671	1,452,902
Cash flow generated from operations		(5,380,127)	(3,988,432)
Cash flow generated from capital investment			
Acquisition of intangible fixed assets	3	(59,558)	(216,768)
Capitalization of development expenses	3	-	(603,010)
Acquisition of property, plant and equipment	4	(394,109)	(1,414,057)
Demobilization of term accounts classed as other current and non-current financial assets			
Subscription of term accounts classed as other non-current financial assets		(8,500,000)	(300,000)
Subscription of term accounts classed as other current financial assets		(2,000,000)	-
Disposals of fixed assets		-	236,469
Investment flows relating to the disposal of the BEEP'n TRACK business net of costs		-	7,330,176
Other investment flows (change in the liquidity contract)		(400,000)	
Cash flow related to investment operations		(11,353,667)	5,032,810
Cash flow related to financing operations			
Capital increase net of conversion of bonds into shares	10	14,106,668	-
Subscription of warrants (BSAs)	10	4,396	36,729
Costs related to the planned stock market introduction		(2,413,252)	
Receipt of advances and conditional subsidies	12	100,000	-
Issue of KREOS bonds net of costs	12	4,887,500	-
Deposit on KREOS bonds		(190,735)	
Gross financial interest paid		(52,018)	(88,782)
Issue of convertible bonds/bonds redeemable in shares	12	4,418,938	
Repayment of loans and conditional advances	12	(394,268)	(650,000)
Repayment of finance leases	12	(585,250)	(557,424)
Other financing flows (factoring)	12	(28,159)	(245,722)
Cash flow related to financing operations		19,853,819	(1,505,199)
Impact of variations in exchange rates		-	-
Increase (reduction) in cash		3,120,026	(460,821)
Cash and cash equivalents at the start of the year (including overdraft facilities)		(154,492)	306,329
Cash and cash equivalents at the year end (including overdraft facilities)		2,965,534	(154,492)
Increase (reduction) in cash		3,120,026	(460,821)

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

Details of the change in the working capital requirement for continuing operations	31/12/2013	31/12/2012
Other non-current assets	5,004	3,452
Inventories (net of inventory impairment)	(997,433)	731,575
Trade receivables and related accounts (net of impairment of trade receivables)	322,063	730,782
Other receivables	341,181	(56,465)
Other current financial assets	-	-
Income taxes recoverable	-	-
Operating liabilities and other non-current liabilities	-	-
Trade payables and related accounts	462,830	(218,791)
Tax and social security liabilities	(75,110)	145,649
Other payables and miscellaneous debt	(1,864)	116,700
Total changes	56,671	1,452,902

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 forming an integral part of the financial statements presented for the years ended 31 December 2013 and on 31 December 2012.

The consolidated financial statements of Implanet were approved by the Board of Directors on 13 February 2014 and authorized for publication.

1.1 Information relating to the Company and its business

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

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

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

Implanet has been listed on the regulated Euronext market in Paris since 25 November 2013.

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

Trade and Company Register number (RCS): 493 845 341 - Bordeaux

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

1.2 Significant events

Year ended 31 December 2013

November 2013

- In order to be able to finance (1) its various research and development projects, (2) the acceleration of commercial development for its JAZZ implant range, and (3) the Company's working capital requirement as well as the payment of its loan installments and, more generally, its financial commitments, the Company was floated on the regulated Euronext market in Paris, compartment C, on 25 November 2013. The total gross proceeds of the issue amounted to approximately €14 million. 1,959,259 new shares were issued as part of the offer. See Note 10.

July 2013

- Issue of bonds to Kreos for a total amount of €5,000 thousand. On 19 July 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 share warrants in favor of Kreos and the pledge of the Company's business goodwill in favor of Kreos.

- Issue of Bonds Convertible into Shares (*Obligations Convertibles en Actions* - "OCA") for an amount of €1,875 thousand in May 2013 and €1 million in July 2013. These convertible bonds were automatically converted into shares (principal) at the time of the stock market introduction. See Note 12.4.

- Reduction of capital and reverse share split. At the time of the General Shareholders' Meeting of 19 July 2013, Implanet carried out a share capital reduction by absorption of prior losses and a reverse share split. See Note 10. Following these transactions, the share capital amounts to €4,433,406 divided into 2,955,604 shares, each with a par value of €1.50.

First half of 2013

- The first surgical spinal procedures in the United States using JAZZ (posterior fixation and spinal deformation reduction system by means of a polymer sub-laminar band and a metallic connector) were carried out at the end of June 2013.

- At the end of February 2013, the Company created a distribution subsidiary in the United States, in New York State. The corporate name of this entity is Implanet AMERICA, INC. and it is included in the consolidated financial statements at 31 December 2013.

Issue of Bonds Redeemable in Shares (*Obligations Remboursables en Actions* - "ORA") for an amount of €1,544 thousand in January 2013. These bonds were automatically redeemed in shares (principal and interest) at the time of the stock market listing. See Note 12.4.

Year ended 31 December 2012

- In October 2012, the business obtained FDA approvals (510(k)) for its Spinal products:
    - ISS CALYPSO: posterior thoracolumbar spinal fixation system;
    - JAZZ: posterior fixation and spinal deformation reduction system by means of a polymer sub-laminar band and a metallic connector.

1.3 Subsequentevents

- The Company decided to gradually withdraw from sectors considered to be non-strategic and with low profitability profiles. The Company will thus gradually withdraw from the hip prosthesis market in 2014. This decision resulted in the impairment in the financial statements of all products in the “hip” range.

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.

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 31 December 2012, 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 1 January 2013:

Standards, amendments to standards and interpretations applicable with effect from the fiscal year starting on 1 January 2013

The Company has applied the following new standards, amendments to standards and interpretations with effect from the start of the 2013 fiscal year:

- Amendments to IAS 1 – Presentation of the financial statements – presentation of other items of comprehensive income (applicable at the latest to fiscal years commencing with effect from 1 July 2012);
- Amendments to IAS 12 - Deferred tax: recovery of underlying assets (applicable at the latest to fiscal years commencing with effect from 1 January 2013);
- Amendments to IAS 19 – Post-employment benefits - Recognition of defined benefit plans (applicable at the latest to fiscal years commencing with effect from 1 January 2013 and applied early by the Company for all the fiscal years presented);
- Amendments to IFRS 7 – Financial instruments: Disclosures – Offsetting financial assets and financial liabilities (applicable at the latest to fiscal years commencing with effect from 1 January 2013);
- IFRS 13 – Fair value measurement (applicable at the latest to fiscal years commencing with effect from 1 January 2013);
- Amendments to IFRS 1 – Severe hyperinflation and removal of fixed dates for first-time adopters;
- Amendments to IFRS 1 – Government loans;
- Annual Improvements 2009-2011 Cycle (published on 17 May 2012).

These new texts published by the IASB have not had any significant impact on the Company's financial statements.

Standards and interpretations which have been published but not yet come into force

- Amendments to IAS 32 – Financial instruments: Presentation – Offsetting financial assets and financial liabilities;
- IFRS 10 – Consolidated financial statements;
- IFRS 11 – Joint agreements;
- IFRS 12 – Disclosure of interests in other entities;
- IAS 27 Revised – Separate financial statements;
- IAS 28 Revised (2011) – Investments in associates and joint ventures;
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – transition arrangements;
- IFRS 9 – Financial instruments - Amendments to IFRS 9 and IFRS 7: postponement of the effective date and transition disclosures;
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition;
- Amendments to IAS 36 – Recoverable amount disclosures for non-Financial assets;
- Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting;
- Annual improvements 2010-2012 and 2011-2013 cycles (published on 12 December 2013).

The Company is currently in the process of the assessing the impacts resulting from the first application of these new texts. It does not anticipate any significant impact on its financial statements.

2.2 Change of accounting method

With the exception of the new texts identified above, Implanet has not made any changes to its accounting methods in respect of the fiscal year ended 31 December 2013.

2.3 Use of judgments and estimates

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

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

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

- award of share subscription or founders' warrants to the employees, executives and external service providers:
    - the determination of the fair value of share-based payment is based on the Black & Scholes option valuation model, which takes into account assumptions about complex and subjective variables. In particular, these variables include the value of the Company's shares, the expected volatility of the share price over the lifetime of the instrument as well as the current and future behavior of the holders of these instruments. There exists a high inherent subjectivity risk arising from the use of an option valuation model for the determination of the fair value of payments based on shares in accordance with IFRS 2,
    - the valuation assumptions used are presented in Note 11;

- determination of the fair value of the derivative liability:
    - the determination of the fair value of the derivative liability is based on the Black & Scholes option valuation model, which takes into account assumptions about complex and subjective variables. In particular, these variables include the value of the Company's shares and the expected volatility of the share price over the lifetime of the instrument. There exists a high inherent subjectivity risk arising from the use of an option valuation model for the determination of the fair value of the derivative liability in accordance with IAS 39,
    - the valuation assumptions used are presented in Note 12;

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

- the accounting principles and the amount of the capitalized costs are presented in Notes 2.7 and 3;

- impairment of stocks:
  - the Company recognizes a provision for the impairment of stocks based on an analysis of the probable net realizable value of its stocks, which is calculated based on historical and forecast data. In this respect, the Company may be called upon to make use of assumptions (particularly in terms of the future consumption of products up until the expiry date of the said products) and to make interpretations,
  - the accounting principles and the amount of the provisions are presented in Notes 2.12 and 6 respectively;

- impairment of trade receivables:
  - the Company makes an analysis of its trade receivables in order to establish on a case-by-case basis the level of provision for impairment, based on the risk of non-recovery. In this respect, the Company may be called upon to make use of subjective assumptions and to make judgments for the determination of the receivables which need to be provisioned, and the level of such provision,
  - the accounting principles and the amount of the provisions are presented in Notes 2.16 and 7.1 respectively;

- recognition of revenues:
  - the Company recognizes income when the amount can be estimated reliably, when it is probable that the future economic benefits will accrue to the Company and when the specific criteria are fulfilled for the Company's business. The Company must make use of its judgment and its interpretation in order to determine that the criteria for the recognition of income, defined by IAS 18, are fulfilled,
  - the accounting principles applied by the Company in terms of recognition of income are specified in Note 2.24;

- provisions for liabilities and expenses:
  - the Company may be involved in judicial, administrative or regulatory proceedings during the ordinary course of its activities. A provision is recognized by the Company where there is a sufficient probability that such disputes may lead to costs for the Company. The Company uses judgments and interpretations in order to make its best estimate of the risk incurred and to establish the level of provisioning for risk,
  - the provisions for liabilities and expenses are presented in Note 14.

2.4 Consolidation scope and methods

Subsidiaries

The subsidiaries are all the entities for which the Company has the power to direct the financial and operating policies, a power generally accompanied by the holding of more than one half of the voting rights. The subsidiaries are fully consolidated with effect from the date on which the Company acquires control of them. They are de-consolidated with effect from the date on which control ceases to be exercised.
Intra-group transactions and balances are eliminated. The financial statements for the subsidiary are prepared for the same reference period as those of the parent company, on the basis of similar accounting methods.

On the Date of publication of the consolidated annual financial statements, the Company only has one wholly-owned subsidiary, Implanet America, Inc., which it created at the end of February 2013 and is included in the Group financial statements for the first time. The inclusion of this subsidiary does not alter the comparability with the historical financial statements, due to its non-material nature at 31 December 2013.

2.4 Functional reporting currency

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

2.5 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 corresponding 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 exchange variances resulting from these conversions are recognized in profit and loss, with the exception of the variances resulting from the conversion of equity instruments available for sale, of a financial liability designated as a hedge for a net investment in a business abroad, or of instruments qualified as cash flow hedges which are recognized directly in shareholders' equity.

2.6 Distinction between current and non-current

The Company applies a balance sheet presentation that distinguishes between the current and non-current parts of the assets and liabilities.
The distinction between current and non-current items was carried out on the basis of the following rules:

- the assets and liabilities constituting the working capital requirement falling within the normal business cycle are classified as "current";
- assets and liabilities outside the normal cycle of operations are presented as "current", on the one hand or as "non-current" on the other hand, depending on whether their due date is more or less than one year or in accordance with the application of the specific cases referred to in IAS 1.

2.7 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 “Cost of regulatory affairs and quality assurance” and “Research and Development expenses” categories, depending on the origin of the capitalized expense.

Software programs

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

Other intangible fixed assets

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

Depreciation term and expense

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

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

The depreciation 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.

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

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

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

The depreciation 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).

2.9 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.

2.10 Recoverable value of the non-current assets

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

The depreciated assets are subject to an impairment test every time that there is any internal or external indication that an asset may have lost some of its value.

The impairment test consists of comparing the carrying amount of the tested asset with its recoverable value. The test is carried out at the level of the Cash Generating Unit (CGU), which is the smallest group of assets that includes the asset and whose continued use generates cash inflows largely independent of those generated by other assets or groups of assets.

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

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

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

At 31 December 2013, no non-current asset shows any internal or external indication of loss of value.

2.11 Financial Assets

The Company's financial assets are classified into categories based on their type and the reason for their holding:

- financial assets at fair value in the income statement;
- loans and receivables.

All financial assets are initially recognized at cost, which corresponds to the fair value of the price paid, plus any acquisition costs.
All regular way purchases and sales of financial assets are recognized on the Date of settlement.

Financial assets at fair value through the income statement

This category includes marketable securities and medium-term notes ("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.

2.12 Liquidity contract

Following its listing on the Paris Euronext stock market, the Company signed a liquidity contract on 20 November 2013 with Banque Oddo et Cie in order to limit the intra-day volatility of Implanet shares.

For this purpose, the Company entrusted €400 thousand to this institution in order that the latter can take long or short positions in the Company's shares. The part of the contract that is invested in the Company's own shares by this service provider is recognized as a deduction from the Company's consolidated shareholder's equity at 31 December 2013, for their acquisition cost.

Income from the disposal of these treasury shares is also recognized directly in shareholder's equity.

The cash reserve related to the liquidity contract is presented under "Other non-current financial assets".

2.13 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.

The Company recognizes a provision for the impairment of inventories 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.

2.14 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 financial net income.

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

2.15 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 and the term deposits falling into the level 1 category;
- derivative liabilities, falling into the level 3 category.

2.16 Government subsidies receivable

Conditional advances

The Company benefits from a certain amount of government aid, in the form of subsidies or conditional advances. The detail of this aid is supplied in Note 12.3.

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

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

The subsidies are presented at the level of the category:

- "Research and Development" for those relating to innovation aid and the financing of research activities;
- "Sales, distribution and marketing" for those relating to prospecting in new geographical zones.

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 benefited from the research tax credit since its creation.

The Company received reimbursement of the research tax credit for 2012 during the year following the closure of the fiscal year concerned.

2.17 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. Hence, 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.

2.18 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.

2.19 Share-based payments

Since its creation, the Company has put in place several equity-settled remuneration plans in the form of share subscription warrants (BSAs) or founders' warrants (BCE) 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 shareholder's equity.

The Company has applied IFRS 2 to all equity instruments granted, since the creation of the Company, to employees, 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.

2.20 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.

2.21 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 shareholder's 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.

2.22 Loans

Financial liabilities are classified in two categories:

- financial liabilities recognized at amortized cost;
- financial liabilities recognized at fair value in the income statement.

Financial liabilities recognized at amortized cost.

Non-convertible bonds and other financial liabilities, such as conditional advances, are recognized at amortized cost calculated using the effective interest rate. The fraction of financial debts due in less than one year is presented in "Current debts".

In accordance with the provisions set out in IAS 32, bonds redeemable in shares (ORA) and bonds convertible into shares (OCA_{2013}) issued by the Company are subject to specific analysis.
On the Date of issue of ORA and OCA_{2013}, since the instruments may be unwound other than by the exchange of a fixed number of treasury shares for a fixed amount of cash (in view of the existence of the specific clauses set out in the previous paragraph), the instrument has been classified under debts and is recognized in accordance with the amortized cost method.

Financial liabilities are recognized at fair value in the income statement.

The Company issued 65,000 warrants (BSAs) in favor of Kreos on 19 July 2013 (see Note 12.4).
The analysis carried out on the Kreos warrants with regard to IAS 32 has led to the conclusion that it is impossible to qualify these warrants as equity instruments, given the variability of the exercise

price and therefore the amount of cash to be remitted in exchange. Since the variable is financial, this is a derivative liability falling within the scope of IAS 39.
These warrants (BSAs) are recognized as derivative liabilities at their fair value on the Date of issue.

Subsequently, they are valued at fair value, with changes in this fair value recognized in financial net income.
See Note 12.4 for the financial impact.

2.23 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.

2.24 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.

2.25 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: EX-WORKS). Contracts do not include specific clauses for returns;

- **sales in France to hospitals and clinics:** the invoicing and recognition of income take place at the time of the effective fitting of the implant in a patient, based on information provided by the healthcare facilities;

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

- **sales in France and Exports via sales agents:**
    - invoicing of healthcare facilities and the recognition of income are carried out directly by Implanet on receipt of the information related to the fitting of implants,
    - agents' commission is recognized under "Sales, distribution and marketing expenses", at the same time as in the income statement.

2.26 Segment information

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

The assets and the operating loss presented are located in France.

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

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

2.27 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".

2.28 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.

Financial net income

Financial net income includes all:

- expenses related to the financing of the Company: interest paid, changes in the fair value of derivatives and accretion of repayable advances and financial liabilities (refer to Note 12);
- income related to interest received.

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

2.29 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 (BSAs, BSPCEs, 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 (Amount in euros)	Goodwill	Patents	Software (lease-financing)	Software	Development expenses	In progress	Total
Statement of financial position at 31 December 2011	**0**	**0**	**212,213**	**689**	**220,787**	**0**	**433,690**
Capitalization of development expenses	0	0	0	0	603,010	0	**603,010**
Acquisition	0	0	0	216,768	0	0	**216,768**
Disposal	0	0	-162,570	0	0	0	**-162,570**
Transfer	0	0	0	0	0	0	**0**
Statement of financial position at 31 December 2012	**0**	**0**	**49,643**	**217,458**	**823,797**	**0**	**1,090,898**
Capitalization of development expenses	0	0	0	0	0	0	**0**
Acquisition	0	0	0	53,308	0	6,250	**59,558**
Disposal	0	0	0	0	0	0	**0**
Transfer	0	0	0	0	0	0	**0**
Statement of financial position at 31 December 2013	**0**	**0**	**49,643**	**270,766**	**823,797**	**6,250**	**1,150,456**

AMORTIZATION							
Statement of financial position at 31 December 2011	**0**	**0**	**153,935**	**427**	**10,404**	**0**	**164,767**
Increase	0	0	38,720	43,327	83,147	0	**165,194**
Decrease	0	0	-162,570	0	0	0	**-162,570**
Statement of financial position at 31 December 2012	**0**	**0**	**30,086**	**43,754**	**93,551**	**0**	**167,391**
Increase	0	0	18,212	113,758	164,760	0	**296,729**
Decrease	0	0	0	0	0	0	**0**
Statement of financial position at 31 December 2013	**0**	**0**	**48,297**	**157,512**	**258,311**	**0**	**464,120**

NET CARRYING AMOUNT							
At 31 December 2011	**0**	**0**	**58,278**	**262**	**210,383**	**0**	**268,923**
At 31 December 2012	**0**	**0**	**19,557**	**173,704**	**730,246**	**0**	**923,507**
At 31 December 2013	**0**	**0**	**1,346**	**113,254**	**565,486**	**6,250**	**686,336**

The project for which the development costs were capitalized during previous fiscal years is the "JAZZ" project. 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 (Amount 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	Transport equipment (lease-financing)	In progress	Total
Statement of financial position at 31 December 2011	**2,900,434**	**804,523**	**51,101**	**278,182**	**187,668**	**668,334**	**0**	**0**	**0**	**4,890,242**
Acquisition	1,359,824	460,089	31,436	0	22,797			7,794		1,881,940
Disposal	-260,482				-5,147	-99,204				-364,833
Transfer										0
Statement of financial position at 31 December 2012	**3,999,776**	**1,264,611**	**82,537**	**278,182**	**205,318**	**569,130**	**0**	**7,794**	**0**	**6,407,349**
Acquisition	389,104	0	0	0	5,005	0	0	0	0	394,109
Disposal	-301,994	0	0	0	0	0	0	0	0	-301,994
Transfer	0	0	0	0	0	0	0	0	0	0
Statement of financial position at 31 December 2013	**4,086,886**	**1,264,611**	**82,537**	**278,182**	**210,323**	**569,130**	**0**	**7,794**	**0**	**6,499,463**
DEPRECIATION										
Statement of financial position at 31 December 2011	**1,699,182**	**204,818**	**35,648**	**146,645**	**135,207**	**420,463**	**0**	**0**	**0**	**2,641,962**
Increase	867,130	247,216	17,640	65,344	31,533	164,717		444		1,394,024
Decrease	-14,154				-4,659	-99,204				-118,017
Statement of financial position at 31 December 2012	**2,552,158**	**452,033**	**53,288**	**211,988**	**162,081**	**485,977**	**0**	**444**	**0**	**3,917,969**
Increase	974,198	282,299	11,690	55,727	19,226	83,153	0	1,558	0	1,427,852
Decrease	-233,911	0	0	0	0	0	0	0	0	-233,911
Statement of financial position at 31 December 2013	**3,292,445**	**734,332**	**64,978**	**267,716**	**181,307**	**569,130**	**0**	**2,002**	**0**	**5,111,909**
NET CARRYING AMOUNT										
At 31 December 2011	**1,201,252**	**599,705**	**15,453**	**131,537**	**52,461**	**247,871**	**0**	**0**	**0**	**2,248,279**
At 31 December 2012	**1,447,618**	**812,578**	**29,249**	**66,194**	**43,237**	**83,153**	**0**	**7,350**	**0**	**2,489,380**
At 31 December 2013	**794,441**	**530,279**	**17,559**	**10,466**	**29,016**	**0**	**0**	**5,792**	**0**	**1,387,554**

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

Note 5: Other financial assets

OTHER FINANCIAL ASSETS (Amount in euros)	31/12/2013	31/12/2012
Term accounts	301,316	300,000
Medium-term notes (MTN)	8,505,851	0
Deposit - Kreos loan	190,735	
Liquidity contract	237,725	
Guarantees	44,684	34,988
Total other non-current financial assets	**9,280,311**	**334,988**
Medium-term notes (MTN)	2,001,091	
Total other current financial assets	**2,001,091**	**0**

Non-current financial assets comprise:

- two term accounts subscribed in 2013 for amounts of €150 thousand each. These two term accounts with durations of 36 months are pledged in favor of banks;
- medium-term notes remunerated with progressive variable rates of interest based on the investment term (€4 million with a term ending 18 December 2017 and €4.5 million with a term ending 10 December 2016);
- a guarantee deposit in favor of Kreos for €191 thousand, as part of the implementation of the €5 million bond issue in 2013. See Note 12.4;
- the cash reserve related to the liquidity contract;
- Deposit in respect of the commercial leases for its French and US premises.

The current financial assets comprise medium-term notes remunerated with progressive variable rates of interest based on the investment term (€2 million with a term ending 10 December 2014).

Note 6: Inventories

INVENTORIES (Amount in euros)	31/12/2013	31/12/2012
Inventories of raw materials	207,335	184,723
Inventories of goods for resale	5,008,440	4,863,160
Inventories of semi-finished products	0	
Inventories of ancillary devices and instruments	1,210,827	1,196,520
Gross total inventories	**6,426,602**	**6,244,403**
Impairment of inventories of raw materials	0	0
Impairment of inventories of goods for resale	-2,057,579	-1,130,044
Impairment of stocks of ancillary devices and instruments	-252,098	0
Total impairment of inventories	**-2,309,677**	**-1,130,044**
Net total inventories	**4,116,925**	**5,114,358**

Composition of the inventories

This inventory of raw materials essentially comprises polymer components, reels of wire (manufacture of the JAZZ braid), product manuals, RFID chips ("Radio-frequency identification") and packaging.
The inventory of goods for sale principally comprises the various categories of implants for arthroscopy, hips, spines and knees.
The inventory of ancillary devices and instruments comprises new equipment available for sale and not made available to healthcare facilities.

Provision for impairment of inventories

The Company has decided to proceed with the progressive withdrawal from the less profitable activities. This decision has resulted in an additional impairment charge against inventories at 31 December 2013, particularly on the "hips" product range, which is now 100% impaired (i.e. an impairment of €1.5 million against the inventories of goods for sale and ancillary devices). This decision resulted in an additional impairment charge of the order of some €0.8 million over the 2013 fiscal year.

Note 7: Trade receivables

7.1 Trade receivables

TRADE RECEIVABLES AND RELATED ACCOUNTS (Amount in euros)	31/12/2013	31/12/2012
Trade receivables and related accounts	2,537,988	2,207,956
Impairment of trade receivables and related accounts	200,869	192,900
Net total of trade receivables and related accounts	**2,337,119**	**2,015,056**

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.

At 31 December 2013, the share of overdue receivables included under the heading "Trade receivables and related accounts" amounted to €1,138 thousand, of which €533 thousand had been overdue for less than 90 days, €230 thousand overdue for between 90 days and 6 months, €119 thousand overdue for between 6 and 12 months, and €256 thousand due for in excess of 12 months.

At 31 December 2012, the share of overdue receivables included under the heading "Trade receivables and related accounts" amounted to €631 thousand, of which €211 thousand had been overdue for less than 90 days, €140 thousand overdue for between 90 days and 6 months, and €280 thousand overdue for in excess of 12 months.

7.2 Other receivables

OTHER RECEIVABLES (Amount in euros)	31/12/2013	31/12/2012
Research tax credit (1)	302,377	357,373
Value added tax (2)	575,240	188,437
Employees and related accounts	9,175	9,700
Trade payable debit balances	64,480	70,582
Business competitiveness tax credit	19,906	0
Prepaid expenses (3)	172,043	115,897
Miscellaneous	6,000	66,051
Total other receivables	**1,149,221**	**808,040**

(1) Research tax credit ("CIR")

The Company benefits from the provisions of Articles 244 *quarter* B and 49 *septies* F of the French General Tax Code relating to research tax credits. In accordance with the principles described in Note 2.15, the research tax credit is recognized as a deduction from the research expenses during the year to which the eligible research expenses are related or as a deduction from the fixed assets where capitalized development costs are concerned.
It is presented as a subsidy at the level of the "Research and Development expenses" category and the "Cost of regulatory affairs and quality assurance" category.

Where there is no taxable net income, 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 2013: €302,377, reimbursement expected in 2014;
- CIR 2012: €357,373, amount reimbursed in 2013.

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

(3) prepaid expenses relate to current expenditure and essentially represent insurance and rental expenses.

Note 8: Marketable securities and cash

The cash and cash equivalents item is broken down as follows:

CASH AND CASH EQUIVALENTS (Amount in euros)	31/12/2013	31/12/2012
Bank accounts	1,964,742	86,663
Term accounts	1,000,792	0
Money market funds	0	0
Total cash and cash equivalents	**2,965,534**	**86,663**

The term account of €1 million was subscribed on 1 August 2013 for a term of 64 days, subject to tacit renewal.

Note 9: Financial assets and liabilities and effects on net income

The Company's assets and liabilities are valued as follows at 31 December 2012 and 31 December 2013:

(Amount in euros)	31/12/2013		Value - statement of financial position in accordance with IAS 39			Non-financial instruments
Balance sheet headings	Value - Statement of financial position	Fair Value	Fair value through the income statement	Loans and receivables	Liabilities at amortized cost	
Non-current financial assets	9,280,311	9,280,311	8,807,167	473,144		
Trade receivables and related accounts	2,337,119	2,337,119		2,337,119		
Other receivables	1,149,221	1,149,221		1,149,221		
Current financial assets	2,001,091	2,001,091	2,001,091			
Cash and cash equivalents	2,965,534	2,965,534	1,000,792	1,964,742		
Total assets	**17,733,276**	**17,733,276**	**11,809,050**	**5,924,226**	**0**	**0**
Current financial liabilities	2,703,256	2,703,256			2,703,256	
Non-current financial liabilities	3,211,750	3,211,750			3,211,750	
Trade payables and related accounts	3,159,286	3,159,286			3,159,286	
Derivative liability	78,838	78,838	78,838			
Other payables and miscellaneous debt	1,864	1,864			1,864	
Total liabilities	**9,154,994**	**9,154,995**	**78,838**	**0**	**9,076,157**	**0**

(Amount in euros)	31/12/2012		Value - statement of financial position in accordance with IAS 39			Non-financial instruments
Balance sheet headings	Value - Statement of financial position	Fair Value	Fair value through the income statement	Loans and receivables	Liabilities at amortized cost	
Non-current financial assets	334,988	334,988		334,988		
Trade receivables and related accounts	2,015,056	2,015,056		2,015,056		
Other receivables	808,040	808,040		808,040		
Current financial assets	0	0		0		
Cash and cash equivalents	86,663	86,663		86,663		
Total assets	**3,244,747**	**3,244,747**	**0**	**3,244,747**	**0**	**0**
Current financial liabilities	1,506,774	1,506,774			1,506,774	
Non-current financial liabilities	903,329	903,329			903,329	
Trade payables and related accounts	3,679,716	3,679,716			3,679,716	
Other payables and miscellaneous debt	0	0			0	
Total liabilities	**6,089,819**	**6,089,819**	**0**	**0**	**6,089,819**	**0**

(Amount in euros)	Impacts on the income statement at 31 December 2013		Impacts on the income statement at 31 December	
	Interest	Changes in fair value	Interest	Changes in fair value
Assets				
Assets at fair value through the income statement		6,481		
Loans and receivables				
Cash and cash equivalents		792		244
Liabilities				
Derivative liability		(135,286)		
Liabilities valued at amortized cost: bond issues	374,706			
Liabilities valued at amortized cost: advances	20,355		28,721	

Note 10: Capital

Issued capital

COMPOSITION OF THE SHARE CAPITAL	31/12/2013	31/12/2012
Capital (in euros)	8,099,283	29,556,037
Number of shares	5,399,522	29,556,037
of which, Ordinary shares	5,399,522	27,127,082
of which, Preference shares $AP_{09/11\ T1}$		2,428,955
Nominal value (in euros)	1.50 €	1.00 €

The share capital is fixed at the sum of €8,099,283. It is divided into 5,399,522 ordinary shares which are fully subscribed and paid up with a par value of €1.50.

This number is stated exclusive of warrants (BSAs) and founders' warrants (BCEs) granted to certain investors and individuals, whether employees or not of the Company, and which have not yet been exercised.

At the time of the General Shareholders' Meeting of 19 July 2013, Implanet carried out a share capital reduction by absorption of prior losses and a reverse share split (by ten). See Table of changes in shareholders' equity. Following these operations, the par value of the shares was increased from €1 euro to €1.50.

Following the completion of the stock market listing (see Note 1.3):

- the entirety of the preference shares of category $AP_{09/11\ T1}$ was converted into ordinary shares;
- the category of preference shares $AP_{09/11\ T1}$ was eliminated.

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.

Distribution of dividends

The Company did not distribute any dividends during the fiscal year ended 31 December 2013.

Note 11: Share subscription warrants and founders' warrants

"Ratchet" share subscription warrants

During the 2007, 2009, 2010 and 2011 fiscal years, the Company issued new shares with warrants attached for anti-dilutive protection purposes. ("Ratchet" warrants (BSAs)).

Each "Ratchet" warrant gives the holder the right to subscribe, at par value, for a variable number of shares. They may only be exercised in the event of the occurrence of a reserved capital increase during which shares are offered at a price lower than that of the share to which they are attached (trigger threshold).

These warrants automatically became void on the Date of the admission of the Company's shares to the Euronext regulated market in Paris and can no longer be exercised after that date.

At 31 December 2012, the analysis carried out on these warrants with regard to IAS 32 had led to the conclusion that it is impossible to qualify these warrants as equity instruments, given the variability in the number of shares exercisable and the amount of cash to be remitted in exchange.
The valuation of these warrants took into account the probability of the occurrence of a stock market listing.
On 31 December 2012, taking account of the valuation criteria, the Company considered that the value of these warrants was close to zero. No amount was therefore recognized in the financial liabilities in respect of these derivative instruments.

Share subscription warrants (BSAs)

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:

Date	Type	Number of warrants issued	Number of lapsed options	Number of options in circulation	Maximum number of shares to be issued (1)	Assumptions used - calculation of the fair value in accordance with IFRS 2				
						Subscription price per share in €	Exercise period	Volatility	Risk-free rate	Total IFRS 2 Valuation (Black & Scholes)
At 31 December 2010		**0**	**0**	**0**	**0**					
General Shareholders' Meeting of 26 September 2011	BSA 09/11	60,000	0	60,000	6,000	1.00 €	(1)	37.90%	1.69%	17,413 €
At 31 December 2011		**60,000**	**0**	**60,000**	**6,000**					
General Shareholders' Meeting of 29 June 2012	BSA 05/12	10,245	0	10,245	1,025	1.00 €	(1)	37.17%	1.46%	2,867 €
General Shareholders' Meeting of 29 June 2012	BSA 2012	165,000	0	165,000	16,500	1.50 €	(1)	37.17%	1.46%	16,984 €
General Shareholders' Meeting of 11 October 2012	BSA 09/2012	100,000	0	100,000	10,000	1.50 €	(1)	37.17%	1.04%	9,564 €
At 31 December 2012		**335,245**	**0**	**335,245**	**33,525**					
General Shareholders' Meeting of 22 January 2013	BSA 01/2013	25,000	0	25,000	2,500	1.50 €	(1)	37.49%	1.08%	2,486 €
At 31 December 2013		**360,245**	**0**	**360,245**	**36,025**					

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

The rights to exercise the warrants are acquired immediately on the Date of award by the General Shareholders' Meeting.

Founders' warrants (BSPCE or BCE)

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:

Award date	Type	Number of warrants issued	Number of lapsed options	Number of options in circulation	Maximum number of shares to be issued (1)	Assumptions used - calculation of the fair value in accordance with IFRS 2				
						Exercise price in €	Exercise period	Volatility	Risk-free rate	Total IFRS 2 Valuation (Black & Scholes)
Board meeting of 29 December 2007	BCE s/12/2007	100,000	40,000	60,000	6,000	1.50 €	10 years	43.02%	4.17%	34,387 €
Board meeting of 5 February 2009	BCE s/02/2009	106,500	57,000	49,500	4,950	1.50 €	10 years	38.11%	3.20%	37,389 €
At 31 December 2009		**206,500**	**97,000**	**109,500**	**10,950**					
Board meeting of 22 April 2010	BCE s/03/2010	167,500	67,500	100,000	10,000	1.50 €	10 years	34.57%	2.54%	63,891 €
At 31 December 2010		**374,000**	**164,500**	**209,500**	**20,950**					
Board meeting of 6 April 2011	BCE s/06/2011	269,000	72,500	196,500	19,650	1.50 €	10 years	37.90%	3.12%	117,310 €
Board meeting of 18 November 2011	BCE s/09/2011	103,500	5,000	98,500	9,850	1.50 €	10 years	37.90%	2.24%	45,462 €
At 31 December 2011		**746,500**	**242,000**	**504,500**	**50,450**					
General Shareholders' Meeting of 29 June 2012	BCE 05/2012	21,793	0	21,793	2,179	1.00 €	10 years	37.17%	1.46%	8,277 €
At 31 December 2012		**768,293**	**242,000**	**526,293**	**52,629**					
At 31 December 2013		**768,293**	**242,000**	**526,293**	**52,629**					

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

The BSPCEs may be exercised by their holders with effect from the Date of award by the Board of Directors, for up to 1/3 of the warrants awarded, per holder and per calendar year.

Details of the expense recognized in accordance with IFRS 2 at 31 December 2012 and 31 December 2013

		2012 fiscal year					2013 fiscal year				
Type	**Grant date**	**Number of options in circulation**	**Probable cost of the plan**	**Cumulative expense at the start of the year**	**2012 expense**	**Cumulative expense at 31/12/2012**	**Number of options in circulation**	**Probable cost of the plan**	**Cumulative expense at the start of the year**	**2013 expense**	**Cumulative expense at 31/12/2013**
BCE s/12/2007	Board meeting of 29 December 2007	60,000	34,387 €	34,387 €	0 €	34,387 €	60,000	34,387 €	34,387 €	0 €	34,387 €
BCE s/02/2009	Board meeting of 5 February 2009	49,500	37,389 €	37,389 €	0 €	37,389 €	49,500	37,389 €	37,389 €	0 €	37,389 €
BCE s/03/2010	Board meeting of 22 April 2010	100,000	63,891 €	61,178 €	2,713 €	63,891 €	100,000	63,891 €	63,891 €	0 €	63,891 €
BCE s/06/2011	Board meeting of 6 April 2011	199,000	117,933 €	92,596 €	19,715 €	112,311 €	196,500	117,933 €	112,311 €	4,999 €	117,310 €
BCE s/09/2011	Board meeting of 18 November 2011	98,500	45,462 €	29,699 €	13,496 €	43,195 €	98,500	45,462 €	43,195 €	2,267 €	45,462 €
BCE 05/2012	General Shareholders' Meeting of 29 June 2012	21,793	8,277 €	0 €	6,016 €	6,016 €	21,793	8,277 €	6,016 €	1,843 €	7,859 €
Total – BCE		**528,793**	**307,338 €**	**255,248 €**	**41,939 €**	**297,188 €**	**526,293**	**307,338 €**	**297,188 €**	**9,109 €**	**306,296 €**

Type	**Grant date**	**Number of options in circulation**	**Probable cost of the plan**	**Cumulative expense at the start of the year**	**2012 expense**	**Cumulative expense at 31/12/2012**	**Number of options in circulation**	**Probable cost of the plan**	**Cumulative expense at the start of the year**	**2013 expense**	**Cumulative expense at 31/12/2013**
BSA 09/11	General Shareholders' Meeting of 26 September 2011	60,000	17,413 €	17,413 €	0 €	17,413 €	60,000	17,413 €	17,413 €	0 €	17,413 €
BSA 05/12	General Shareholders' Meeting of 29 June 2012	10,245	2,867 €	0 €	2,867 €	2,867 €	10,245	2,867 €	2,867 €	0 €	2,867 €
BSA 2012	General Shareholders' Meeting of 29 June 2012	165,000	16,984 €	0 €	16,984 €	16,984 €	165,000	16,984 €	16,984 €	0 €	16,984 €
BSA 09/2012	General Shareholders' Meeting of 11 October 2012	100,000	9,564 €	0 €	9,564 €	9,564 €	100,000	9,564 €	9,564 €	0 €	9,564 €
BSA01/2013	General Shareholders' Meeting of 22 January 2013						25,000	2,486 €	0 €	2,486 €	2,486 €
Total – BSA		**335,245**	**46,827 €**	**17,413 €**	**29,414 €**	**46,827 €**	**360,245**	**49,313 €**	**46,827 €**	**2,486 €**	**49,313 €**

Total - BCE and BSA		**864,038**	**354,165 €**	**272,661 €**	**71,353 €**	**344,015 €**	**886,538**	**368,762 €**	**344,015 €**	**11,594 €**	**355,609 €**

Note 12: Loans and financial debts

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (Amount in euros)	31/12/2013	31/12/2012
Financial liabilities – lease-financing	77,065	392,821
Repayable advances	219,842	510,508
Derivative liability	78,838	
Bond issue	2,914,843	0
Non-current financial liabilities	**3,290,588**	**903,329**

Commercial paper	0	0
Financial liabilities – lease-financing	315,757	585,251
Repayable advances	306,775	390,023
Bank overdraft facilities	0	241,155
Bond issue	1,818,539	1
Debt under the factoring contract	262,186	290,345
Current financial liabilities	**2,703,256**	**1,506,774**

Total financial liabilities	**5,993,845**	**2,410,103**

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 (Amount in euros)	31/12/2013			
	Gross amount	Part due in less than 1 year	From 1 to 5 years	More than 5 years
Commercial paper	0			
Financial liabilities – lease-financing	392,821	315,757	77,065	
Repayable advances	526,617	306,775	219,842	
Bank overdraft facilities	0			
Bond issue	4,733,383	1,818,539	2,914,843	
Derivative liability	78,838		78,838	
Debt under the factoring contract	262,186	262,186		
Total financial liabilities	**5,993,845**	**2,703,256**	**3,290,588**	**0**

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (Amount in euros)	31/12/2012			
	Gross amount	Part due in less than 1 year	From 1 to 5 years	More than 5 years
Commercial paper				
Financial liabilities – lease-financing	978,072	585,251	392,821	
Repayable advances	900,530	390,023	510,508	
Bank overdraft facilities	241,155	241,155		
Bond issue	1	1		
Debt under the factoring contract	290,345	290,345		
Total financial liabilities	**2,410,103**	**1,506,774**	**903,329**	**0**
Current financial liabilities	*1,506,774*			
Non-current financial liabilities	*903,329*			

12.1 Debts due to financial institutions

During 2013, Implanet did not take out any loans from financial institutions.

Approved overdraft

Since 13 December 2012, the Company has had an approved overdraft facility of €500 thousand, bearing interest at the 3-month Euribor rate +2%, in exchange for the pledge of a term deposit of €150 thousand.

12.2 Financial debts – lease-financing

CHANGES IN FINANCIAL LIABILITIES - LEASE-FINANCING (Amount in euros)	Financial liabilities – lease-financing contracts	Current Share	Non-current share	
			from 1 to 5 years	more than 5 years
At 1 January 2012	**1,067,613**	478,569	589,044	0
(+) Subscription	467,883			
(-) Repayment	-557,424			
At 31 December 2012	**978,071**	585,250	392,821	0
(+) Subscription	0			
(-) Repayment	-585,250			
At 31 December 2013	**392,821**	315,757	77,065	0

12.3 Repayable advances and subsidies

The table below sets out the changes in repayable advances in subsidies:

CHANGES IN REPAYABLE ADVANCES (Amount in euros)	OSEO Knees	OSEO - Beep N Track	COFACE United States	Total
At 1 January 2012	**309,237**	**526,200**	**186,373**	**1,021,809**
(+) Receipts				
(-) Repayment		-150,000		-150,000
Subsidies				
Financial expenses	9,758	13,082	5,881	28,721
(+/-) Other movements				
At 31 December 2012	**318,995**	**389,282**	**192,254**	**900,530**
(+) Receipts				
(-) Repayment	-50,000	-150,000	-194,268	-394,268
Subsidies				
Financial expenses	9,579	8,762	2,014	20,355
(+/-) Other movements				
At 31 December 2013	**278,574**	**248,043**	**0**	**526,617**

Breakdown of repayable advances and subsidies by maturity

	OSEO Knees	OSEO - Beep N Track	COFACE United States	Total
At 31 December 2012	**318,995**	**389,282**	**192,254**	**900,530**
Part due in less than 1 year	48,943	148,826	192,254	390,023
Part due between 1 and 5 years	270,052	240,456		510,508
Part due in more than 5 years				
At 31 December 2013	**278,574**	**248,043**	**0**	**526,617**
Part due in less than 1 year	58,731	248,043		306,775
Part due between 1 and 5 years	219,842			219,842
Part due in more than 5 years				

In 2013, the Company did not obtain any new repayable advance, or receive any additional payments in respect of existing advances.

Repayable OSEO Innovation advance – Knee

On 25 February 2010, OSEO granted Implanet an interest-free repayable innovation loan of €350 thousand to "develop a three-compartment knee prosthesis for first-line treatment and the related instruments".

The payments from OSEO were made in stages between the signature of the contract and the end of the project, the principal stages being:

- First payment of €280 thousand following the signature of the contract (received on 1 March 2010);
- The balance on completion of the work on 9 May 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 repayable advance does not bear annual interest means it is treated as an interest-free loan for the Company, i.e. under conditions more favorable than market rates. The difference between the amount of the advance at 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 28 January 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 4 February 2008),
- Second payment of €195 thousand following the call for funds (received on 28 April 2009),
- The balance on completion of the work on 28 April 2009.

Following the technical and commercial success of the project, the reimbursement of this innovation subsidy has begun in accordance with the following schedule:

- No later than 31 March 2011: €100,000
- No later than 31 March 2012: €150,000
- No later than 31 March 2013: €150,000
- No later than 31 March 2014: €250,000

The fair value of this advance has been determined on the basis of an estimated interest rate of 6.87% per annum.

COFACE advances

On 28 December 2009, Implanet obtained a repayable advance from COFACE under what is known as a "market prospection insurance policy" covering the United States region for the Beep N Track business. Implanet benefits from a coverage period of four years, during which its prospecting expenditure is guaranteed within the limit of a defined budget. At the end of this phase, there begins an amortization phase of five years, during which Implanet reimburses the advance obtained on the basis of a percentage of the sales revenues earned in the zones concerned.

The terms of the contract are as follows:

- the amount of prospecting expenditure covered by the contract for the entire guarantee period (1 November 2009 to 31 October 2013) is €1,500 thousand before application of a guarantee coefficient of 80%;
- the Company pays premiums that represent 2% of the budget covered;
- the amortization period runs from 1 November 2013 to 31 October 2018.

On 10 February 2011, Implanet received an advance of €194,268 in respect of the first year of coverage of the expenses.

Following the disposal of its Beep N Track business, COFACE requested cancellation of the market prospection insurance policy and the repayment of the advances received, in accordance with the following schedule:

- On 31 January 2013: €64,756
- On 30 April 2013: €64,756
- On 31 July 2013: €64,756

The fair value of this advance has been determined on the basis of an estimated interest rate of 3.58% per annum.
The reimbursable advance from COFACE was repaid in full during 2013.

12.4 Convertible bond issues

CHANGES IN BOND ISSUES (Amount in euros)	Non-convertible KreosREOS bond issue	Bonds redeemable in shares ORA 2013	Bonds convertible into shares OCA 2013	Total
At 31 December 2011	**0**	**0**	**0**	**0**
(+) Receipts				0
(-) Redemption				0
(+) Capitalized interest				0
(+/-) Impact of amortized cost				0
(+/-) Conversion				0
At 31 December 2012	**0**	**0**	**0**	**0**
(+) Receipts	4 887 500	1 543 937	2 875 001	9 306 438
(-) Derivative liability	-214 124			-214 124
(-) Redemption	0	0	0	0
(+) Capitalized interest/accretion		38 958		38 958
(+/-) Impact of amortized cost	60 007			
(+/-) Conversion	0	-1 582 895	-2 875 001	-4 457 896
At 31 December 2013	**4 733 383**	**0**	**0**	**4 733 383**

Issue of bonds in favor of Kreos for a total amount of €5 million.

On 19 July 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 share warrants in favor of Kreos and the pledge of the Company's business goodwill in favor of Kreos.

These various transactions were completed as follows:

- the €5 million bond, by issuing 5 million non-convertible bonds with a par value of €1 each to Kreos was approved at the Company's Board of Directors' Meeting of 19 July 2013 and wholly subscribed by Kreos on 24 July 2013;
- the free issue of 65,000 warrants for shares in the Company to Kreos was resolved by the Extraordinary General Shareholders' Meeting of 19 July 2013. These warrants (BSAs) have a term of five years with effect from the Date of the stock market listing (i.e. 25 November 2018);
- the Company's goodwill was pledged on 19 July 2013.

The bond is repayable in fixed monthly installments between 1 January 2014 and 1 June 2016. The bond issue bears interest at the rate of 11.5%.

At the time the bond contract was arranged, the Company incurred €112,500 in lawyers' and consultants' fees and €72,500 on the maturity date of the issue. These fees were taken into account in determining the amortization of the loan, in accordance with the amortized cost method. After taking into account the issue costs and the discount related to the warrants (BSAs), the effective rate of interest of the bond amounts to 17.82%.

The warrants (BSAs) are recognized in derivative liabilities and are valued at fair value, with variations in this fair value recognized in profit or loss.
The fair value was determined using the Black & Scholes valuation model.

The principal assumptions are the following:

- Anticipated term: four years
- Volatility: 37.5%
- Risk-free rate: 1.36%

The derivative liability at 31 December 2013 amounts to €79 thousand. The change in fair value over the period is -€135 thousand.

Issuance of bonds redeemable in shares (ORA_{2013}) for an amount of €1,544 thousand

On 22 January 2013, the Company proceeded with the issue of 1,543,936 bonds redeemable in shares (ORA) in the Company, with a par value of €1, to certain shareholders (founders, private investors, financiers).

These bonds redeemable in shares expire on 30 June 2014 unless the bond is redeemed or terminated early.

Annual interest is a fixed 3%, capitalized until maturity and payable in shares. At the time the bond contract was arranged, the Company incurred €28,705 in lawyers' and consultants' fees. These fees were taken into account in determining the amortization of the loan, in accordance with the amortized cost method. After taking into account the issue costs, the effective rate of interest of the bond issue amounts to 4.36%.

The entirety of this loan (capital and interest) was redeemed in shares as part of the stock market introduction.

Issue of bonds convertible into shares (OCA_{2013}) for an amount of €1,875 thousand

On 21 May 2013, the Company proceeded with the issue of 1,875,001 bonds convertible into $AP_{09/11\ T1}$ preference shares (*obligations convertibles,* OC) in the Company, with a par value of €1.

The expiry date of the OC is fixed at 31 October 2014, unless the OC is redeemed early.
Other than in the event that one of the specific clauses mentioned below occurs, each OC will automatically be converted into 1 $AP_{09/11\ T1}$ on the maturity date.

The annual interest rate is fixed at 3%, capitalized until the maturity date of the bonds and payable in cash on the Date of redemption or conversion of the OC. At the time the bond contract was arranged, the Company incurred €14,863 in lawyers' and consultants' fees. These fees were taken into account in determining the amortization of the loan, in accordance with the amortized cost method. After taking into account the issue costs, the effective rate of interest of the bond issue amounts to 3.58%.

The bonds were automatically converted as part of the stock market introduction (see specific clauses below).

Issue of bonds convertible into shares (OCA_{2013}) for an amount of €1 million

On 19 July 2013, the Company proceeded with the issue of 1 million bonds convertible into $_{AP\ 09/11\ T1}$ preference shares (OC) in the Company, with a par value of €1.

The expiry date of the OC is fixed at 31 October 2014, unless the OC is redeemed early.
The annual interest rate is fixed at 3%, capitalized until the maturity date of the bonds and payable in cash on the Date of redemption or conversion of the OC.

The bonds were automatically converted as part of the stock market introduction.

Specific clauses for conversion or redemption common to the ORA_{2013} and OC_{2013}

<u>Stock market introduction</u>
At the time of the stock market listing, the ORA_{2013} and OC_{2013} held by each bondholder will automatically be redeemed/converted into "N" ordinary shares in the Company in accordance with the following formula: N = M/X
where:
"M" is equal to the principal amount due from the Company to the bondholder concerned in respect of his/her OC_{2013} on the Date of the Introduction and to the principal amount and interest due from the Company to the bondholder concerned in respect of his/her ORA_{2013}; and
"X" is equal to the price per share used within the framework of the Introduction.

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	31/12/2013		31/12/2012	
	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)	3.00%		2.69%	
Mortality table	INSEE 2012		INSEE 2011	
Rate of revaluation of salaries	2.00%		2.00%	
Rate of turnover	Average (AG2R table)		Average (AG2R table)	
Rate of Social Security charges	48%	43%	49%	45%

The provision for retirement commitments has changed as follows:

Amounts due to personnel (Amount in euros)	Retirement benefits
At 31 December 2011	**20,152**
Past service costs	4,957
Financial costs	927
Actuarial differences	11,441
At 31 December 2012	**37,477**
Past service costs	7,738
Financial costs	1,008
Actuarial differences	-11,421
At 31 December 2013	**34,802**

Note 14: Provisions

PROVISIONS (Amount in euros)	31/12/2013				
	Amount at start of year	Allocations	Reversals	Release of surplus provisions	Amount at year end
Provisions for legal disputes	350,000	109,131	165,200	184,800	109,131
Provisions for employment tribunal disputes	26,800	35,500	26,800		35,500
Total provisions for liabilities and expenses	**376,800**	**144,631**	**192,000**	**184,800**	**144,631**

PROVISIONS (Amount in euros)	31/12/2012				
	Amount at start of year	Allocations	Reversals	Release of surplus provisions	Amount at year end
Provisions for legal disputes	350,000				350,000
Provisions for employment tribunal disputes	50,000	26,800	40,838	9,162	26,800
Total provisions for liabilities and expenses	**400,000**	**26,800**	**40,838**	**9,162**	**376,800**

Disputes and liabilities

The Company may become involved in legal, administrative or regulatory procedures in the normal course of its activity. A provision is recognized by the Company where there is a sufficient probability that such disputes may lead to costs for the Company.

Commercial disputes

In 2008, Implanet concluded a long-term partnership (five years) with a subcontractor for the manufacture of surgical instruments and orthopedic implants.
In 2011, Implanet decided to terminate the contract due to said subcontractor's lack of the regulatory qualifications required for the sale of the products by Implanet and, on 31 December 2012, it recognized a provision for liabilities of €350 thousand (best estimate of the risk incurred).
The co-contractor alleges a total non-performance of the contract and is claiming compensation for damages constituted by the losses related to the capital investments undertaken by the latter since the start of the commercial relationship, in order to be able to satisfy the demand for products, and by the profit loss due to the absence of orders for the volume and term initially forecast.

On 1 August 2013, the Company concluded a settlement agreement under the terms of which a compensation payment of €165 thousand was paid.

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.

Tax audit

The Company was the subject of a tax audit covering fiscal years 2009, 2010 and 2011.
The Company received reassessment notifications in December 2012 (in respect of the 2009 fiscal year) and in January 2013 (in respect of the 2010 and 2011 fiscal years) amounting to charges and interest of €109 thousand, reduction of tax losses carried forward of €234 thousand, of which the Company disputed certain grounds put forward.
Following receipt of the conclusions from the tax authority on 27 May 2013, the Company decided to recognize a provision for the amount of the reassessment notifications.
The Company considers that this dispute with the tax authority is unlikely to have a significant negative effect on the balance sheet or net income of the Company.

Note 15: Trade payables and other current liabilities

15.1. Trade and other accounts payable

No discounting has been applied to the trade and other accounts payable, given that the amounts did not include any ageing of more than one year at the end of each fiscal year in question.

TRADE PAYABLES AND RELATED ACCOUNTS (Amount in euros)	31/12/2013	31/12/2012
Trade payables	2,358,299	3,334,589
Invoices not yet received	800,988	345,127
Total trade payables and related accounts	**3,159,287**	**3,679,716**

15.2 Tax and social security liabilities

Tax and social security liabilities are broken down as follows:

TAX AND SOCIAL SECURITY LIABILITIES (Amount in euros)	31/12/2013	31/12/2012
Employees and related accounts	254,419	98,271
Social Security and other social bodies	371,099	416,384
Other taxes, duties and similar payments	38,076	73,830
Total tax and social security liabilities	**663,594**	**588,485**

Note 16: Sales revenues

The Company's revenues essentially comprise the sale of orthopedic implants.

Revenue by geographical zone for the last two fiscal years ended 31 December 2013 and 2012 are as follows:

REVENUES BY GEOGRAPHICAL REGION	31/12/2013	31/12/2012
France	4,407,620	4,324,622
Rest of the world	2,282,762	2,322,166
Total revenues	**6,690,382**	**6,646,788**

REVENUES BY TYPE OF PRODUCTS (Amount in thousands of euros)	31/12/2013	31/12/2012
Jazz	592	127
Other spinal	219	193
Spinal	811	
Knee + Arthroscopy	4,086	4,343
Hip	1,793	1,743
Total implants	**6,690**	**6,406**
Other rebilling		241
Total revenues	**6,690**	**6,647**

Note 17: Details of expenses and income by function

17.1 Cost of sales

COST OF SALES (Amount in euros)	31/12/2013	31/12/2012
Purchases of raw materials and goods for resale	(3,103,060)	(3,507,022)
Amortization of ancillary devices	(1,077,185)	(959,168)
Cost of sales	**(4,180,245)**	**(4,466,190)**

17.2 Sales, Distribution & Marketing

SALES, DISTRIBUTION & MARKETING (Amount in euros)	31/12/2013	31/12/2012
Other payroll expenses	(933,981)	(1,102,824)
Royalties	(102,063)	(63,099)
Equipment and real estate leases	(5,058)	(79,410)
Miscellaneous rentals	0	(1,259)
Sales commission	(682,892)	(521,655)
Travel, assignments and entertaining	(230,650)	(318,551)
Maintenance and repairs	(5,841)	(17,043)
Vehicle leases	(59,829)	(111,574)
Materials and supplies not for stock	(54,129)	(24,215)
Advertising and external relations	(105,769)	(103,060)
Intermediary compensation & Fees	(41,414)	(165,528)
Transport of goods and personnel	(113,887)	(135,025)
Miscellaneous	(24,314)	(20,512)
Impairment of trade receivables	47,322	14,347
Allocations to depreciation, amortization and provisions	(1,026)	(3,146)
Reversals of provisions for depreciation and amortization	(2,074)	(9,238)
Sales, Distribution and Marketing expenses	**(2,315,606)**	**(2,661,790)**
Subsidies	100,000	0
Subsidies	**100,000**	**0**

17.3 Research and Development

RESEARCH AND DEVELOPMENT (Amount in euros)	31/12/2013	31/12/2012
Payroll expenses	(733,232)	(538,774)
Hardware, equipment and works	(12,467)	(50,690)
Travel, assignments and entertaining	(44,630)	(32,605)
Miscellaneous rentals	(3,820)	0
Studies and research	(86,051)	(65,174)
Intellectual property fees	(130,444)	(255,953)
Vehicle leases	(59,337)	(41,165)
Intermediary compensation & Fees	(20,465)	(54,124)
Miscellaneous	(2,675)	(5,986)
Depreciation and amortization of fixed assets	(10,233)	(74,558)
Capitalization of R&D costs	0	474,035
Amortization of capitalized R&D costs	(100,796)	(51,291)
Share-based payments	(981)	(4,521)
Research and Development expenses	**(1,205,132)**	**(700,804)**
Research tax credit	274,846	211,217
Subsidies	0	0
Oséo advances	0	0
Net Research and Development expenses	**274,846**	**211,217**

The Research and Development expenses relate to general orthopedic products, Madison (knee prosthesis), JAZZ and CALYPSO.
Implanet is developing innovative new applications for JAZZ, particularly for the treatment of other pathologies.

17.4 Regulatory affairs and quality assurance

COST OF REGULATORY AFFAIRS AND QUALITY ASSURANCE (Amount in euros)	31/12/2013	31/12/2012
Payroll expenses	(494,033)	(352,870)
Travel, assignments and entertaining	(9,319)	(11,565)
Studies and research	(188,161)	(77,456)
Vehicle leases	(11,386)	(12,312)
External personnel	(101,811)	(28,558)
Materials and supplies not for stock	0	(40,681)
Intermediary compensation & Fees	(138,037)	(164,896)
Miscellaneous	(10,726)	(4,697)
Capitalization of R&D costs	0	260,795
Amortization of capitalized R&D costs	(63,963)	(31,856)
Depreciation and amortization of fixed assets	(10,948)	(461)
Share-based payments	(1,152)	(5,400)
Cost of Regulatory Affairs and Quality Assurance	**(1,029,536)**	**(469,956)**
Research tax credit	27,530	19,282
Costs of Regulatory Affairs and Quality Assurance, net	**27,530**	**19,282**

17.5 Operations

OPERATING COSTS (Amount in euros)	31/12/2013	31/12/2012
Payroll expenses	(471,048)	(404,285)
Equipment and real estate leases	(129,847)	(133,198)
Maintenance and repairs	(28,660)	(49,591)
Finance leases	(55,998)	(78,528)
Vehicle leases	(15,414)	(19,076)
Materials and supplies not for stock	(22,617)	(20,237)
External personnel	(38,630)	(41,341)
Transport of goods and personnel	(51,354)	(36,658)
Intermediary compensation & Fees	(111,094)	0
Miscellaneous	(33,901)	(22,783)
Depreciation and amortization of fixed assets	(221,769)	(83,196)
Provision for impairment of stocks	(1,220,258)	99,523
Share-based payments	(1,175)	(5,367)
Operating costs	**(2,401,765)**	**(794,736)**

The cost of "operations" includes:

- management of procurement, logistics and inventories;
- lease and maintenance of the logistics building;
- sales administration; and
- the impairment charge against inventories (including €0.8 million following the decision to gradually withdraw from the hips business during 2014).

17.6 General and administrative expenses

GENERAL AND ADMINISTRATIVE EXPENSES (Amount in euros)	31/12/2013	31/12/2012
Payroll expenses	(608,904)	(540,528)
Other taxes and duties	(76,020)	(70,754)
Equipment and real estate leases	(196,480)	(132,968)
Travel, assignments and entertaining	(133,010)	(58,617)
Maintenance and repairs	(205,158)	(118,057)
Postal and telecommunication expenses	(57,105)	(70,627)
Vehicle leases	(17,211)	(28,042)
Materials and supplies not for stock	(37,413)	(60,097)
Insurance premiums	(237,446)	(73,301)
Intermediary compensation & Fees	(620,031)	(380,328)
Banking services and similar	(98,759)	(49,427)
External relations	(1,138)	(7,743)
Allocations to provisions for liabilities and expenses	17,998	23,200
Miscellaneous	23,596	(9,679)
Depreciation and amortization of fixed assets	(202,833)	(307,672)
Share-based payments	(6,212)	(46,828)
General and administrative expenses	**(2,456,126)**	**(1,931,468)**

Note 18: Headcount

The average headcount of Implanet during the last two fiscal years was as follows:

AVERAGE HEADCOUNT	2013 fiscal year	2012 fiscal year
Managers	20.3	19.8
Employees	12.8	10.0
Total average headcount	**33.1**	**29.8**

Note 19: Financial income and expenses, net

The other financial expenses essentially comprise the effect of the accretion of the repayable advances and interest on lease-financing contracts and bonds.

FINANCIAL INCOME AND EXPENSES (Amount in euros)	31/12/2013	31/12/2012
Amortized cost of the loan	(374,706)	
Changes in the fair value of the derivative liability	135,286	
Other financial expenses	(114,509)	(119,567)
Financial income	13,352	
Foreign exchange gains and (losses)	(7,015)	(10,442)
Total financial income and expenses	**(347,592)**	**(130,009)**

Note 20: Additional information concerning the cash flow statement

Cash flows generated by the capital investments include the variation in the receivable relating to the €7,330 thousand proceeds from the disposal of the Beep N Track business, completed in December 2011 and received in early 2012.

Note 21: Corporate income tax

The total amount of the tax losses at 31 December 2013 is estimated at €40,095,893, comprising:

- French tax losses which can be carried forward indefinitely, for €40,021,770;
- tax losses of the US subsidiary for US$101,978, which can be carried forward for 20 years.

The corporation tax rate applicable to the Company is the current rate in force in France, namely 33.33%.

In accordance with the principles set out in Note 2.24, no deferred tax assets have been recognized in the Company's financial statements apart from deferred tax credits.

Reconciliation between the theoretical and effective tax charges

Tax proof	31/12/2013	31/12/2012
Net income	-6,843,456	-4,276,635
Consolidated tax expense	0	0
Net income before taxes	**-6,843,456**	**-4,276,635**
Current tax rate in France	33.33%	33.33%
Theoretical tax expense at the current rate in France	**-2,280,924**	**-1,425,402**
Permanent differences	-865,904	-76,746
Share-based payments	3,864	23,782
Non-activated tax loss adjusted for deferred taxation	3,150,873	1,478,366
Differences due to tax rates	-7,909	
Tax expense/income for the Group	**0**	**0**
Effective tax rate	*0.0%*	*0.0%*

The permanent differences include the impact of the research tax credit (operating income which is not taxable) and the costs of capital increases, which were charged to the issue premium.

Nature of the deferred taxes

NATURE OF DEFERRED TAXES (Amount in euros)	31/12/2013	31/12/2012
Timing differences	121,803	21,840
Losses carried forward	13,396,575	10,353,854
Total of the items treated as deferred tax assets	**13,518,378**	**10,375,694**

Timing differences	251,591	267,263
Total of the items treated as deferred tax liabilities	**251,591**	**267,263**

Net total of the items treated as deferred taxes	**13,266,787**	**10,108,431**
Unrecognized deferred taxes	-13,266,787	-10,108,431
Net total of deferred taxes	**0**	**0**

Note 22: Net earnings per share

Basic net earnings

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 ordinary shares in circulation during the fiscal year.
Instruments giving deferred access to capital (warrants (BSAs), founders' warrants (BCEs) 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 (Amount in euros)	31/12/2013	31/12/2012
Weighted average number of shares in circulation	3,196,648	29,556,037
Net income for the year	(6,843,456)	(4,276,635)
Basic net earnings per share (€/share)	**(2.14)**	**(0.14)**
Diluted net earnings per share (€/share)	**(2.14)**	**(0.14)**

Note 23: Related parties

23.1 Transactions with related parties

Implanet Institute

Implanet Institute, a non-profit association sponsored by Implanet, has the role of assisting young surgeons in all areas of their practice (program to prepare surgeons for setting up a practice, training in surgical techniques, etc.).

Implanet Institute is an independent association whose actions are decided by its Scientific Committee. The members of the association include certain shareholders and employees of the Company.

The contributions of Implanet to the Implanet Institute during the last two fiscal years were:

- €5 thousand in 2013
- €53 thousand in 2012

23.2 Executives' compensation (excluding awards of capital instruments)

As part of the ordinary management of the Company, it maintains arm's length relations with its subsidiary. No post-employment benefits are granted to members of the Board of Directors.

The compensation of members of the Board of Directors is broken down as follows (in euros):

Compensation of executive Directors	31/12/2013	31/12/2012
Fixed compensation due	166,177	303,250
Variable compensation due	3,819	55,185
Benefits in kind	7,189	24,968
Attendance fees	0	0
Share-based payments	3,234	7,225
Advisers' fees	72,000	100,500
TOTAL	**252,419**	**491,128**

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

Note 24: Off-balance sheet commitments

24.1 Individual Training Rights (ITR)

French legislation provides for 20 hours of individual training per annum under the terms of the Individual Training Right (ITR) for people who have signed an employment contract with Implanet. This individual training right may be accumulated over a period of six years (limit of 120 hours) and the costs are recognized as expenses when they are incurred.

At the end of each fiscal year, the rights accumulated but not consumed are approximately:

- 2,317 hours at 31 December 2013;
- 2,119 hours at 31 December 2012.

24.2 Obligation under the terms of the Kreos contract

Within the framework of the Kreos bond contract signed on 19 July 2013 (see Note 12.4), the Company granted to Kreos the following sureties and commitments:

- pledge of the business goodwill in favor of Kreos;
- commitment by the Company not to contract, without prior authorization from Kreos, debt of more than €2.5 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.

24.3 Commercial leases

Property leases

As part of its activities, the Company has concluded property leasing contracts:
- for its administrative building, effective on 8 October 2007;
- for its logistics building, effective on 15 December 2010.

These buildings are located at the registered office of the Company in the Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France.

Implanet America, Inc. has concluded property leasing contracts:
- for its administrative premises, effective on 12 April 2013. These premises are located at 88, Greenwich Street, 10007 New York;
- for its administrative premises, effective on 1 December 2013. These premises are located at 40, Worth Street, 10013 New York.

Terms and early departure compensation payments – French property leases

The property leases granted in France have a term of nine full and consecutive years with the option for the Company to give notice on the leases only every three years.
In the event of early departure from the logistics building, the lessor may demand a compensation payment in respect of the internal improvements which were installed and financed by it. These improvements give rise to the payment of lease rental surcharges of €1,833 per month for a period of 84 months. The amount of the compensation payment would be equal to the amount of the remaining lease rental surcharges, namely €87,984 at 31 December 2013.

Charges and commitments

The amount of the rental payments recognized at the end of 2013 and the commitments up until the next three-year period are broken down as follows:

				Commitment until the next termination date	
Real estate leasing contracts	Effective start date of lease	Expiry date of lease	Expense at 31/12/2013	Due in less than 1 year	From 1 to 5 years
Administration building	08/10/2007	08/10/2016	137,948	139,747	253,097
Logistics building	15/12/2010	15/12/2019	138,632	138,362	276,724
Administration premises	12/04/2013	30/04/2014	20,474	10,909	-
Administrative offices	23/09/2013	31/05/2014	37,579	18,806	-

24.4 Commitments in respect of operating leases

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

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

	Less than one year	From 1 to 5 years	More than 5 years
Off-balance sheet commitments at 31/12/2013 (amount in euros)	99,568	92,918	0

24.5 Obligations in respect of other contracts

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

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

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

24.6 Other financial commitments

Documentary credits and remittances

The Company may put in place documentary credits or remittances on certain markets.
No documentary credits or remittances were in progress at the close of the three fiscal years presented.

Pledge of term accounts

- pledge of a €150 thousand term account to HSBC France against leases;
- pledge of a term account of €150 thousand in favor of the Banque Courtois.

Lien on inventories

The opening of a cash credit facility of €500 thousand concluded on 15 December 2009 was backed by a lien on inventories of orthopedic implants and accessories set up in favor of the bank for an amount of €700 thousand.
On 17 December 2012, the Company proceeded with the repayment of its credit line and requested the total and definitive release of the lien over the inventories, which was obtained in January 2013.

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 31 December 2013, 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 25: Management and measurement of financial risks

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

Interest rate risk

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

- the cash balances include term accounts;
- no variable-rate debt has been subscribed, apart from the authorized overdraft of €500 thousand bearing interest at the 3-month Euribor rate +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).

With regards to the concentration of credit risk, four French distributors accounted for 18% of the Company's total sales and four export distributors accounted for 28% of the Company's total sales.

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

Foreign exchange risks

The chief risks related to the foreign exchange impact on purchases and sales in foreign currencies are considered non-material.
At this stage of its development, the Company has not made use of any hedging in order to protect its business against exchange rate fluctuations. However, the Company cannot ignore the possibility that a significant increase in its activity or the presence of a subsidiary in the United States would result in greater exposure to exchange rate risk. The Company will then envisage making use of an appropriate policy for hedging these risks.

Equity risk

The Company does not hold any participating investments or investment securities which are traded on a regulated market.

Note 26: Fees of the Statutory auditors

STATUTORY AUDITORS' FEES	2013 fiscal year				2012 fiscal year	
	Ernst & Young		INKIPIO AUDIT		Cabinet Roche Mameri & Azoulay	
(Amount in euros)	Amount excl. taxes	%	Amount excl. taxes	%	Amount excl. taxes	%
Statutory audits	40,000	18%	28,000	100%	15,000	81%
Due diligence	2,392	1%	0	0%	3,500	12%
Other due diligence as part of the stock market introduction	185,565	81%				
Total fees	227,957	**100%**	28,000	**100%**	18,500	**100%**

20.2. VERIFICATION OF THE HISTORIC ANNUAL FINANCIAL INFORMATION

20.2.1. Report of the Statutory auditors on the consolidated financial statements at 31 December 2013

"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 31 December 2013, 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 on opinion on these consolidation 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.

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 :

The Company recognizes impairment charges for inventories in accordance with the methods described in Note 2.13 "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. We have also verified that the information given in the Notes to the consolidated financial statements was sufficient, particularly with regard to the impact of the gradual withdrawal of the products in the "hips" range.

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, 19 March 2014

The Statutory auditors

INKIPIO AUDIT	ERNST & YOUNG Audit
Clément Albrieux	Franck Sebag”

20.3. DATE OF THE MOST RECENT FINANCIAL INFORMATION

The Date of the most recent financial information is 30 June 2014.

20.4. INTERIM FINANCIAL INFORMATION

20.4.1. Summary interim consolidated financial statements prepared in accordance with IFRS for the six-month period ended 30 June 2014

Balance sheet

IMPLANET Statement of financial position	Notes	30/06/2014	31/12/2013
ASSETS			
Intangible fixed assets	3	611,261	686,335
Property, plant and equipment	4	1,360,604	1,387,554
Other non-current financial assets (1) (2)	5	8,072,060	9,280,311
Deferred tax assets		-	-
Total non-current assets		10,043,924	11,354,200
Inventories	6	4,226,498	4,116,925
Trade receivables and related accounts	7.1	2,355,293	2,337,119
Other receivables	7.2	1,329,382	1,149,221
Current financial assets (2)	5	-	2,001,091
Cash and cash equivalents	8	1,150,053	2,965,534
Total current assets		9,061,226	12,569,890
Assets intended for disposal		-	-
Total Assets		**19,105,151**	**23,924,090**
LIABILITIES			
Shareholders' equity			
Share capital	10	8,099,283	8,099,283
Paid-in capital	10	12,407,737	12,332,242
Translation reserve	10	8,244	11,374
Other comprehensive income	10	(8,580)	1,181
Reserves - Group share	10	(6,303,029)	267,843
Profit/(loss) - Group share	10	(3,409,652)	(6,843,456)
Shareholders' equity		**10,794,004**	**13,868,467**
Interests not conferring control		-	-
Total shareholders' equity		**10,794,004**	**13,868,467**
Non-current liabilities			
Amounts due to personnel	13	54,452	34,802
Non-current financial liabilities	12	2,197,322	3,211,750
Derivative liability	12	89,120	78,838
Deferred tax liabilities		-	-
Non-current liabilities		**2,340,895**	**3,325,391**
Current liabilities			
Amounts due to personnel		-	-
Current financial liabilities	12	2,323,843	2,703,256
Provisions	14	35,500	144,631
Trade payables and related accounts	15.1	2,988,091	3,216,886
Tax and social security liabilities	15.2	613,089	663,595
Other payables and miscellaneous debt	15.3	9,729	1,864
Current liabilities		**5,970,252**	**6,730,232**
Liabilities relating to assets intended for disposal		-	-
Total Liabilities		**19,105,151**	**23,924,090**

Income Statement

IMPLANET Income Statement	Notes	30/06/2014 6 months	30/06/2013 6 months
Revenues	16	4,001,070	3,314,999
Cost of sales	17.1	(2,459,935)	(2,117,848)
Gross margin		**1,541,135**	**1,197,151**
Research and Development expenses			
Research and Development expenses	17.3	(731,983)	(600,133)
Share-based payments	17.3	(27,758)	(912)
Subsidy	17.3	188,905	128,044
Cost of regulatory affairs and quality assurance			
Cost of regulatory affairs and quality assurance	17.4	(448,328)	(397,981)
Share-based payments	17.4	(15,360)	(1,061)
Subsidy	17.4	74,833	25,874
Sales and Marketing expenses			
Sales and Marketing expenses	17.2	(1,541,860)	(1,141,678)
Share-based payments	17.2	(154,375)	(1,840)
Operating costs			
Operating costs	17.5	(497,038)	(533,742)
Share-based payments	17.5	(14,578)	(1,070)
General and administrative expenses			
General and administrative expenses	17.6	(1,427,818)	(1,323,473)
Share-based payments	17.6	(60,514)	(5,934)
Other income		504	-
Other expenses		-	-
Operating net income		**(3,114,235)**	**(2,656,756)**
Financial expenses	19	(310,222)	(41,502)
Financial income	19	56,171	-
Change in the fair value of the derivative	19	(10,282)	-
Foreign exchange gains and losses	19	(31,083)	(294)
Net income before taxes		**(3,409,652)**	**(2,698,552)**
Tax expense		-	-
Net income for the period from continuing operations		**(3,409,652)**	**(2,698,552)**
Income from discontinued operations		-	-
Net income		**(3,409,652)**	**(2,698,552)**
Group share		*(3,409,652)*	*(2,698,552)*
Interests not conferring control		-	-
Weighted average number of shares in circulation		5,399,522	29,556,037
Basic net earnings per share (€/share)	22	**(0.63)**	**(0.09)**
Diluted net earnings per share (€/share)	22	**(0.63)**	**(0.09)**

Statement of Consolidated Comprehensive Income

IMPLANET – IFRS Statement of Consolidated Comprehensive Income	30/06/2014 6 months in euros	30/06/2013 6 months in euros
Net income for the year	(3,409,652)	(2,698,552)
Cash flow hedge		
Actuarial differences (non-recyclables)	(9,761)	12,053
Items non-recyclable in profit or loss	**(9,761)**	**12,053**
Assets available for sale		
Consolidation translation differences	(3,129)	-
Tax effects related to these items		
Items recyclable in profit or loss	**(3,129)**	**-**
Other comprehensive income (net of taxes)	(12,890)	12,053
Total Comprehensive income	**(3,422,543)**	**(2,686,499)**

Changes in shareholders' equity

IMPLANET Changes in shareholders' equity	Share capital *Number of shares*	Share capital	Additional paid-in capital	Reserves and net income	Translation Differences	Actuarial differences	Shareholders' Equity - Group share	Interests not conferring control	Shareholders' Equity
		€	€	€	€	€	€	€	€
At 31 December 2012	*29,556,037*	**29,556,037**	**4,738,744**	**(29,605,130)**	**-**	**(10,239)**	**4,679,412**	**-**	**4,679,412**
Net income				(2,698,552)			(2,698,552)		(2,698,552)
Other comprehensive income						12,053	12,053		12,053
Total Comprehensive income		-	-	(2,698,552)	-	12,053	(2,686,499)	-	(2,686,499)
Dividends							-		-
Issue of shares							-		-
Subscription of warrants (BSAs)			3,146				3,146		3,146
Share-based payments				10,817			10,817		10,817
Costs of capital increase			(103,793)				(103,793)		(103,793)
Other							-		-
At 30 June 2013	*29,556,037*	**29,556,037**	**4,638,097**	**(32,292,864)**	**-**	**1,814**	**1,903,083**	**-**	**1,903,083**
At 31 December 2013	*5,399,522*	**8,099,283.3**	**12,489,826**	**(6,733,196)**	**11,374**	**1,181**	**13,868,468**	**-**	**13,868,468**
Net income				(3,409,652)			(3,409,652)		(3,409,652)
Other comprehensive income					(3,129)	(9,761)	(12,890)		(12,890)
Total Comprehensive income		-	-	(3,409,652)	(3,129)	(9,761)	(3,422,543)	-	(3,422,543)
Dividends							-		-
Issue of shares							-		-
Subscription of warrants (BSAs)							-		-
Liquidity contract				75,495			75,495		75,495
Share-based payments				272,584			272,584		272,584
Costs related to the planned stock market introduction							-		-
Other							-		-
At 30 June 2014	*5,399,522*	**8,099,283**	**12,489,826**	**(9,794,770)**	**8,244**	**(8,580)**	**10,794,004**	**-**	**10,794,004**

Cash flow statement

IMPLANET - IFRS Consolidated cash flow statement	Notes	30/06/2014 *6 months*	30/06/2013 *6 months*
Cash flow generated from operations			
Net income from continuing operations		(3,409,652)	(2,698,552)
Net income from discontinued operations			-
Total net income		(3,409,652)	(2,698,552)
(-) Elimination of amortization of intangible assets	3	(117,034)	(148,329)
(-) Elimination of depreciation on property, plant and equipment	4	(490,055)	(675,432)
(-) Allocations to provisions	13	(9,576)	(153,377)
(-) Reversals of provisions	14	109,131	176,800
(-) Expense related to share-based payments	11	(272,584)	(10,817)
(-) Gross financial interest paid		(225,029)	(43,817)
(-) Change in the fair value of the derivative		(10,282)	-
(-) Capital gains or losses on disposals of fixed assets		(12,936)	(44,049)
(-) Subsidy transferred to net income		-	-
Other		(82,045)	(11,163)
Free cash flow before cost of net financial indebtedness and taxes		**(2,299,242)**	**(1,788,368)**
(-) Change in the working capital requirement (net of impairment of trade receivables and inventories)		645,273	1,259,102
Cash flow generated from operations		(2,944,515)	(3,047,469)
Cash flow generated from capital investment			
Acquisition of intangible fixed assets	3	(41,959)	(59,559)
Capitalization of development expenses	3	-	-
Acquisition of property, plant and equipment	4	(476,041)	(223,289)
Demobilization of term accounts classed as other current and non-current financial assets		3,303,013	
Subscription of term accounts classed as other non-current financial assets		-	-
Disposals of fixed assets		-	-
Other investment flows (change in the liquidity contract)		48,065	
Cash flow related to investment operations		2,833,078	(282,848)
Cash flow related to financing operations			
Subscription of warrants (BSAs)	10	-	3,146
Costs related to the planned stock market introduction		-	(103,793)
Repayment of the Kreos bonds	12	(927,964)	
Deposit on Kreos bonds		-	
Gross financial interest paid		(225,029)	(43,817)
Issue of convertible bonds/bonds redeemable in shares	12	-	3,411,458
Repayment of loans and conditional advances	12	(265,000)	(292,012)
Repayment of finance leases	12	(218,948)	(298,308)
Other financing flows (factoring)	12	(85,663)	22,385
Cash flow related to financing operations		(1,722,604)	2,699,059
Impact of variations in exchange rates		(3,129)	-
Increase (reduction) in cash		(1,837,170)	(631,259)
Cash and cash equivalents at the start of the year (including overdraft facilities)		2,965,534	(154,492)
Cash and cash equivalents at the year end (including overdraft facilities)		1,128,364	(785,751)
Increase (reduction) in cash		(1,837,170)	(631,259)

		30/06/2014 6 months	30/06/2013 6 months
Cash and cash equivalents	8	1,150,053	151,729
Bank overdraft facilities	12	(21,689)	(937,480)
Cash and cash equivalents at the year end (including overdraft facilities)		1,128,364	(785,751)

(1) excluding the impact of the divestiture of Beep N Track

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

Details of the change in the working capital requirement for continuing operations	30/06/2014 6 months	30/06/2013 6 months
Other non-current assets	65,929	16
Inventories (net of inventory impairment)	109,574	276,322
Trade receivables and related accounts (net of impairment of trade receivables)	18,174	122,631
Other receivables	180,161	220,782
Other current financial assets	-	-
Trade payables and related accounts	228,795	525,606
Tax and social security liabilities	50,505	113,745
Other payables and miscellaneous debt	(7,865)	
Total variations	645,273	1,259,102

NOTES TO THE SUMMARY INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unless indicated otherwise, the amounts shown in this appendix are in euros.)

Note 1: Information relating to the Company and its business

The information below constitutes the Notes to the summary interim consolidated IFRS financial statements at 30 June 2014.

The summary interim consolidated financial statements of Implanet were approved by the Board of Directors on 12 September 2014 and authorized for publication.

1.1 Information relating to the Company and its business

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

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

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

Implanet has been listed on the Euronext regulated market in Paris, Compartment C, since 25 November 2013.

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

Trade and Company Registry number: RCS 493 845 341 – Bordeaux, France

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

1.2 Significant events in the first half of 2014

- Implanet has continued the process of withdrawal from the hip prostheses market by completing the disposal of all the products in the "hips" range for an amount of €220 thousand. The products sold had been fully depreciated at 31 December 2013. The sale thereby completed did not generate any cost over the period due to the reversal of the €1.5 million provision recognized previously for these products. See Note 17;
- the Board of Directors' Meeting on 8 January 2014 awarded:
    - 60,622 founders' warrants (BSPCEs) to replace 330,935 existing BSPCEs,
    - 247,364 founders' warrants (BSPCEs) ,
    - 27,398 share subscription warrants.

  Over the first half of 2014, the Company recognized an expense in respect of share-based payments for €272 thousand, compared with €10 thousand over the first half of 2013. See Note 11.

1.3 Post balance sheet events

Opening of an optional equity line of credit with Kepler Cheuvreux (Equity Line)

The Company 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, or 9.81% of the current share capital. Kepler Cheuvreux has made a firm subscription undertaking at the exclusive request of Implanet.

For each tranche, the issue price will include a maximum discount of 6% compared to the weighted average share price at the time. This discount allows Kepler Cheuvreux, which is operating as a financial intermediary and which has no intention of remaining a shareholder of the Group, to guarantee the subscription of shares in the event of any volatility on the financial markets.

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).

In accordance with the provisions of European Regulation No. 1606/2002 dated 19 July 2002, the consolidated financial statements of Implanet at 30 June 2014 have been prepared in compliance with IAS 34 "Interim Financial Reporting", as adopted by the European Union.

Since they are summary 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 IFRS consolidated financial statements of Implanet published in respect of the fiscal year ended 31 December 2013.

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 assumption was used by the Board of Directors, in view of the financial capacity of the Company with regard to its financing requirements for the next 12 months.

This analysis is explained by the level of cash and cash equivalents at 30 June 2014, which amount to €1,150 thousand, as well as by the holding of realizable non-current financial assets amounting to €7,204 thousand and the Company's ability to make use of an optional equity line of credit.

The Company's loss-making situation during the fiscal years presented is related to its stage of development and commercial rollout (costs of Research and Development, marketing and sales).

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 31 December 2013, with the exception of the application of the following new standards, amendments to standards and interpretations adopted by the European Union, for which application is mandatory for the Group with effect from 1 January 2014:

Standards, amendments to standards and interpretations applicable with effect from the fiscal year commencing on 1 January 2014

The Company has applied the following new standards, amendments to standards and interpretations with effect from the start of the 2014 fiscal year:

- IFRS 10 – Consolidated financial statements
- IFRS 11 – Joint agreements
- IFRS 12 – Disclosure of interests in other entities
- IAS 28 Revised (2011) – Investments in associates and joint ventures
- Amendments to IAS 32 – Offsetting financial assets and financial liabilities
- Amendments to IFRS 10, IFRS 11 and IFRS 12
- Amendments to IAS 27 – Consolidated and separate financial Statements
- Amendments to IAS 36 - Impairment of assets: recoverable amount disclosures for non-financial assets
- Amendments to IAS 39 - Financial instruments: recognition and measurement - novation of derivatives and continuation of hedge accounting

These new texts published by the IASB have not had any significant impact on the Company's financial statements.

Standards and interpretations which have been published but not yet entered into effect

- IFRS 9 – Financial instruments - Amendments to IFRS 9: postponement of the effective date and transition disclosures
- IFRIC 21 - Levies charged by public authorities
- Amendments to IAS 19 - Defined benefit plans: employee contributions
- Amendments to IFRS 11 - Joint arrangements: accounting for acquisitions of interests in joint operations
- IFRS 15 - Revenue from contracts with customers
- Amendment to IAS 36 and IAS 38 – Clarification of acceptable methods of depreciation and amortization
- Improvements to IFRS (2010-2012 Cycle and 2011-2013 Cycle)

The Company is currently in the process of the assessing the impacts resulting from the first application of these new texts. It does not anticipate any significant impact on its financial statements.

2.2 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.

During the course of the preparation of these interim consolidated financial statements, the main judgments made by the 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 31 December 2013, namely:

- award of share subscription or founders' warrants to the employees, executives and external service providers (see Note 11);
- determination of the fair value of the derivative liability (see Note 12);
- recognition of development expenses in assets (see Note 3);
- impairment of inventories (see Note 6);
- impairment of trade receivables (see Note 7.1);
- recognition of revenues;
- provision for liabilities and expenses (see Note 14).

2.3 Change of accounting method

With the exception of the new texts identified above, Implanet has not made any changes to its accounting methods during the first half of 2014.

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 interim 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 Liquidity contract

Following its listing on the Paris Euronext stock market, the Company signed a liquidity contract on 20 November 2013 with Banque Oddo et Cie in order to limit the intra-day volatility of Implanet shares.

For this purpose, the Company entrusted €400 thousand to this institution in order that the latter can take long or short positions in the Company's shares. The part of the contract that is invested in the Company's own shares by this service provider is recognized as a deduction from the Company's consolidated shareholder's equity at 30 June 2014, for their acquisition cost.

Income from the disposal of these treasury shares is also recognized directly in shareholder's equity.

The cash reserve related to the liquidity contract is presented under "Other non-current financial assets".

Note 3: Intangible fixed assets

GROSS VALUE OF INTANGIBLE FIXED ASSETS (Amount in euros)	Goodwill	Patents	Software (lease-financing)	Software	Development expenses	In progress	Total
Statement of financial position at 31 December 2013	**0**	**0**	**49,643**	**270,766**	**823,797**	**6,250**	**1,150,456**
Capitalization of development expenses	0	0	0	0	0	0	**0**
Acquisition	0	0	0	15,780	0	26,179	**41,959**
Disposal	0	0	0	0	0	0	**0**
Transfer	0	0	0	0	0	0	**0**
Statement of financial position at 30 June 2014	**0**	**0**	**49,643**	**286,546**	**823,797**	**32,429**	**1,192,415**

AMORTIZATION							
Statement of financial position at 31 December 2013	**0**	**0**	**48,297**	**157,512**	**258,311**	**0**	**464,120**
Increase	0	0	891	33,763	82,380	0	**117,034**
Decrease	0	0	0	0	0	0	**0**
Statement of financial position at 30 June 2014	**0**	**0**	**49,189**	**191,275**	**340,691**	**0**	**581,154**

NET CARRYING AMOUNT							
At 31 December 2013	**0**	**0**	**1,346**	**113,254**	**565,486**	**6,250**	**686,336**
At 30 June 2014	**0**	**0**	**454**	**95,271**	**483,106**	**32,429**	**611,260**

The project for which the development costs were capitalized during previous fiscal years is the "JAZZ" project. 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 (Amount 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	Transport equipment (lease-financing)	In progress	Total
Statement of financial position at 31 December 2013	**4,086,886**	**1,264,611**	**82,537**	**278,182**	**210,323**	**569,130**	**0**	**7,794**	**0**	**6,499,463**
Acquisition	442,102	0	6,566	0	27,373	0	0	0	0	476,041
Disposal	-1,058,659	0	0	0	0	0	0	0	0	-1,058,659
Transfer	0	0	0	0	0	0	0	0	0	0
Statement of financial position at 30 June 2014	**3,470,329**	**1,264,611**	**89,103**	**278,182**	**237,696**	**569,130**	**0**	**7,794**	**0**	**5,916,845**
DEPRECIATION AND AMORTIZATION										
Statement of financial position at 31 December 2013	**3,292,445**	**734,332**	**64,978**	**267,716**	**181,307**	**569,130**	**0**	**2,002**	**0**	**5,111,909**
Increase	311,380	159,538	4,980	0	13,384	0	0	773	0	490,055
Decrease	-1,027,413	0	0	-18,311	0	0	0	0	0	-1,045,724
Statement of financial position at 30 June 2014	**2,576,412**	**893,870**	**69,958**	**249,405**	**194,691**	**569,130**	**0**	**2,774**	**0**	**4,556,241**
NET CARRYING AMOUNT										
At 31 December 2013	**794,441**	**530,279**	**17,559**	**10,466**	**29,016**	**0**	**0**	**5,792**	**0**	**1,387,554**
At 30 June 2014	**893,917**	**370,741**	**19,145**	**28,777**	**43,004**	**0**	**0**	**5,020**	**0**	**1,360,604**

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

Note 5: Other non-current and current financial assets

OTHER FINANCIAL ASSETS (Amounts in euros)	30/06/2014	31/12/2013
Term accounts	300,790	301,316
Medium-term notes (MTN)	7,204,458	8,505,851
Deposit - Kreos loan	190,735	190,735
Liquidity contract	313,218	237,725
Guarantees	62,859	44,684
Total other non-current financial assets	**8,072,060**	**9,280,311**
Medium-term notes (MTN)	0	2,001,091
Total other current financial assets	**0**	**2,001,091**

Non-current financial assets consist of:

- two term accounts subscribed in 2013, each with a value of €150 thousand. These two term accounts with durations of 36 months are pledged in favor of banks;
- medium-term notes remunerated with progressive variable rates of interest based on the investment term (€4 million with a term ending 18 December 2017 and €3,2 million with a term ending 10 December 2016);
- a €191 thousand security deposit in favor of Kreos established in the context of the €5 million bond issue in 2013. See Note 12.4;
- the cash reserve related to the liquidity contract;
- sureties in respect of the commercial leases for its French and US premises.

Note 6: Inventories

INVENTORIES (Amounts in euros)	30/06/2014	31/12/2013
Inventories of raw materials	144,677	207,335
Inventories of goods for resale	3,659,981	5,008,440
Inventories of semi-finished products	18,448	0
Inventories of ancillary devices and instruments	1,170,189	1,210,827
Gross total inventories	**4,993,295**	**6,426,602**
Impairment of inventories of raw materials	0	0
Impairment of inventories of goods for resale	-766,797	-2,057,579
Impairment of stocks of ancillary devices and instrumer	0	-252,098
Total impairment of inventories	**-766,797**	**-2,309,677**
Net total inventories	**4,226,498**	**4,116,925**

Composition of the inventories

This inventory of raw materials essentially comprises polymer components, reels of wire (manufacture of the JAZZ braid), product manuals, RFID chips ("Radio-frequency identification") and packaging.
The inventory of goods for sale principally comprises the various categories of implants for arthroscopy, hips (100% depreciated), spines and knees.

The inventory of ancillary devices and instruments comprises new equipment available for sale and not made available to healthcare facilities.

Provision for impairment of inventories

During the 2013 fiscal year, the Company decided to proceed with the progressive withdrawal from the less profitable activities. This decision resulted in an additional impairment charge on inventories at 31 December 2013, particularly relating to the products in the "hips" range. During the first half of 2014, the latter were the subject of divestment, leading to a €1.5 million reversal of the impairment charge on inventories of goods and ancillary devices.

Note 7: Trade receivables

7.1 Trade receivables

TRADE RECEIVABLES AND RELATED ACCOUNTS (Amounts in euros)	30/06/2014	31/12/2013
Trade receivables and related accounts	2,693,932	2,537,988
Impairment of trade receivables and related accounts	338,639	200,869
Net total of trade receivables and related accounts	**2,355,293**	**2,337,119**

The Company's products are sold to public and private hospitals and to distributors. The risk of default has been assessed as low.
The provision for impairment of customer receivables has been established on a case-by-case basis based on the estimated risk of non-recovery.

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

TRADE RECEIVABLES AND RELATED ACCOUNTS (Amounts in euros)	30/06/2014	31/12/2013
Not yet due	1,521,827	1,399,359
Due for less than 90 days	398,392	533,249
Due for between 90 days and 6 months	83,885	230,181
Due for between 6 and 12 months	391,412	118,765
Due for more than 12 months	298,417	256,434
Gross total trade receivables and related accounts	**2,693,932**	**2,537,988**

7.2 Other receivables

OTHER RECEIVABLES (Amounts in euros)	30/06/2014	31/12/2013
Research tax credit (1)	566,115	302,377
Value added tax (2)	490,006	575,240
Employees and related accounts	17,803	9,175
Trade payable debit balances	50,788	64,480
Business competitiveness tax credit	35,176	19,906
Prepaid expenses (3)	168,410	172,043
Miscellaneous	1,084	6,000
Total other receivables	**1,329,383**	**1,149,221**

(1) Research tax credit ("CIR")

The Company benefits from the provisions of Articles 244 quarter B and 49 septies F of the French General Tax Code relating to research tax credits. 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, the receivables due from the Government in respect of the Research Tax Credit (CIR) are payable in the year following that of their recognition:

- estimated CIR at 30 June 2014: €263,738;
- CIR 2013: €302,377, repayment expected in the second half of 2014.

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

(3) prepaid expenses relate to current expenditure and essentially represent maintenance and rental expenses.

Note 8: Marketable securities and cash

The cash and cash equivalents item is broken down as follows:

CASH AND CASH EQUIVALENTS (Amounts in euros)	30/06/2014	31/12/2013
Bank accounts	149,743	1,964,742
Term accounts	1,000,310	1,000,792
Total cash and cash equivalents	**1,150,053**	**2,965,534**

The term account of €1 million was subscribed on 1 August 2013 for a term of 64 days, subject to tacit renewal.

Note 9: Financial assets and liabilities and effects on net income

The Company's assets and liabilities are valued as follows at 31 December 2013 and 30 June 2014:

(Amount in euros)	30/06/2014		Value - statement of financial position in accordance with IAS 39			Non-financial instruments
Balance sheet headings	Value - Statement of financial position	Fair Value	Fair value through the income statement	Loans and receivables	Liabilities at amortized cost	
Non-current financial assets	8,072,060	8,072,060	7,505,248	566,812		
Trade receivables and related accounts	2,355,293	2,355,293		2,355,293		
Other receivables	1,329,382	1,329,382		1,329,382		
Current financial assets	0	0				
Cash and cash equivalents	1,150,053	1,150,053	1,000,310	149,743		
Total assets	**12,906,788**	**12,906,788**	**8,505,558**	**4,401,230**	**0**	**0**
Current financial liabilities	2,323,843	2,323,843			2,323,843	
Non-current financial liabilities	2,197,322	2,197,322			2,197,322	
Trade payables and related accounts	2,988,091	2,988,091			2,988,091	
Derivative liability	89,120	89,120	89,120			
Other creditors and miscellaneous liabilities	9,729	9,729			9,729	
Total liabilities	**7,608,106**	**7,608,106**	**89,120**	**0**	**7,518,985**	**0**

(Amount in euros)	31/12/2013		Value - statement of financial position in accordance with IAS 39			Non-financial instruments
Balance sheet headings	Value - Statement of financial position	Fair Value	Fair value through the income statement	Loans and receivables	Liabilities at amortized cost	
Non-current financial assets	9,280,311	9,280,311	8,807,167	473,144		
Trade receivables and related accounts	2,337,119	2,337,119		2,337,119		
Other receivables	1,149,221	1,149,221		1,149,221		
Current financial assets	2,001,091	2,001,091	2,001,091			
Cash and cash equivalents	2,965,534	2,965,534	1,000,792	1,964,742		
Total assets	**17,733,276**	**17,733,276**	**11,809,050**	**5,924,226**	**0**	**0**
Current financial liabilities	2,703,256	2,703,256			2,703,256	
Non-current financial liabilities	3,211,750	3,211,750			3,211,750	
Trade payables and related accounts	3,216,886	3,216,886			3,216,886	
Derivative liability	78,838	78,838	78,838			
Other payables and miscellaneous debt	1,864	1,864			1,864	
Total liabilities	**9,212,595**	**9,212,595**	**78,838**	**0**	**9,133,757**	**0**

	Impacts on the income statement at 30 June 2014		Impacts on the income statement at 31 December 2013	
(Amount in euros)	Interest	Changes in fair value	Interest	Changes in fair value
Assets				
Assets at fair value through the income statement		4,244		6,481
Loans and receivables				
Cash and cash equivalents		310		792
Liabilities				
Derivative liability		10,282		(135,286)
Liabilities valued at amortized cost: bond issues	292,320		374,706	
Liabilities valued at amortized cost: advances	6,174		20,355	

Note 10: Capital

Issued capital

The share capital is fixed at the sum of €8,099,283. It is divided into 5,399,522 ordinary shares which are fully subscribed and paid up with a par value of €1.50.

This number is stated exclusive of warrants (BSAs) and founders' warrants (BCEs) granted to certain investors and individuals, whether employees or not of the Company, and which have not yet been exercised.

No change was made to the share capital during the first half of 2014.

Distribution of dividends

The Company did not distribute any dividends during the first half of 2014.

Management of capital

The Group'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 20 November 2013 with Banque Oddo et Cie.
At 30 June 2014, under the terms of this contract, 13,776 treasury shares were recognized as a deduction from shareholders' equity and €313,218 of cash was recognized in long-term financial assets.

Note 11: Share subscription warrants and founders' warrants

Warrants (BSAs)

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:

Date	Type	Number of warrants issued	Number of lapsed options	Number of options in circulation	Maximum number of shares to be issued (1)	Assumptions used - calculation of the fair value in accordance with IFRS 2				
						Subscription price per share in €	Exercise period	Volatility	Risk-free rate	Total IFRS 2 Valuation (Black & Scholes)
At 31 December 2010		**0**	**0**	**0**	**0**					
General Shareholders' Meeting of 26 September 2011	BSA 09/11	60,000	0	60,000	6,000	1.00 €	10 years	37.90%	1.69%	17,413 €
At 31 December 2011		**60,000**	**0**	**60,000**	**6,000**					
General Shareholders' Meeting of 29 June 2012	BSA 05/12	10,245	0	10,245	1,025	1.00 €	10 years	37.17%	1.46%	2,867 €
General Shareholders' Meeting of 29 June 2012	BSA 2012	165,000	0	165,000	16,500	1.50 €	10 years	37.17%	1.46%	16,984 €
General Shareholders' Meeting of 11 October 2012	BSA 09/2012	100,000	0	100,000	10,000	1.50 €	10 years	37.17%	1.04%	9,564 €
At 31 December 2012		**335,245**	**0**	**335,245**	**33,525**					
General Shareholders' Meeting of 22 January 2013	BSA 01/2013	25,000	0	25,000	2,500	1.50 €	10 years	37.49%	1.08%	2,486 €
At 31 December 2013		**360,245**	**0**	**360,245**	**36,025**					
Board meeting of 8 January 2014	BSA 01/2014	27,398	0	27,398	27,398	6.68 €	10 years	34.05%	1.30%	53,318 €
At 30 June 2014		**387,643**	**0**	**387,643**	**63,423**					

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

The rights to exercise the warrants (BSAs) issued between 2010 and 2013 are acquired immediately on the Date of award by the General Shareholders' Meeting or the Board of Directors.
The right to exercise the warrants issued on 8 January 2014 are acquired by third parties:

- 1/3 on 8 January 2015;
- 1/3 on 8 July 2015;
- 1/3 on 8 January 2016.

Founders' warrants (BSPCE or BCE)

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

						Assumptions used - calculation of the fair value in accordance with IFRS 2				
Award date	Type	Number of warrants issued	Number of lapsed options	Number of options in circulation	Maximum number of shares to be issued (1)	Exercise price in €	Exercise period	Volatility	Risk-free rate	Total IFRS 2 Valuation (Black & Scholes)
Board meeting of 29 December 2007	BCE s/12/2007	100 000	80 000	20 000	2 000	1,50 €	10 years	43,02%	4,17%	34 387 €
Board meeting of 5 February 2009	BCE s/02/2009	106 500	93 500	13 000	1 300	1,50 €	10 years	38,11%	3,20%	37 389 €
At 31 December 2009		**206 500**	**173 500**	**33 000**	**3 300**					
Board meeting of 22 April 2010	BCE s/03/2010	167 500	137 500	30 000	3 000	1,50 €	10 years	34,57%	2,54%	63 891 €
At 31 December 2010		**374 000**	**311 000**	**63 000**	**6 300**					
Board meeting of 6 April 2011	BCE s/06/2011	272 000	204 000	68 000	6 800	1,50 €	10 years	37,90%	3,12%	117 310 €
Board meeting of 18 November 2011	BCE s/09/2011	103 500	54 500	49 000	4 900	1,50 €	10 years	37,90%	2,24%	45 462 €
At 31 December 2011		**749 500**	**569 500**	**180 000**	**18 000**					
General Shareholders' Meeting of 29 June 2012	BCE 05/2012	21 793	6 435	15 358	1 536	1,00 €	10 years	37,17%	1,46%	8 277 €
At 31 December 2012		**771 293**	**575 935**	**195 358**	**19 536**					
At 31 December 2013		**771 293**	**575 935**	**195 358**	**19 536**					
Board meeting of 8 January 2014	BCE 01/2014-1	39 706	0	39 706	39 706	6,68 €	10 years	34,05%	1,30%	83 864 €
Board meeting of 8 January 2014	BCE 01/2014-2	19 638	0	19 638	19 638	6,68 €	10 years	34,05%	1,30%	42 534 €
Board meeting of 8 January 2014	BCE 01/2014-3	1 278	0	1 278	1 278	6,68 €	10 years	34,05%	1,30%	2 699 €
Board meeting of 8 January 2014	BCE 01/2014-4	247 364	0	247 364	247 364	6,68 €	10 years	34,05%	1,30%	645 313 €
At 30 June 2014		**1 079 279**	**575 935**	**503 344**	**327 522**					

The BSPCEs may be exercised by their holders with effect from the Date of award by the Board of Directors, for up to 1/3 of the warrants awarded, per holder and per calendar year, except for the option plans dated 8 January 2014, for which the following exercise terms apply:

- for the entirety of the options attributed to the holder for the $BCE_{01/2014-1}$ option plan, there is a holding period of 12 months following the Date of award by the Board of Directors;
- up to 1/2 of the options awarded to the holder at the end of the 12^{th} and 18^{th} months following the Date of award by the Board of Directors may be exercised for the $BCE_{01/2014-2}$ option plan;
- up to 1/3 of the options awarded to the holder at the end of the 12^{th}, $18^{th}$and 24^{th} months following the Date of award by the Board of Directors may be exercised for the $BCE_{01/2014-3}$ and $BCE_{01/2014-4}$ option plans.

Details of the expense recognized in accordance with IFRS 2 at 30 June 2013 and 30 June 2014

		At 30 June 2013					At 30 June 2014				
Type	**Grant date**	**Number of options in circulation**	**Probable cost of the plan**	**Cumulative expense at the start of the year**	**Expense at 30 June 2013**	**Cumulative expense at 30/06/2013**	**Number of options in circulation**	**Probable cost of the plan**	**Cumulative expense at the start of the year**	**Expense at 30 June 2014**	**Cumulative expense at 30/06/2014**
BCE s/12/2007	Board meeting of 29 December 2007	60,000	34,387 €	34,387 €	0 €	34,387 €	20,000	34,387 €	34,387 €	0 €	34,387 €
BCE s/02/2009	Board meeting of 5 February 2009	49,500	37,389 €	37,389 €	0 €	37,389 €	13,000	37,389 €	37,389 €	0 €	37,389 €
BCE s/03/2010	Board meeting of 22 April 2010	100,000	63,891 €	63,891 €	0 €	63,891 €	30,000	63,891 €	63,891 €	0 €	63,891 €
BCE s/06/2011	Board meeting of 6 April 2011	196,500	117,310 €	111,895 €	4,999 €	116,894 €	68,000	117,310 €	117,310 €	0 €	117,310 €
BCE s/09/2011	Board meeting of 18 November 2011	98,500	45,462 €	43,195 €	2,267 €	45,462 €	49,000	45,461 €	45,461 €	0 €	45,461 €
BCE 05/2012	General Shareholders' Meeting of 29 June 2012	21,793	8,277 €	6,016 €	1,066 €	7,082 €	15,358	8,277 €	7,859 €	418 €	8,277 €
BCE 01/2014-1	Board meeting of 8 January 2014						39,706	83,864 €	0 €	36,934 €	36,934 €
BCE 01/2014-2	Board meeting of 8 January 2014						19,638	42,534 €	0 €	15,441 €	15,441 €
BCE 01/2014-3	Board meeting of 8 January 2014						1,278	2,699 €	0 €	841 €	841 €
BCE 01/2014-4	Board meeting of 8 January 2014						247,364	645,313 €	0 €	201,037 €	201,037 €
Total – BCE		**526,293**	**306,715 €**	**296,772 €**	**8,332 €**	**305,104 €**	**503,344**	**1,081,125 €**	**306,296 €**	**254,672 €**	**560,968 €**

Type	**Grant date**	**Number of options in circulation**	**IFRS 2 cost of the plan**	**Cumulative expense at the start of the year**	**Expense at 30 June 2013**	**Cumulative expense at 30/06/2013**	**Number of options in circulation**	**IFRS 2 cost of the plan**	**Cumulative expense at the start of the year**	**Expense at 30 June 2014**	**Cumulative expense at 30/06/2014**
BSA 09/11	General Shareholders' Meeting of 26 September 2011	60,000	17,413 €	17,413 €	0 €	17,413 €	60,000	17,413 €	17,413 €	0 €	17,413 €
BSA 05/12	General Shareholders' Meeting of 29 June 2012	10,245	2,867 €	2,867 €	0 €	2,867 €	10,245	2,867 €	2,867 €	0 €	2,867 €
BSA 2012	General Shareholders' Meeting of 29 June 2012	165,000	16,984 €	16,984 €	0 €	16,984 €	165,000	16,984 €	16,984 €	0 €	16,984 €
BSA 09/2012	General Shareholders' Meeting of 11 October 2012	100,000	9,564 €	9,564 €	0 €	9,564 €	100,000	9,564 €	9,564 €	0 €	9,564 €
BSA 01/2013	General Shareholders' Meeting of 22 January 2013	25,000	2,486 €	0 €	2,486 €	2,486 €	25,000	2,486 €	2,486 €	0 €	2,486 €
BSA 01/2014	Board meeting of 8 January 2014						27,398	53,318 €	0 €	17,913 €	17,913 €
Total – BSA		**360,245**	**49,313 €**	**46,827 €**	**2,486 €**	**49,313 €**	**387,643**	**102,631 €**	**49,313 €**	**17,913 €**	**67,226 €**

Total - BCE and BSA		**886,538**	**356,028 €**	**343,599 €**	**10,818 €**	**354,417 €**	**890,987**	**1,183,757 €**	**355,609 €**	**272,585 €**	**628,194 €**

Note 12: Loans and financial debts

NON-CURRENT FINANCIAL LIABILITIES (Amount in euros)	30/06/2014	31/12/2013
Financial liabilities – lease-financing	4,675	77,065
Repayable advance	189,203	219,842
Derivative liability	89,120	78,838
Bond issue	2,003,443	2,914,843
Non-current financial liabilities	**2,286,441**	**3,290,588**

CURRENT FINANCIAL LIABILITIES (Amount in euros)	30/06/2014	31/12/2013
Commercial paper	0	0
Financial liabilities – lease-financing	169,199	315,757
Repayable advance	78,587	306,775
Bank overdraft facilities	21,689	0
Bond issue	1,877,846	1,818,539
Debt under the factoring contract	176,523	262,186
Current financial liabilities	**2,323,844**	**2,703,256**

Total financial liabilities	**4,610,286**	**5,993,845**

Breakdown of financial debts by maturity

The maturity of financial debts is broken down as follows for the fiscal years presented:

	30/06/2014			
CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (Amount in euros)	**Gross amount**	**Part due in less than 1 year**	**From 1 to 5 years**	**More than 5 years**
Commercial paper	0			
Financial liabilities – lease-financing	173,873	169,199	4,675	
Repayable advances	267,791	78,587	189,203	
Bank overdraft facilities	21,689	21,689		
Bond issue	3,881,290	1,877,847	2,003,443	
Derivative liability	89,120		89,120	
Debt under the factoring contract	176,523	176,523		
Total financial liabilities	**4,610,286**	**2,323,845**	**2,286,441**	**0**
Current financial liabilities	*2,323,845*			
Non-current financial liabilities	*2,286,441*			

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (Amount in euros)	31/12/2013			
	Gross amount	Part due in less than 1 year	From 1 to 5 years	More than 5 years
Commercial paper	0			
Financial liabilities – lease-financing	392,821	315,757	77,065	
Repayable advances	526,617	306,775	219,842	
Bank overdraft facilities	0			
Bond issue	4,733,383	1,818,539	2,914,843	
Derivative liability	78,838		78,838	
Debt under the factoring contract	262,186	262,186		
Total financial liabilities	**5,993,845**	**2,703,256**	**3,290,588**	**0**
Current financial liabilities	*2,703,256*			
Non-current financial liabilities	*3,290,588*			

12.1 Debts due to financial institutions

Implanet did not take out any loans from financial institutions during the first half of 2014.

Approved overdraft

Since 13 December 2012, the Company has had an approved overdraft facility of €500 thousand, bearing interest at the 3-month Euribor rate +2%, in exchange for the pledge of a term deposit of €150 thousand.

12.2 Financial debts – lease-financing

CHANGES IN FINANCIAL LIABILITIES - LEASE-FINANCING (Amount in euros)	Financial liabilities – lease-financing contracts
At 31 December 2013	**392,821**
(+) Subscription	0
(-) Repayment	-218,948
At 30 June 2014	**173,873**

Current part	Non-current part	
	from 1 to 5 years	more than 5 years
315,757	77,065	0
169,199	4,675	0

12.3 Repayable advances

The table below sets out the changes in repayable advances:

CHANGES IN REPAYABLE ADVANCES (Amount in euros)	OSEO Knees	OSEO - Beep N Track	Total
At 31 December 2013	**278,574**	**248,043**	**526,617**
(+) Receipts			
(-) Repayment	-15,000	-250,000	-265,000
Subsidies			
Financial expenses	4,217	1,957	6,174
(+/-) Other movements			
At 30 June 2014	**267,791**	**0**	**267,791**

Breakdown of repayable advances by maturity

	OSEO Knees	OSEO - Beep N Track	Total
At 30 June 2014	**267,791**	**0**	**267,791**
Part due in less than 1 year	78,587		78,587
Part due between 1 and 5 years	189,203		189,203
Part due in more than 5 years			

The Company did not obtain any new repayable advance during the first half of 2014 or receive any additional payments in respect of existing advances.

12.4 Convertible bond issues

CHANGES IN BOND ISSUES (Amount in euros)	Non-convertible Kreos bond issue	Total
At 31 December 2013	**4,733,383**	**4,733,383**
(+) Receipts		0
(-) Derivative liability		0
(-) Redemption	-927,964	-927,964
(+) Capitalized interest/accretion		0
(+/-) Impact of amortized cost	75,871	75,871
(+/-) Conversion		0
At 30 June 2014	**3,881,290**	**3,881,290**

Issue of non-convertible bonds to Kreos for a total amount of €5 million.

On 19 July 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 business goodwill in favor of Kreos.

These transactions were implemented as follows:

- the €5 million bond, by issuing 5 million non-convertible bonds with a par value of €1 each to Kreos was approved at the Company's Board of Directors' Meeting of 19 July 2013 and wholly subscribed by Kreos on 24 July 2013;
- The free issue of 65,000 warrants for shares in the Company to Kreos was resolved by the Extraordinary General Shareholders' Meeting of 19 July 2013. These warrants (BSAs) have a term of five years with effect from the Date of the stock market listing (i.e. 25 November 2018);
- the Company's goodwill was pledged on 19 July 2013.

The bond is repayable in fixed monthly installments between 1 January 2014 and 1 June 2016. The bond issue bears interest at the rate of 11.5%.

At the time the bond contract was arranged, the Company incurred €185 thousand in fees. The fees were taken into account in determining the amortization of the loan, in accordance with the amortized cost method. After taking into account the issue costs and the discount related to the warrants (BSAs), the effective rate of interest of the bond amounts to 17.82%.

The warrants (BSAs) are recognized in derivative liabilities and are valued at fair value, with variations in this fair value recognized in profit or loss.
The fair value was determined using the Black & Scholes valuation model.

The principal assumptions are the following:

- Anticipated term: 3.5 years
- Volatility: 34.05%
- Risk-free rate: 0.28%

The derivative liability at 30 June 2014 amounted to €89 thousand, compared with €79 thousand at 31 December 2013. The change in fair value over the period is €10 thousand.

Note 13: Commitments to employees

Commitments to employees comprise the provision for retirement benefits, valued on the basis of the provisions set out in the applicable collective agreement, namely the collective agreement for the metallurgy industry.

This commitment only concerns employees covered by French law. The main actuarial assumptions used for evaluation of the retirement benefits are the following:

ACTUARIAL ASSUMPTIONS	30/06/2014		31/12/2013		30/06/2013	
	Managers	Non-managers	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	Metallurgy Engineers and Managers	Metallurgy Gironde Landes
Discount rate (IBOXX Corporates AA)	2.40%		3.00%		3.02%	
Mortality table	INSEE 2012		INSEE 2012		INSEE 2012	
Rate of revaluation of salaries	2.00%		2.00%		2.00%	
Rate of turnover	Average (AG2R table)		Average (AG2R table)		Average (AG2R table)	
Rate of Social Security charges	50%	46%	48%	43%	49%	42%

The provision for retirement commitments has changed as follows:

Amounts due to personnel (Amounts in euros)	Retirement benefits
At 31 December 2012	**37,477**
Past service costs	7,738
Financial costs	1,008
Actuarial differences	-12,053
At 30 June 2013	**34,170**
At 31 December 2013	**34,802**
Past service costs	8,532
Financial costs	1,044
Actuarial differences	9,761
At 30 June 2014	**54,139**

Note 14: Provisions

PROVISIONS (Amount in euros)	30/06/2014				
	Amount at start of year	Allocations	Reversals	Release of surplus provisions	Amount at year end
Provisions for legal disputes	109,131		109,131		0
Provisions for employment tribunal disputes	35,500				35,500
Total provisions for liabilities and expenses	**144,631**	**0**	**109,131**	**0**	**35,500**

Disputes and liabilities

The Company may become involved in legal, administrative or regulatory procedures in the normal course of its activity. A provision is recognized by the Company where there is a sufficient probability that such disputes may lead to costs for the Company.

Employment tribunal disputes

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

Tax audit

The Company was the subject of a tax audit covering fiscal years 2009, 2010 and 2011.
The Company received reassessment notifications in December 2012 (in respect of the 2009 fiscal year) and in January 2013 (in respect of the 2010 and 2011 fiscal years) amounting to charges and interest of €109 thousand, reduction of tax losses carried forward of €234 thousand, of which the Company disputed certain grounds put forward.
Following the receipt of the conclusions from the tax authority on 27 May 2013, the Company decided to recognize a provision for the amount of the reassessment notifications, namely €109 thousand at 31 December 2013.
Following the settlement in the first half of 2014 (payment of a tax adjustment), a tax expense of €109 thousand was recognized resulting in a reversal of provisions in the same amount at 30 June 2014.

Note 15: Trade payables and other current liabilities

15.1 Trade and other accounts payable

No discounting has been applied to the trade and other accounts payable, given that the amounts did not include any ageing of more than one year at the end of each fiscal year in question.

TRADE PAYABLES AND RELATED ACCOUNTS (Amount in euros)	30/06/2014	31/12/2013
Trade payables	2,230,188	2,358,298
Invoices not yet received	757,903	858,588
Trade payables and related accounts	**2,988,091**	**3,216,886**

15.2 Tax and social security liabilities

Tax and social security liabilities are broken down as follows:

TAX AND SOCIAL SECURITY LIABILITIES (Amount in euros)	30/06/2014	31/12/2013
Employees and related accounts	218,078	254,419
Social Security and other social bodies	357,277	371,099
Other taxes, duties and similar payments	37,734	38,076
Total tax and social security liabilities	**613,089**	**663,594**

15.3 Other current liabilities

Other liabilities are broken down as follows and combine short-term liabilities due to third parties:

OTHER CURRENT LIABILITIES (Amount in euros)	30/06/2014	31/12/2013
Customer credit balances	2,617	0
Directors' fees due to members of the Board of Directors	6,000	0
		0
Miscellaneous	1,112	1,864
Total other current liabilities	**9,729**	**1,864**

Note 16: Revenues

The Company's revenues essentially comprise the sale of orthopedic implants.

REVENUES (Amount in euros)	30/06/2014	30/06/2013
Revenues	4,001,070	3,314,999
Sales, Distribution and Marketing		
Subsidies (Aquitaine region)		
Regulatory affairs and quality assurance		
Research tax credit	74,833	25,874
Research and Development		
Subsidies (OSEO)		
Research tax credit	188,905	128,044
Other income	504	
Total revenues	**4,265,312**	**3,468,917**

Revenues by type of products for the first half of 2014 and the first half of 2013 are as follows:

REVENUES BY TYPE OF PRODUCTS (Amounts in thousands of euros)	30/06/2014	30/06/2013
Jazz	879	380
Other spinal	0	0
Spinal	879	
Knee + Arthroscopy	2,357	1,959
Hip	765	976
Total revenue	**4,001**	**3,315**

Revenues by geographical region for the first half of 2014 and the first half of 2013 are as follows:

REVENUES BY GEOGRAPHICAL REGION (Amounts in euros)	30/06/2014	30/06/2013
France	2,399,196	2,112,228
Rest of the world	1,601,874	1,202,772
Total revenue	**4,001,070**	**3,314,999**

Note 17: Details of expenses and income by function

17.1 Cost of sales

COST OF SALES (Amount in euros)	30/06/2014	30/06/2013
Purchases of raw materials and goods for resale	(3,581,857)	(1,561,719)
Depreciation of ancillary devices	(395,061)	(556,129)
Reversal of provision for impairment of inventories	1,516,983	0
Cost of sales	**(2,459,935)**	**(2,117,848)**

The Company decided to gradually withdraw from sectors considered to be non-strategic and with low profitability profiles. Hence, the Company decided to effect a gradual withdrawal from the hip prosthesis market during 2014. In the financial statements as at 31 December 2013, this decision is reflected in the impairment of all products in the “hip” range (impairment of €1.5 million on the stock of goods and ancillary devices, including additional impairment of €0.8 million in 2013).
In the first half of 2014, the Company divested the entire “hip” product range for €220 thousand. This amount is recognized in revenue in the income statement.
The cost of the products in the “hip” range, as well as the reversal of the corresponding provision, was entered under cost of sales leading to the recognition of a margin of 100% on this sale during the period.

17.2 Sales, Distribution & Marketing

SALES, DISTRIBUTION & MARKETING (Amount in euros)	30/06/2014	30/06/2013
Other payroll expenses	(516,543)	(578,685)
Royalties	(80,938)	(44,297)
Equipment and real estate leases	(20,721)	(37,135)
Sales commission	(345,147)	(305,867)
Travel, assignments and entertaining	(219,131)	(103,156)
Studies and research	(7,595)	(12,915)
Materials and supplies not for stock	(47,645)	
Advertising and external relations	(57,626)	(6,550)
Compensation of temporary staff Fees	(64,391)	35,176
Transport of goods and personnel	(2,364)	(62,350)
Miscellaneous	(40,195)	(18,130)
Depreciation and amortization of fixed assets	(1,793)	(301)
Share-based payments	(154,375)	(1,840)
Reversals of provisions for depreciation and amortization	(137,770)	(7,468)
Sales, Distribution and Marketing expenses	**(1,696,234)**	**(1,143,518)**
COFACE advances	0	0
Subsidies	**0**	**0**

17.3 Research and Development

RESEARCH AND DEVELOPMENT (Amount in euros)	30/06/2014	30/06/2013
Payroll expenses	(403,275)	(349,417)
Material, equipment and works	4,361	(14,815)
Travel, assignments and entertaining	(32,269)	(21,438)
Miscellaneous rentals		
Studies and research	(78,730)	(28,329)
Intellectual property fees		
Vehicle leases	(30,885)	(28,252)
Intermediary compensation & Fees	(127,922)	(91,892)
Miscellaneous	(6,365)	(10,526)
Depreciation and amortization of fixed assets	(6,500)	(5,066)
Capitalization of R&D costs	0	0
Amortization of capitalized R&D costs	(50,398)	(50,398)
Share-based payments	(27,758)	(912)
Research and Development expenses	**(759,742)**	**(601,045)**
Research tax credit	188,905	128,044
Subsidies (OSEO)	0	0
Oséo advances	0	0
Subsidies	**188,905**	**128,044**

The Research and Development expenses relate to general orthopedic products, Madison (knee prosthesis) and JAZZ.
Implanet is developing innovative new applications for JAZZ, particularly for the treatment of other pathologies.

17.4 Regulatory affairs and quality assurance

COSTS OF REGULATORY AFFAIRS AND QUALITY ASSURANCE (Amount in euros)	30/06/2014	30/06/2013
Payroll expenses	(246,284)	(244,647)
Travel, assignments and entertaining		
Studies and research	(45,489)	(103,337)
Vehicle leases	(5,651)	(5,754)
External personnel		
Materials and supplies not for stock	(54,682)	0
Intermediary compensation & Fees	(29,630)	23,264
Miscellaneous	(28,561)	(31,076)
Capitalization of R&D costs	0	0
Amortization of capitalized R&D costs	(31,981)	(31,981)
Depreciation and amortization of fixed assets	(6,050)	(4,450)
Share-based payments	(15,360)	(1,061)
Cost of Regulatory Affairs and Quality Assurance	**(463,688)**	**(399,042)**
Research tax credit	74,833	25,874
Subsidies	**74,833**	**25,874**

17.5 Operations

Operating costs comprise:

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

OPERATING COSTS (Amount in euros)	**30/06/2014**	**30/06/2013**
Payroll expenses	(265,936)	(229,815)
Equipment and real estate leases	(64,020)	(67,473)
Maintenance and repairs	(20,860)	(14,364)
Finance leases		
Vehicle leases	(4,979)	(11,161)
Materials and supplies not for stock	(16,636)	(16,421)
External personnel	(7,063)	(9,521)
Transport of goods and personnel	(31,700)	(21,958)
Intermediary compensation & Fees	(2,262)	(51,957)
Miscellaneous	(14,593)	(9,196)
Depreciation and amortization of fixed assets	(95,442)	(97,184)
Provision for impairment of inventories	26,452	(4,694)
Share-based payments	(14,578)	(1,070)
Operating costs	**(511,616)**	**(534,812)**

17.6 General and administrative expenses

GENERAL AND ADMINISTRATIVE EXPENSES (Amount in euros)	30/06/2014	30/06/2013
Payroll expenses	(388,236)	(286,022)
Other taxes and duties	(146,646)	(41,186)
Equipment and real estate leases	(140,778)	(99,692)
Travel, assignments and entertaining	(94,413)	(57,284)
Maintenance and repairs	(98,973)	(66,194)
Postal and telecommunication expenses	(38,697)	(31,726)
Vehicle leases	(16,793)	(8,669)
Materials and supplies not for stock	(29,773)	(30,966)
Insurance premiums	(116,073)	(140,685)
Intermediary compensation & Fees	(362,925)	(394,903)
Attendance fees	(6,000)	0
Banking services and similar	(29,575)	(69,589)
Reversals of provisions for depreciation and amortization	120,736	176,800
Allocations to provisions for liabilities and expenses	0	(144,630)
Miscellaneous	(39,616)	(64,779)
Depreciation and amortization of fixed assets	(40,055)	(63,949)
Share-based payments	(60,514)	(5,934)
General and administrative expenses	**(1,488,331)**	**(1,329,407)**

Note 18: Headcount

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

AVERAGE HEADCOUNT	30 June 2014 (6 months)	At 31 December 2013
Managers	25.3	20.3
Employees	15.7	12.8
Total average headcount	**41.0**	**33.1**

The Company employed an average of 41 people at 30 June 2014 compared with 33 people at 31 December 2013.

The table below shows the breakdown of Company headcount by geographical region during the periods presented:

AVERAGE HEADCOUNT BY GEOGRAPHIC REGION	30 June 2014 (6 months)	At 31 December 2013
France	38.0	33.1
United States	3.0	0.0
Total average headcount	**41.0**	**33.1**

Note 19: Financial income and expenses, net

FINANCIAL INCOME AND EXPENSES (Amount in euros)	30/06/2014	30/06/2013
Amortized cost of the loan	(292,320)	0
Changes in the fair value of the derivative liability	(10,282)	0
Other financial expenses	(17,903)	(41,502)
Financial income	56,171	0
Foreign exchange gains and (losses)	(31,083)	(294)
Total financial income and expenses	**(295,417)**	**(41,796)**

The other financial expenses essentially comprise the effect of the accretion of the repayable advances and interest on the lease-financing contracts.

Financial income essentially comprises the interest arising on the medium-term notes.

Note 20: Corporate income tax

Using the same rules as those used at 31 December 2013, the Group did not recognize any deferred tax assets at 30 June 2014.

Note 21: Related parties

21.1 Transactions with related parties

Implanet Institute

Implanet Institute, a non-profit association sponsored by Implanet, has the role of assisting young surgeons in all areas of their practice (program to prepare surgeons for setting up a practice, training in surgical techniques, etc.).

Implanet Institute is an independent association whose actions are decided by its Scientific Committee. The members of the association include certain shareholders and employees of the Company.

The contributions by the Implanet company to the Implanet Institute during the first half of 2013 and the first half of 2014 are:

- €0 over the first half of 2014;

- €5 thousand over the first half of 2013.

21.2 Executive compensation

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

The compensation of members of the Board of Directors is broken down as follows (in euros):

Compensation of executive Directors	30/06/2014	30/06/2013
Fixed compensation due	82,642	83,025
Variable compensation due	45,000	3,819
Benefits in kind	3,289	3,289
Attendance fees	0	0
Share-based payments	147,065	2,919
Advisers' fees	36,000	39,000
TOTAL	**313,996**	**132,052**

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

Note 22: Net earnings per share

Basic net earnings

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) and subscription 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 (Amount in euros)	30/06/2014	30/06/2013
Weighted average number of shares in circulation	5,399,522	29,556,037
Net income for the year	(3,385,288)	(2,698,552)
Basic earnings per share (€/share)	**(0.63)**	**(0.09)**
Diluted earnings per share (€/share)	**(0.63)**	**(0.09)**

Note 23: Off-balance sheet commitments

The principal changes in terms of off-balance sheet commitments between 31 December 2013 and 30 June 2014 are described below. Other off-balance sheet commitments in existence at 31 December 2013 have not changed significantly over the period.

Commitments in respect of operating leases

The Company has concluded operating leases for 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 31/12/2013 (amount in euros)	99,568	92,918	0
Off-balance sheet commitments at 30/06/2014 (amount in euros)	92,419	47,895	0

20.4.2. Report on the limited examination by the Statutory auditors of the interim financial statements at 30 June 2014

"To the shareholders,

In compliance with the assignment entrusted to us by your General Shareholders' Meetings and in application of Article L. 451-1-2 III of the French Monetary and Financial Code, we have carried out:

- the limited examination of the summary interim consolidated financial statements of Implanet relating to the period from 1 January to 30 June 2014, as attached to the present report;

- the verification of the information provided in the interim activity report.

These summary interim consolidated financial statements were prepared under the responsibility of the Board of Directors. It is our responsibility, on the basis of our limited examination, to express our conclusion on these financial statements.

1. Conclusion on the financial statements

We conducted our limited examination in accordance with the professional standards applicable in France. A limited examination essentially consists of holding discussions with the members of the management responsible for the accounting and financial aspects and carrying out analytical procedures. This work is less extensive than that required for an audit carried out in accordance with the professional standards applicable in France. Consequently, the assurance that the financial statements, taken as a whole, do not include any significant anomalies obtained as part of a limited examination is a limited assurance, lower than that obtained as a result of an audit.

On the basis of our limited examination, we did not detect any significant anomalies which would be such as to call into question the compliance of the summary interim consolidated financial statements with IAS 34 – the IFRS referential relating to interim financial information as adopted in the European Union.

2. Specific verification

We also carried out the verification of the information provided in the interim activity report commenting on the summary interim consolidated financial statements covered by our limited examination.

We do not have any observations to make concerning their accuracy and their consistency with the summary interim consolidated financial statements.

Lyon and Paris-La Défense, 15 September 2014

The Statutory auditors

INKIPIO AUDIT	ERNST & YOUNG Audit
Clément Albrieux	Franck Sebag”

20.5. SEPARATE FINANCIAL STATEMENTS OF IMPLANET SA AT 31 DECEMBER 2013

20.5.1. Separate financial statements of Implanet SA for the year ended 31 December 2013

Balance sheet - assets

IMPLANET Balance sheet assets in euros	Notes	31/12/2013 Amount	Amort. Prov.	Net carrying amount	31/12/2012 Net carrying amount
Capital subscribed but not called					
INTANGIBLE ASSETS					
Incorporation expenses					
Development expenses					
Concessions, patents and similar rights	3	270,766	157,512	113,253	100,769
Other intangible fixed assets	3	6,250		6,250	72,935
PROPERTY, PLANT AND EQUIPMENT					
Land					
Buildings					
Technical installations, equipment & tooling	3	4,086,886	3,292,747	794,139	1,447,317
Other property, plant and equipment	3	286,204	245,618	43,587	72,787
Fixed assets in progress					
Advances and payments on account					
LONG-TERM FINANCIAL ASSETS					
Other investments	3	7		7	
Other long-term financial assets	3	621,645		621,645	34,988
TOTAL FIXED ASSETS		**5,271,758**	**3,695,877**	**1,578,883**	**1,728,796**
INVENTORIES AND WORK IN PROGRESS					
Raw materials & supplies	4	207,335		207,335	184,723
Intermediate and finished products					
Goods for resale	4	6,093,133	2,309,655	3,783,477	4,929,635
Advances & down-payments paid on orders		64,480		64,480	25,549
RECEIVABLES					
Trade receivables & related accounts	5	2,453,817	200,868	2,252,948	1,444,911
Other receivables	5	1,375,532		1,375,532	946,394
Capital subscribed and called but not paid					
MISCELLANEOUS					
Marketable securities	6	10,500,049		10,500,049	
Cash and cash equivalents	6	3,205,061		3,205,061	145,508
PREPAYMENTS AND ACCRUALS					
Prepaid expenses	7	172,043		172,043	115,897
TOTAL CURRENT ASSETS		**24,071,450**	**2,510,523**	**21,560,928**	**7,792,616**
Translation differences - assets				16,385	
TOTAL ASSETS		**29,343,208**	**6,206,400**	**23,156,195**	**9,521,412**

Balance sheet - liabilities

IMPLANET Balance sheet liabilities in euros	Notes	31/12/2013	31/12/2012
SHAREHOLDERS' EQUITY			
Share or individual capital	8	8,099,283	29,556,037
Issue, merger & contribution premiums	8	12,489,825	4,738,744
Retained earnings	8	(504,893)	(25,631,115)
NET INCOME FOR THE YEAR (profit or loss)	8	(6,500,812)	(4,735,157)
Investment subsidies			
Regulated provisions			
TOTAL SHAREHOLDERS' EQUITY		**13,583,403**	**3,928,509**
OTHER SHAREHOLDERS' EQUITY			
Income from issues of investment securities			
Conditional advances			
TOTAL OTHER SHAREHOLDERS' EQUITY			
PROVISIONS FOR LIABILITIES AND EXPENSES			
Provisions for liabilities	10	161,016	376,800
Provisions for expenses			
TOTAL PROVISIONS		**161,016**	**376,800**
LIABILITIES			
Convertible bond issues	11		1
Other bond issues		5,000,000	
Loans and debts due to financial institutions	12		
Loans and financial debts Miscellaneous (1)	13	550,000	944,268
Advances and down-payments received on orders in progress			
Trade payables and related accounts	14	3,196,462	3,679,715
Tax and social security liabilities	14	661,464	588,485
Liabilities on fixed assets and related accounts			
Other liabilities	14		
PREPAYMENTS AND ACCRUALS			
Deferred income			
TOTAL LIABILITIES		**9,407,926**	**5,212,469**
Translation differences - liabilities		3,850	3,634
TOTAL LIABILITIES AND EQUITY		**23,156,195**	**9,521,412**

(1) The “Loans and miscellaneous financial debts” comprise repayable advances.

Income Statement

IMPLANET Income statement in euros	Notes	31/12/2013	31/12/2012
OPERATING INCOME			
Sales of merchandise	17	7,018,430	6,406,067
Production sold	17	120,726	240,721
NET REVENUES		**7,139,157**	**6,646,788**
Operating subsidies	13	100,000	
Reversals of depreciation, amortization and provisions, transfers of	18	548,468	1,857,770
Other income		(1,646)	2,497
TOTAL OPERATING INCOME		**7,785,979**	**8,507,055**
OPERATING EXPENSES			
Purchases of goods for resale		3,720,153	5,261,795
Change in inventories of goods for resale		(17,275)	(779,173)
Purchases of raw materials and other supplies		134,125	177,321
Change in inventories of raw materials and supplies		(31,998)	(56,839)
Other purchases and external expenses		4,744,325	4,386,670
Taxes, duties and similar payments		124,414	133,868
Salaries and benefits		2,197,670	1,981,032
Social Security charges		984,260	930,148
OPERATING ALLOCATIONS			
Allocations to depreciation on fixed assets		1,031,317	959,630
Allocations to provisions on current assets		1,314,615	286,338
Allocations to provisions for liabilities and expenses		35,500	26,800
Other expenses		115,120	74,426
TOTAL OPERATING EXPENSES		**14,352,228**	**13,382,016**
OPERATING NET INCOME		**(6,566,248)**	**(4,874,961)**
Financial income	19	8,769	68,988
Financial expenses	19	366,758	85,128
FINANCIAL NET INCOME		**(357,989)**	**(16,141)**
ORDINARY INCOME BEFORE TAXES		**(6,924,237)**	**(4,891,102)**
Non-recurring income	20	478,755	309,365
Non-recurring expenses	20	357,706	515,740
NON-RECURRING NET INCOME		**121,049**	**(206,375)**
Employees' investment in the Company's results			
Corporation Tax	21	(302,376)	(362,319)
PROFIT OR LOSS FOR THE YEAR		**(6,500,812)**	**(4,735,157)**

(Unless indicated otherwise, the amounts shown in this appendix 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 year ended 31 December 2013.

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

The financial statements at 31 December 2013 were approved on 13 February 2014.

1.1 Information relating to the Company and its business

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

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

The Implanet company is hereafter referred to as the "Company".

1.2 Significant events

Year ended 31 December 2013

November 2013:

- In order to be able to finance (1) its various research and development projects, (2) the acceleration of commercial development for its JAZZ implant range, and (3) the Company's working capital requirement as well as the payment of its loan installments and, more generally, its financial commitments, the Company was floated on the regulated NYSE Euronext market in Paris, Compartment C, on 25 November 2013. The total gross proceeds of the issue amounted to approximately €14 million. 1,959,259 new shares were issued as part of the offer. See Note 8.

July 2013

- Issue of bonds to Kreos for a total amount of €5 million. On 19 July 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 (BSAs) to Kreos and the pledge of the Company's business goodwill to Kreos.

- Issue of Bonds Convertible into Shares ("OCA") for an amount of €1,875 thousand in May 2013 and €1 million in July 2013. These convertible bonds were automatically converted into shares (principal) at the time of the stock market introduction. See Note 11.

- Reduction of capital and reverse share split. At the time of the General Shareholders' Meeting of 19 July 2013, Implanet carried out a share capital reduction by absorption of prior losses and a reverse share split. See Note 8. Following these transactions, the share capital is fixed at €4,433,406 and divided into 2,955,604 shares, each with a par value of €1.50.

1st half of 2013

- The first surgical spinal operations in the United States utilizing JAZZ (System for posterior fixture and reduction of spinal deformation by means of a polymer sub-laminar band and a metallic connector) were carried out at the end of June 2013.

- At the end of February 2013, the Company created a distribution subsidiary in the United States, in New York State. The corporate name of this entity is Implanet America, Inc. and it is included in the consolidated financial statements at 31 December 2013.

- Issue of Bonds Redeemable in Shares ("ORA") for an amount of €1,544 thousand in January 2013. These bonds were automatically reimbursed in shares (principal and interest) at the time of the stock market float. See Note 11.

Year ended 31 December 2013

- In October 2012, the business obtained FDA accreditations (510k) for its Spinal products:
    - ISS CALYPSO: System for posterior thoracic-lumbar spinal fixture.
    - JAZZ: System for posterior fixture and reduction of spinal deformation by means of a polymer sub-laminar band and a metallic connector.

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. 99-03 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 principle** is no longer called into question at 31 December 2013, in view of the Company's available cash (€13.7 million) enabling it to cover its future cash requirements.

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

- its stage of development: research and development costs for projects in progress, particularly JAZZ (posterior fixation and spinal deformation reduction system): mechanical testing, filing of patents, protection of intellectual property, etc.;
- commercial rollout costs (launch of new products, territorial expansion, etc.).

To assist the understanding of the financial statements presented, the principal valuation methods used are set out below, in particular when:

- a choice is offered by the legislation;
- an exception provided for by the regulations is used;
- the application of an accounting rule is insufficient to give a true and fair view;
- an accounting rule is waived.

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

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

Items	Amortization terms
Software licenses and development	1 to 3 years
Management and accounting software packages	3 to 5 years

The expenditure related to the registration of patents 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	Depreciation 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 - 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

Long-term financial assets essentially comprise:

- guarantee deposits paid under the terms of operating leases for the French premises;
- holding of shares in the subsidiary Implanet America, Inc. for US$10;
- a guarantee deposit in favor of Kreos for €191 thousand, as part of the implementation of the €5 million bond issue in 2013;
- the liquidity contract (cash reserve and treasury shares).

Liquidity contract

Following its listing on the NYSE Euronext Paris stock market, the Company signed a liquidity contract on 20 November 2013 with Banque Oddo et Cie in order to limit the intra-day volatility of Implanet shares.

For this purpose, the Company entrusted €400 thousand to this institution in order that the latter can take long or short positions in the Company's shares.

2.5 Inventories
Inventories are measured using the weighted average unit cost method.

The gross value of the goods and raw materials includes the purchase price and any incidental expenses.

A provision for impairment of inventories is determined on a statistical basis using the average consumption period for products in inventories and its potential impact on the term remaining until the expiry date of said products.

2.6 Receivables

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

Other receivables comprise the nominal value of the research tax credit, which is recognized under assets in the year of acquisition corresponding to the fiscal year during which eligible expenses giving rise to the tax credit were incurred.

2.7 Marketable securities
Marketable securities appear in the assets at their acquisition value.

Any provisions for impairment are determined by comparing the acquisition value with the probable realizable value.

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

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

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

2.9 Provisions for liabilities and expenses
These provisions, recognized in compliance with CRC Regulation No. 2000-06, are intended to cover the liabilities and expenses which current or past events make probable, whose amount is quantifiable in terms of their scope, but for which the realization, due date or amount are uncertain.

2.10 Retirement Benefits
The amounts of future payments corresponding to benefits granted to employees are valued using an actuarial method, using assumptions concerning the trend in salaries, retirement age and mortality; these valuations are then discounted.

These commitments are not the subject of provisions but appear in the off-balance sheet commitments.

See Note 22.1.

2.11 Loans
Loans are valued at their nominal value. Issue expenses for loans are recognized immediately.

Accrued interest is recognized in liabilities, at the interest rate set out in the contract.

2.12 Government subsidies receivable
Conditional advances

Advances received from public bodies for the financing of the Company's research activities or for regional commercial market prospection, 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 1 January 2005, within the European Community or in another State which is a party to the agreement on the European Economic Area and which has concluded a tax treaty with France containing an administrative assistance clause) benefit from a tax credit which can be used for the payment of corporate income tax due in respect of the fiscal year in which the expenditure was incurred and the three following fiscal years or, where applicable, the excess can be reimbursed.

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

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

The Company received reimbursement of the research tax credit for 2012 during the year following the closure of the fiscal year concerned.

2.13 Revenues
The recognition of income depends on the nature of the sales made by the Company:

- **export sales to distributors:** 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' commission is recognized in 'Other external purchases and expenses'.

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

The assets and the operating loss presented are located in France.

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

2.15 Research and Development expenses
Research and Development costs are recognized as expenses.

2.16 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.

2.17 Financial net income

Financial net income mainly represents factoring interest expense, loan interest and foreign exchange gains and losses.

Note 3: Intangible fixed assets, property, plant and equipment and long-term financial assets

GROSS VALUE OF FIXED ASSETS (Amount in euros)	31/12/2012	Acquisitions	Disposals	Reclassifications	31/12/2013
Incorporation and development expenses	0				0
Other intangible fixed assets	217,457	53,308			270,765
Intangible fixed assets in progress	0	6,250			6,250
Total intangible fixed assets	**217,457**	**59,558**	**0**	**0**	**277,015**
Technical installations, equipment and tooling	3,999,776	389,104	301,994		4,086,886
General installations, fixtures & fittings	82,537				82,537
Transport equipment	0				0
Office and IT equipment and furniture	205,619	1,049			206,668
Property, plant and equipment in progress	0				0
Total property, plant and equipment	**4,287,932**	**390,153**	**301,994**	**0**	**4,376,091**
Other investments	0	7			7
Other long-term financial assets	34,988	586,658			621,646
Total long-term financial assets	**34,988**	**586,665**	**0**	**0**	**621,653**
GRAND TOTAL	**4,540,377**	**1,036,376**	**301,994**	**0**	**5,274,759**

GROSS VALUE OF FIXED ASSETS (Amount in euros)	31/12/2011	Acquisitions	Disposals	Reclassifications	31/12/2012
Incorporation and development expenses					
Other intangible fixed assets	689	216,768			217,457
Total intangible fixed assets	**689**	**216,768**	**0**	**0**	**217,457**
Technical installations, equipment and tooling	2,900,434	1,359,824	260,482		3,999,776
General installations, fixtures & fittings	51,101	31,436			82,537
Transport equipment	0				0
Office and IT equipment and furniture	187,969	22,797	5,147		205,619
Property, plant and equipment in progress	0	270,026		270,026	0
Total property, plant and equipment	**3,139,504**	**1,684,083**	**265,629**	**270,026**	**4,287,932**
Other long-term financial assets	31,536	3,452			34,988
Total long-term financial assets	**31,536**	**3,452**	**0**	**0**	**34,988**
GRAND TOTAL	**3,171,729**	**1,904,303**	**265,629**	**270,026**	**4,540,377**

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

AMORTIZATION AND DEPRECIATION OF FIXED ASSETS (Amount in euros)	31/12/2012	Allocations	Reversals	31/12/2013	Net values 31/12/2013
Incorporation and development expenses	0			0	0
Other intangible fixed assets	43,754	113,758		157,512	113,254
Intangible fixed assets in progress	0			0	6,250
Total intangible fixed assets	**43,754**	**113,758**	**0**	**157,512**	**119,504**
Technical installations, equipment and tooling	2,552,459	974,198	233,911	3,292,746	794,140
General installations, fixtures & fittings	53,288	11,690		64,978	17,559
Transport equipment	0			0	0
Office and IT equipment and furniture	162,081	18,560		180,641	26,027
Property, plant and equipment in progress	0			0	0
Total property, plant and equipment	**2,767,828**	**1,004,448**	**233,911**	**3,538,365**	**837,726**
Other investments	0			0	7
Other long-term financial assets	0			0	621,646
Total long-term financial assets	**0**	**0**	**0**	**0**	**621,653**
GRAND TOTAL	**2,811,582**	**1,118,206**	**233,911**	**3,695,877**	**1,578,883**

AMORTIZATION AND DEPRECIATION OF FIXED ASSETS (Amount in euros)	31/12/2011	Allocations	Reversals	31/12/2012	Net values 31/12/2012
Incorporation and development expenses					
Other intangible fixed assets	427	43,327		43,754	173,704
Total intangible fixed assets	**427**	**43,327**	**0**	**43,754**	**173,704**
Technical installations, equipment and tooling	1,699,483	867,130	14,154	2,552,459	1,447,317
General installations, fixtures & fittings	35,648	17,640		53,288	29,249
Transport equipment				0	0
Office and IT equipment and furniture	135,207	31,533	4,659	162,081	43,538
Property, plant and equipment in progress	0			0	0
Total property, plant and equipment	**1,870,338**	**916,303**	**18,813**	**2,767,828**	**1,520,104**
Other long-term financial assets	0			0	34,988
Total long-term financial assets	**0**	**0**	**0**	**0**	**34,988**
GRAND TOTAL	**1,870,765**	**959,630**	**18,813**	**2,811,582**	**1,728,796**

Note 4: Inventories

INVENTORIES (Amount in euros)	31/12/2013	31/12/2012
Inventories of raw materials	207,335	184,723
Inventories of goods for resale	4,882,328	4,863,160
Inventories of ancillary devices and instruments	1,210,827	1,196,520
Gross total inventories	**6,300,490**	**6,244,403**
Impairment of inventories of raw materials	0	0
Impairment of inventories of goods for resale	-2,057,579	-1,130,045
Impairment of stocks of ancillary devices and instrumer	-252,098	0
Total impairment of inventories	**-2,309,677**	**-1,130,045**
Net total inventories	**3,990,813**	**5,114,358**

Composition of the inventories

This inventory of raw materials essentially comprises polymer components, reels of wire (manufacture of the JAZZ braid), product manuals, RFID chips ("Radio-frequency identification") and packaging.

The inventory of goods for sale principally comprises the various categories of implants for arthroscopy, hips, spines and knees.

The inventory of ancillary devices and instruments comprises new equipment available for sale and not made available to healthcare facilities.

Provision for impairment of inventories

The Company has decided to proceed with the progressive withdrawal from the less profitable activities. This decision has resulted in an additional impairment charge against inventories at 31 December 2013, particularly on the "hips" product range, which is now 100% impaired (i.e. an impairment of €1.5 million against the inventories of goods for sale and ancillary devices). This decision resulted in an additional impairment charge of the order of some €0.8 million over the 2013 fiscal year.

Note 5: Trade receivables

5.1 Trade receivables

TRADE RECEIVABLES AND RELATED ACCOUNTS (Amount in euros)	31/12/2013	31/12/2012
Trade receivables and related accounts	2,453,816	1,637,811
Gross total trade receivables and related accounts	**2,453,816**	**1,637,811**
Impairment of trade receivables and related accounts	200,868	192,900
Total impairments of trade receivables and related accounts	**200,868**	**192,900**
Net total trade receivables and related accounts	**2,252,948**	**1,444,911**

The provision for impairment of customer receivables has been established on a case-by-case basis based on the estimated risk of non-recovery.

5.2 Details of the receivables and breakdown by maturity

The tables below shows the detail of Receivables at 31 December 2013 and 2012, 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)	31/12/2013		
	Gross Amount	Due in less than 1 year	Due in more than one year
Of fixed assets			
Other long-term financial assets	621,646	0	621,646
Total fixed assets	**621,646**	**0**	**621,646**
Of current assets			
Trade receivables	2,453,816	2,251,805	202,011
Employees and related accounts	9,175	9,175	
State - Research tax credit	302,377	302,377	
State - Business competitiveness tax credit	19,906	19,906	
Value added tax	576,952	576,952	
Trade payable debit balances	64,480	64,480	
Factor - guarantee fund	50,037	50,037	
Factor - available reserve and other receivables	138,646	138,646	
Groups	274,214	274,214	
Other receivables	4,227	4,227	
Total current assets	**3,893,830**	**3,691,819**	**202,011**
Prepaid expenses	172,043	172,043	
Grand total	**4,687,519**	**3,863,862**	**823,657**

Trade receivables due in more than one year represent doubtful or disputed receivables.

STATEMENT OF RECEIVABLES (Amount in euros)	31/12/2012		
	Gross Amount	Due in less than 1 year	Due in more than one year
Fixed assets			
Other long-term financial assets	34,988		34,988
Total fixed assets	**34,988**	**0**	**34,988**
Current assets			
Trade receivables	1,637,812	1,444,207	193,605
Employees and related accounts	9,700	9,700	
State - Research tax credit	357,373	357,373	
Value added tax	188,437	188,437	
Trade payable debit balances	70,582	70,582	
Factor - guarantee fund	33,005	33,005	
Factor - available reserve and other receivables	246,796	246,796	
Other receivables	40,500	40,500	
Total current assets	**2,584,205**	**2,390,600**	**193,605**
Prepaid expenses	115,897	115,897	
Grand total	**2,735,090**	**2,506,497**	**228,593**

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 2013: €302,377, reimbursement expected in 2014
- CIR 2012: €357,373, amount reimbursed in 2013

Note 6: Marketable securities and cash

Marketable securities comprise medium-term notes, term accounts and short-term money market funds.

Cash accounts also include two term accounts subscribed in 2012 and 2013 (€150 thousand maturing after 36 months and €150 thousand maturing after 30 months) which are the subject of pledges. See Note 22.7.

The table below sets out details of the marketable securities and net cash:

MARKETABLE SECURITIES AND NET CASH (Amount in euros)	31/12/2013	31/12/2012
	Value in use	Value in use
Medium-term bonds	10,500,049	0
Term accounts	1,301,727	300,000
Bank accounts and cash	1,903,335	86,663
Bank overdraft facilities	0	(241,155)
Total Marketable securities and net cash balances	**13,705,111**	**145,508**

In terms of the presentation of cash accounts in the balance sheet, at 31 December 2012 and 2013, the Company offset the debit cash accounts against the bank overdrafts.

Note 7: Prepayments and accruals

The amount of prepaid expenses is broken down by type as follows:

PREPAID EXPENSES (Amount in euros)	31/12/2013	31/12/2012
Real estate leases	22,680	22,111
Equipment leases	29,509	65,419
Insurance policies	99,655	51
IT Maintenance	2,492	0
Fees	8,573	
Miscellaneous	9,134	28,315
Total prepaid expenses	**172,043**	**115,896**

The amount of prepaid expenses only concerns operating expenses.

There were no prepaid expenses at 31 December 2012 or 2013.

Note 8: Shareholders' equity

8.1: Changes in shareholders' equity

The change in shareholders' equity over the 2012 and 2013 fiscal years is detailed as follows:

IMPLANET Changes in shareholders' equity Amount in euros	Share capital *Number of shares*	Share capital	Issue premiums	Retained earnings	Reserves and net income	Shareholders' equity
At 31 December 2011	*29,556,037*	**29,556,037**	**4,702,016**	**(21,715,239)**	**(3,915,876)**	**8,626,938**
Appropriation of the 2011 net income				(3,915,876)	3,915,876	-
2012 net income					(4,735,157)	(4,735,157)
Dividends						-
Issue of shares						-
Subscription of warrants (BSAs)			36,729			36,729
Share-based payments						-
Other						-
At 31 December 2012	*29,556,037*	**29,556,037**	**4,738,744**	**(25,631,115)**	**(4,735,157)**	**3,928,509**
Appropriation of the 2012 net income				(4,735,157)	4,735,157	-
2013 net income					(6,500,812)	(6,500,812)
Dividends						-
Effect of the reverse share split	*(26,600,436)*					
Deduction of the negative retained earnings from the share capital		(25,122,634)	(4,738,744)	29,861,378		
Issue of shares	*1,959,262*	2,938,892	11,167,776			14,106,668
Conversion of bonds	*484,659*	726,989	3,730,905			4,457,894
Subscription of warrants (BSAs)			4,396			4,396
Costs related to the planned stock market introduction			(2,413,252)			(2,413,252)
Share-based payments						-
Other						-
At 31 December 2013	*5,399,522*	**8,099,283**	**12,489,825**	**(504,893)**	**(6,500,812)**	**13,583,403**

8.2: Composition of the share capital and detail by share category

COMPOSITION OF THE SHARE CAPITAL	31/12/2013	31/12/2012
Capital (in euros)	8,099,283	29,556,037
Number of shares	5,399,522	29,556,037
of which, Ordinary shares	5,399,522	27,127,082
of which, Preference shares $AP_{09/11\ T1}$		2,428,955
Nominal value (in euros)	1.50 €	1.00 €

The share capital is fixed at the sum of €8,099,283. It is divided into 5,399,522 ordinary shares which are fully subscribed and paid up with a par value of €1.50.

At the time of the General Shareholders' Meeting of 19 July 2013, Implanet carried out a share capital reduction by absorption of prior losses and a reverse share split (by ten). See Table of changes in shareholders' equity. Following these operations, the par value of the shares was increased from €1 to €1.50.

Preference shares $AP_{09/11\ T1}$

Following the completion of the stock market listing (see Note 1.2):

- the entirety of the preference shares of category $AP_{09/11\ T1}$ was converted into ordinary shares;

- the category of preference shares $AP_{09/11\ T1}$ was eliminated.

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.

8.3: History of the share capital

Date	Type of transaction	Capital in €	Issue premium in €	Number of shares created	Number of shares comprising the capital	Par value in €	Share capital in €
	At 31 December 2011	**29,556,037**	**4,702,016**		**29,556,037**		
	Subscription of warrants (BSAs) - October to December 2012		*36,729*				
	At 31 December 2012	**29,556,037**	**4,738,744**		**29,556,037**		
	Subscription of warrants (BSAs) - 2013		*4,396*				
	Effect of the reverse share split				-26,600,436		
	Deduction of the negative retained earnings	-25,122,634	-4,738,744				
	from the share capital					1.50	4,433,403
	Issue of shares	2,938,892	11,167,776	1,959,262	4,914,863	1.50	7,372,294
	Conversion of bonds	726,989	3,730,905	484,659	5,399,522	1.50	8,099,283
	Costs related to the planned stock market introduction		*-2,413,252*				
	At 31 December 2013	**8,099,283**	**12,489,826**		**5,399,522**		

8.4: Distribution of dividends

The Company did not distribute any dividends during the fiscal years ended 31 December 2012 and 2013.

Note 9: Equity instruments

9.1: Warrants (BSAs)

Award date	Type	Number of warrants issued	Number of lapsed options	Number of options in circulation	Maximum number of shares to be issued (1)	Exercise price in €	Exercise period
At 31 December 2010		**0**	**0**	**0**	**0**		
General Shareholders' Meeting of 26 September 2011	$BSA_{09/11}$	60,000	0	60,000	6,000	1.00 €	10 years
At 31 December 2011		**60,000**	**0**	**60,000**	**6,000**		
General Shareholders' Meeting of 29 June 2012	$BSA_{05/12}$	10,245	0	10,245	1,025	1.00 €	10 years
General Shareholders' Meeting of 29 June 2012	BSA_{2012}	165,000	0	165,000	16,500	1.50 €	10 years
General Shareholders' Meeting of 11 October 2012	$BSA_{09/2012}$	100,000	0	100,000	10,000	1.50 €	10 years
At 31 December 2012		**335,245**	**0**	**335,245**	**33,525**		
General Shareholders' Meeting of 22 January 2013	$BSA_{01/2013}$	25,000	0	25,000	2,500	1.50 €	10 years
At 31 December 2013		**360,245**	**0**	**360,245**	**36,025**		

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

9.2: "Ratchet" warrants (BSAs)

The "Ratchet" warrants (BSAs) automatically became void on the Date of the admission of the Company's shares to Euronext and can no longer be exercised after that date.

9.3: Founders' warrants (BSPCEs)

Award date	Type	Number of warrants issued	Number of lapsed options	Number of options in circulation	Maximum number of shares to be issued	Exercise price in €	Exercise period
Board meeting of 29 December 2007	BCE $_{s/12/2007}$	100,000	40,000	60,000	6,000	1.50 €	10 years
Board meeting of 5 February 2009	BCE $_{s/02/2009}$	106,500	57,000	49,500	4,950	1.50 €	10 years
Board meeting of 22 April 2010	BCE $_{s/03/2010}$	167,500	67,500	100,000	10,000	1.50 €	10 years
At 31 December 2010		**374,000**	**164,500**	**209,500**	**20,950**		
Board meeting of 6 April 2011	BCE $_{s/06/2011}$	269,000	72,500	196,500	19,650	1.50 €	10 years
Board meeting of 18 November 2011	BCE $_{s/09/2011}$	103,500	5,000	98,500	9,850	1.50 €	10 years
At 31 December 2011		**746,500**	**242,000**	**504,500**	**50,450**		
General Shareholders' Meeting of 29 June 2012	BCE $_{05/2012}$	21,793	0	21,793	2,179	1.00 €	10 years
At 31 December 2012		**768,293**	**242,000**	**526,293**	**52,629**		
At 31 December 2013		**768,293**	**242,000**	**526,293**	**52,629**		

9.4: Equity instruments awarded to executives

Founders' warrants (BSCPE)					
Name of the beneficiary	**Founders' warrants (BSPCE) issued, awarded and subscribed**	**Founders' warrants (BSPCE) awarded and likely to be subscribed**	**Founders' warrants (BSPCE) exercisable at year end on maturity**	**Founders' warrants (BSPCE) exercisable subject to conditions**	**Decision to issue and award founders' warrants (BSPCE)**
Nil.					
At 31 December 2013					
Erick CLOIX	1,960	0	1,307	653	General Shareholders'
Ludovic LASTENNET	6,890	0	4,593	2,297	Meeting of 29 June 2012
At 31 December 2012					

Warrant (BSA)					
Name of the beneficiary	**Warrants (BSA) issued, awarded and subscribed**	**Warrants (BSA) issued and likely to be subscribed**	**Warrants (BSA) exercisable at year end on maturity**	**Warrants (BSA) exercisable subject to conditions**	**Decision to issue and award warrants (BSA)**
Jean-Gérard GALVEZ	25,000	0	25,000	0	General Shareholders' Meeting of 22 January 2013
At 31 December 2013					
Jean-Gérard GALVEZ	50,000	0	50,000	0	General Shareholders' Meeting of 11 October 2012
At 31 December 2012					

Note 10: Provisions for liabilities and expenses and for impairment

PROVISIONS (Amount in euros)	31/12/2013				
	Amount at start of year	Allocations	Reversals	Release of surplus provisions	Amount at year end
Provisions for legal disputes	350,000	109,131	165,200	184,800	109,131
Provisions for employment tribunal disputes	26,800	35,500	26,800	0	35,500
Provisions for foreign exchange losses	0	16,385			16,385
Provisions for pensions and similar obligations	0				0
Total provisions for liabilities and expenses	**376,800**	**161,016**	**192,000**	**184,800**	**161,016**
	Amount at start of year	**Allocations**	**Reversals**		**Amount at year end**
Provisions for inventories and work in progress	1,130,045	1,227,727	48,117		2,309,655
Provisions for trade receivables	192,901	7,968			200,869
Total provisions for amortization and depreciation	**1,322,946**	**1,235,695**	**48,117**	**0**	**2,510,524**
Grand total	**1,699,746**	**1,396,711**	**240,117**	**184,800**	**2,671,540**

PROVISIONS (Amount in euros)	31/12/2012				
	Amount at start of year	Allocations	Reversals	Release of surplus provisions	Amount at year end
Provisions for legal disputes	350,000				350,000
Provisions for employment tribunal disputes	50,000	26,800	40,838	9,162	26,800
Provisions for foreign exchange losses	6,930		6,930		0
Provisions for pensions and similar obligations	0				0
Total provisions for liabilities and expenses	**406,930**	**26,800**	**47,768**	**9,162**	**376,800**
	Amount at start of year	**Allocations**	**Reversals**		**Amount at year end**
Provisions for inventories and work in progress	1,229,568	273,537	373,060		1,130,045
Provisions for trade receivables	214,381	12,802	34,282		192,901
Total provisions for depreciation and amortization	**1,443,949**	**286,339**	**407,342**	**0**	**1,322,946**
Grand total	**1,850,879**	**313,139**	**455,110**	**9,162**	**1,699,746**

Disputes and liabilities

The Company may become involved in legal, administrative or regulatory procedures in the normal course of its activity. The Company recognizes a provision when it is probable that such proceedings will result in charges for the Company.

Commercial disputes

In 2008, Implanet concluded a long-term partnership (five years) with a subcontractor for the manufacture of surgical instruments and orthopedic implants.

In 2011, Implanet decided to terminate the contract due to said subcontractor's lack of the regulatory qualifications required for the sale of the products by Implanet and, on 31 December 2012, it recognized a provision for liabilities of €350 thousand (best estimate of the risk incurred).

The co-contractor alleges a total non-performance of the contract and is claiming compensation for damages constituted by the losses related to the capital investments undertaken by the latter since the start of the commercial relationship, in order to be able to satisfy the demand for products, and by the profit loss due to the absence of orders for the volume and term initially forecast.

On 1 August 2013, the Company concluded a settlement agreement under the terms of which a compensation payment of €165 thousand was paid.

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.

Tax audit

The Company was the subject of a tax audit covering fiscal years 2009, 2010 and 2011.

The Company received reassessment notifications in December 2012 (in respect of the 2009 fiscal year) and in January 2013 (in respect of the 2010 and 2011 fiscal years) amounting to charges and interest of €109 thousand, reduction of tax losses carried forward of €234 thousand, of which the Company disputed certain grounds put forward.

Following receipt of the conclusions from the tax authority on 27 May 2013, the Company decided to recognize a provision for the amount of the reassessment notifications.

The Company considers that this dispute with the tax authority is unlikely to have a significant negative effect on the balance sheet or net income of the Company.

Provisions for impairment

- See Note 4 for the provisions for impairment of inventories
- See Note 5 for the provisions for impairment of receivables

Note 11: Convertible bond issues

CHANGES IN BOND ISSUES (Amount in euros)	Bond issue convertible into shares of 25/02/2010	Non-convertible Kreos bond issue	Bonds redeemable in shares ORA 2013	Bonds convertible into shares OCA 2013	Total
At 31 December 2011	**1**				
(+) Receipts					
(-) Redemption					
(+) Capitalized interest					
(+/-) Conversion					
At 31 December 2012	**1**	**0**	**0**	**0**	**1**
(+) Receipts		5,000,000	1,543,936	2,875,001	9,418,937
(-) Redemption	-1				-1
(+) Capitalized interest			38,958		
(+/-) Conversion			-1,582,894	-2,875,001	-4,457,895
At 31 December 2013	**0**	**5,000,000**	**0**	**0**	**5,000,000**

Issue of bonds to Kreos for a total amount of €5 million.

On 19 July 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 business goodwill in favor of Kreos.

These various transactions were completed as follows:

- the €5 million bond, by issuing 5 million non-convertible bonds with a par value of €1 each to Kreos was approved at the Company's Board of Directors' Meeting of 19 July 2013 and wholly subscribed by Kreos on 24 July 2013;
- the free issue of 65,000 warrants (BSAs) for shares in the Company to Kreos was resolved by the Extraordinary General Shareholders' Meeting of 19 July 2013. These warrants (BSAs) have a term of five years with effect from the Date of the stock market listing (i.e. 25 November 2018);
- the Company's goodwill was pledged on 19 July 2013.

The bond is repayable in fixed monthly installments between 1 January 2014 and 1 June 2016. It pays interest of 11.5%.

At the time the bond contract was arranged, the Company incurred €112,500 in lawyers' and consultants' fees and €72,500 on the maturity date of the issue.

Issuance of bonds redeemable in shares (ORA_{2013}) for an amount of €1,544 thousand

On 22 January 2013, the Company proceeded with the issue of 1,543,936 bonds redeemable in shares (ORA) in the Company, with a par value of €1, to certain shareholders (founders, private investors, financiers).

These bonds redeemable in shares expired on 30 June 2014 unless the bond was redeemed or terminated early.

Annual interest was a fixed 3%, capitalized until maturity and payable in shares. At the time the bond contract was arranged, the Company incurred €28,705 in lawyers' and consultants' fees. These fees were taken into account in determining the amortization of the loan, in accordance with the amortized cost method. After taking into account the issue costs, the effective rate of interest of the bond issue amounts to 4.36%.

The entirety of this loan (capital and interest) was redeemed in shares as part of the stock market introduction.

Issue of bonds convertible into shares (OCA_{2013}) for an amount of €1,875 thousand

On 21 May 2013, the Company proceeded with the issue of 1,875,001 bonds convertible into $AP_{09/11\,T1}$ preference shares (OC) in the Company, with a par value of €1.

The expiry date of the OC was fixed at 31 October 2014, unless the OC was redeemed early.

Other than in the event that one of the specific clauses mentioned below occurred, each OC was automatically converted into 1 $AP_{09/11\,T1}$ on the maturity date.

The annual interest rate was fixed at 3%, capitalized until the maturity date of the bonds and payable in cash on the Date of redemption or conversion of the OC. At the time the bond contract was arranged, the Company incurred €14,863 in lawyers' and consultants' fees. These fees were taken into account in determining the amortization of the loan, in accordance with the amortized

cost method. After taking into account the issue costs, the effective rate of interest of the bond issue amounts to 3.58%.

The bonds were automatically converted as part of the stock market introduction.

Issue of bonds convertible into shares (OCA_{2013}) for an amount of €1 million

On 19 July 2013, the Company proceeded with the issue of 1 million bonds convertible into $AP_{09/11\ T1}$ preference shares (OC) in the Company, with a par value of €1.

The expiry date of the OC was fixed at 31 October 2014, unless the OC was redeemed early.

The annual interest rate was fixed at 3%, capitalized until the maturity date of the bonds and payable in cash on the Date of redemption or conversion of the OC.

The bonds were automatically converted as part of the stock market introduction.

Note 12: Loans from financial institutions

CHANGES IN LOANS FROM FINANCIAL INSTITUTIONS (Amount in euros)	Commercial paper Contract dated 15/12/2009
At 31 December 2011	**500,000**
(+) Receipts	
(-) Repayment	-500,000
(+/-) Other movements	
At 31 December 2012	**0**
(+) Receipts	
(-) Repayment	0
(+/-) Other movements	
At 31 December 2013	**0**

Commercial paper

On 15 December 2009, Implanet agreed the opening of a cash credit facility with one of its banks for a maximum amount of €500 thousand.

This opening of a cash credit facility of €500 thousand was backed by a lien on inventories of orthopedic implants and accessories set up in favor of the bank for an amount of €700 thousand.

On 17 December 2012, the Company proceeded with the repayment of its credit line and requested the total and definitive release of the lien over the inventories, which was obtained in January 2013.

Approved overdraft

On 13 December 2012, the Company put in place an approved overdraft facility of €500 thousand, bearing interest at the three-month Euribor rate +2%, in exchange for the pledge of a term account of €150 thousand.

Note 13: Loans and miscellaneous financial debts

Loans and miscellaneous financial debts comprise repayable advances granted by public bodies (OSEO Innovation and COFACE), together with subsidies for which the definitive award is conditional.

At 31 December 2013, the criteria for repayment (technical and commercial success of the projects) for the OSEO advances were fulfilled.

The table below sets out the composition and changes in the loans and miscellaneous financial debts:

CHANGES IN REPAYABLE ADVANCES AND SUBSIDIES	OSEO Knees	OSEO - BEEP'n TRACK	COFACE United States	Total
At 31 December 2011	**350,000**	**550,000**	**194,268**	**1,094,268**
(+) Receipts				0
(-) Repayment		-150,000		-150,000
(+/-) Other movements				0
At 31 December 2012	**350,000**	**400,000**	**194,268**	**944,268**
(+) Receipts				0
(-) Repayment	-50,000	-150,000	-194,268	-394,268
(+/-) Other movements				0
At 31 December 2013	**300,000**	**250,000**	**0**	**550,000**

The Other movements changes relate to the definitive award of the subsidies transferred to the income statement.

13.1 OSEO repayable advances

Repayable OSEO Innovation advance – Knee

On 25 February 2010, OSEO granted Implanet an interest-free repayable innovation loan of €350 thousand to "develop a three-compartment knee prosthesis for first-line treatment and the related instruments".

The payments from OSEO were made in stages between the signature of the contract and the end of the project, the principal stages being:

- first payment of €280 thousand following the signature of the contract (received on 1 March 2010);
- the balance on completion of the work on 9 May 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,

Reimbursable OSEO Innovation advance – Beep N Track

On 28 January 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 4 February 2008);
- second payment of €195 thousand following the call for funds (received on 28 April 2009);
- the balance on completion of the work on 28 April 2009.

Following the technical and commercial success of the project, the reimbursement of this innovation subsidy has begun in accordance with the following schedule:

- no later than 31 March 2011: €100,000
- no later than 31 March 2012: €150 000
- no later than 31 March 2013: €150,000
- no later than 31 March 2014: €250,000

13.2 COFACE advances

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

The terms of the contract are as follows:

- the amount of prospecting expenditure covered by the contract for the entire guarantee period (1 November 2009 to 31 October 2013) is €1,500 thousand before application of a guarantee coefficient of 80%;.
- the Company pays premiums that represent 2% of the budget covered;
- the amortization period runs from 1 November 2013 to 31 October 2018.

On 10 February 2011, Implanet received an advance of €194,268 in respect of the first year of coverage of the expenses.

Following the divestiture of the Beep N Track business, COFACE requested the cancellation of the prospecting insurance contract. The repayment of the advances received was made in accordance with the following schedule:

- on 31 January 2013: €64,756
- on 30 April 2013: €64,756
- on 31 July 2013: €64,756

Note 14: Maturity dates of the debts at year-end

STATEMENT OF LIABILITIES (Amount in euros)	31/12/2013 Gross Amount	Due in less than 1 year	From 1 to 5 years	Due in more than 5 years
Financial liabilities				
Convertible bond issue and accrued interest	5,000,000	1,860,324	3,139,676	
Loans and debts due to financial institutions	0			
Loans and miscellaneous financial liabilities	550,000	310,000	240,000	
Total financial liabilities	**5,550,000**	**2,170,324**	**3,379,676**	**0**
Operating liabilities				
Trade payables and related accounts	3,196,462	3,196,462		
Employees and related accounts	254,419	254,419		
Social Security and other social bodies	371,099	371,099		
Other taxes, duties and similar payments	35,946	35,946		
Groups and shareholders	0	0		
Other liabilities	0	0		
Total operating liabilities	**3,857,926**	**3,857,926**	**0**	**0**
Grand total	**9,407,926**	**6,028,250**	**3,379,676**	**0**

STATEMENT OF LIABILITIES (Amount in euros)	31/12/2012 Gross Amount	Due in less than 1 year	From 1 to 5 years	Due in more than 5 years
Financial liabilities				
Convertible bond issue and accrued interest	1	1		
Loans and debts due to financial institutions	0	0		
Loans and miscellaneous financial liabilities	944,268	394,268	550,000	
Total financial liabilities	**944,269**	**394,269**	**550,000**	**0**
Operating liabilities				
Trade payables and related accounts	3,679,715	3,679,715		
Employees and related accounts	98,271	98,271		
Social Security and other social bodies	416,384	416,384		
Other taxes, duties and similar payments	73,830	73,830		
Groups and shareholders	0	0		
Other liabilities	0	0		
Total operating liabilities	**4,268,200**	**4,268,200**	**0**	**0**
Grand total	**5,212,469**	**4,662,469**	**550,000**	**0**

Trade payables and related accounts include liabilities represented by commercial bills for an amount of €834,712 at 31 December 2012 and €0 at 31 December 2013.

Note 15: Details of accrued expenses

Accrued expenses are broken down as follows for the three fiscal years presented:

DETAIL OF ACCRUED EXPENSES (Amount in euros)	31/12/2013	31/12/2012
Trade payables and related accounts		
Suppliers - Invoices not yet received	858,588	345,127
Trade payables and related accounts	**858,588**	**345,127**
Tax and social security liabilities		
Employees - provision for vacation pay	108,149	89,229
Employees - accrued expenses	180,846	38,785
Accrued social charges	110,587	44,836
State - accrued expenses	35,346	73,230
Total tax and social security liabilities	**434,928**	**246,080**
Credit notes to be issued	0	0
Associates' current accounts	0	0
Other liabilities	0	0
Total other liabilities	**0**	**0**
Grand total	**1,293,516**	**591,207**

Note 16: Revenues

The Company's revenues essentially comprise the sale of orthopedic implants.

Revenue by geographical region for the last two fiscal years ended 31 December 2013 and 2012 are as follows:

SALES BY GEOGRAPHICAL REGION AND BY SEGMENT (Amount in thousands of euros)	31/12/2013	31/12/2012
Sales of orthopedic implants	**7,139**	**6,647**
of which France	4,407	4,325
of which Rest of the world	2,732	2,322
Total revenues	**7,139**	**6,647**

Note 17: Transfers of expenses

TRANSFERS OF EXPENSES (Amount in euros)	31/12/2013	31/12/2012
Movement of inventories of ancillary devices into fixed assets	376,821	1,292,000
Benefits in kind granted to employees	56,564	87,095
Reimbursement from training bodies	6,876	2,219
Rebilling of expenses	33,466	25,064
Insurance reimbursements related to claims	1,119	1,183
Total transfers of expenses	**474,846**	**1,407,561**

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 (Amount in euros)	31/12/2013	31/12/2012
Foreign exchange gains	2,908	68,988
Interest income	5,861	0
Net income from disposals of marketable securities	0	0
Total financial income	**8,769**	**68,988**

FINANCIAL EXPENSES (Amount in euros)	31/12/2013	31/12/2012
Foreign exchange losses	9,922	79,430
Provisions for risk of foreign exchange losses	16,385	(6,930)
Interest expense	340,451	12,628
Total financial expenses	**366,758**	**85,128**

Note 19: Non-recurring income and expenses

NON-RECURRING INCOME (Amount in euros)	31/12/2013	31/12/2012
Proceeds from sales of assets	0	236,469
Inventory variances	0	70,454
Share of investment subsidies	7,806	0
Reversals of provisions for legal disputes	350,000	0
Transactional agreement	118,797	0
Miscellaneous non-recurring income	2,152	2,443
Total non-recurring income	**478,755**	**309,366**

NON-RECURRING EXPENSES (Amount in euros)	31/12/2013	31/12/2012
Penalties, fines and gifts	0	11,314
Net carrying amount of assets sold	18,858	235,735
Provisions for liabilities	109,131	0
Adjustment of the value of instruments	0	0
Settlement of disputes	225,200	0
Inventory variances	0	267,279
Miscellaneous non-recurring expenses	4,517	1,412
Total non-recurring expenses	**357,706**	**515,740**

In 2008, Implanet concluded a long-term partnership (five years) with a subcontractor for the manufacture of surgical instruments and orthopedic implants.

In 2011, Implanet decided to terminate the contract due to said subcontractor's lack of the regulatory qualifications required for the sale of the products by Implanet and, on 31 December 2012, it recognized a provision for liabilities of €350 thousand (best estimate of the risk incurred).

On 1 August 2013, the Company concluded a settlement agreement under the terms of which a compensation payment of €165 thousand was paid.

The Company was the subject of a tax audit covering fiscal years 2009, 2010 and 2011 (see Note 10). Following the receipt of the conclusions from the tax authority on 27 May 2013, the Company decided to recognize a provision for the amount of the reassessment notifications, namely €109 thousand.

The Company considers that this dispute with the tax authority is unlikely to have a significant negative effect on the balance sheet or net income of the Company.

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:

- €302,377 in 2013;
- €357,373 in 2012.

At 31 December 2013, the amount of the Company's tax losses which can be carried forward indefinitely amounted to €40,021,770 (before the possible consequences of the tax audit, see Note 10).

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:

(Amount in euros)	31/12/2013	31/12/2012
LONG-TERM FINANCIAL ASSETS		
Investment securities	8	0
RECEIVABLES		
Trade receivables & related accounts	395,956	0
Other receivables	274,214	0
OPERATING INCOME		
Sales of merchandise	396,563	0
Production sold	174,227	0
OPERATING EXPENSES		
Purchases of goods for resale (including customs charges)	139,487	0
Other purchases and external expenses	174,227	0

Implanet Institute

Implanet Institute, a non-profit association sponsored by Implanet, has the role of assisting young surgeons in all areas of their practice (program to prepare surgeons for setting up a practice, training in surgical techniques, etc.).

Implanet Institute is an independent association whose actions are decided by its Scientific Committee. The members of the association include certain shareholders and employees of the Company.

The contributions of Implanet to the Implanet Institute during the last two fiscal years were:

- €5 thousand in 2013;
- €53 thousand in 2012

21.2 Executives' compensation (excluding awards of capital instruments)

In application of Article 531-3 of the General Accounting Plan, the executive directors of a *Société Anonyme* (public limited company) with a Board of Directors are deemed to be the Chairman of the Board of Directors, the Deputy Chief Executive Officers and the natural or legal person directors (and their permanent representatives).

The compensation paid to the executives of Implanet during the 2012 and 2013 fiscal years was as follows:

DIRECTORS' COMPENSATION (Amount in euros)	Function	31/12/2012					
		Fixed compensation	Variable compensation	Benefit in kind	Employer's social charges	Advisory fees	Total
Mr Ludovic LASTENNET	Director since 22 January 2013. Sales Director CEO since 27 November 2012	152,000	35,185	6,928	89,099	0	283,212
Mr Erick CLOIX	Director since 6 January 2013. CEO until 27 November 2012	151,250	20,000	18,040	80,626	0	269,916
Mr Jean-Gérard GALVEZ	Chairman of the Board of Directors	0	0	0	0	100,500	100,500
Total Directors' compensation		**303,250**	**55,185**	**24,968**	**169,725**	**100,500**	**653,628**

DIRECTORS' COMPENSATION (Amounts in euros)	Function	31/12/2013					
		Fixed compensation	Variable compensation	Benefit in kind	Employer's social charges	Advisory fees	Total
Mr Ludovic LASTENNET	Director since 22 January 2013. Sales Director CEO since 27 November 2012	166,176	3,819	7,189	82,497	0	259,681
Mr Jean-Gérard GALVEZ	Chairman of the Board of Directors	0	0	0	0	72,000	72,000
Total Directors' compensation		**166,176**	**3,819**	**7,189**	**82,497**	**72,000**	**331,681**

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

For the award of equity instruments to executives, see Note 9.4.

Note 22: Commitments given

22.1 Retirement Benefits

Calculation methodology

The purpose of the actuarial valuation is to produce an estimate of the discounted value of Implanet's commitments in terms of retirement benefits provided for in the collective agreements.

These obligations, related to the legal or contractual compensation due in respect of retirement are evaluated at the year-end dates of the three fiscal years presented. These retirement benefits are not the subject of recognition in the form of a provision in the Company's financial statements, but constitute an off-balance sheet commitment.

This amount is determined on the various year-end dates on the basis of an actuarial valuation, based on the use of the projected credit unit method, taking into account staff turnover and mortality rates.

Actuarial assumptions

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

ACTUARIAL ASSUMPTIONS	31/12/2013		31/12/2012	
	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)	3.00%		2.69%	
Mortality table	INSEE 2012		INSEE 2012	
Rate of revaluation of salaries	2%		2%	
Rate of turnover	Average (AG2R table)		Average (AG2R table)	
Rate of Social Security charges	48%	43%	49%	42%

Calculated commitments

The commitments calculated for the retirement benefits are broken down as follows:

RETIREMENT BENEFITS (Amount in euros)	31/12/2013	31/12/2012
Amount of commitments	34,802	37,477

22.2 Obligation under the terms of the Kreos contract

Within the framework of the Kreos bond contract signed on 19 July 2013 (see Note 11), the Company granted to Kreos the following sureties and commitments:

- pledge of the business goodwill in favor of Kreos;
- commitment by the Company not to contract, without prior authorization from Kreos, debt of more than €2.5 million other than (a) the Kreos bond, (b) borrowings to cover working capital requirement, (c) advances from OSEO (or any other support or advance from public bodies), (d) the issue of convertible bonds or bonds redeemable in shares, or (e) current account advances from shareholders;
- commitment by the Company not to proceed with any pledge or cede any assets, except in the normal course of its business.

22.3 Individual Training Rights (ITR)

French legislation provides for 20 hours of individual training per annum under the terms of the Individual Training Right (ITR) for people who have signed an employment contract with Implanet. This individual training right may be accumulated over a period of six years (limit of 120 hours) and the costs are recognized as expenses when they are incurred.

At the end of each fiscal year, the rights accumulated but not consumed are approximately:

- 2,317 hours at 31 December 2013;
- 2,119 hours at 31 December 2012.

22.4 Finance leases

	31/12/2013	31/12/2012
Original value	2,831,975	2,831,975
Depreciation and amortization:		
- cumulative total for prior years	1,866,083	1,388,875
- allocations for the year	441,756	477,208
Total	**2,307,839**	**1,866,083**
Royalties paid		
- cumulative total for prior years	2,215,731	1,545,229
- royalties for the year	617,296	670,502
Total	**2,833,027**	**2,215,731**
Royalties remaining to be paid		
- due in less than 1 year	268,577	637,036
- due between 1 and 5 years	73,373	386,938
- due in more than 5 years	-	-
Total	**341,950**	**1,023,974**
Residual value		
- in less than 1 year	2,907	-
- between 1 and 5 years	278	3,185
- in more than 5 years	-	-
Total	**3,185**	**3,185**
Amount recognized during the year	634,327	671,871

Finance lease contracts cover software, installations, equipment and tooling.

22.5 Commercial leases
Property leases

As part of its activities, the Company has concluded property leasing contracts:

- for its administrative building, effective on 8 October 2007;
- for its logistics building, effective on 15 December 2010.

These buildings are located at the registered office of the Company in the Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France.

Terms and compensation for early departure

The property leases granted in France have a term of nine full and consecutive years with the option for the Company to give notice on the leases only every three years.

In the event of early departure from the logistics building, the lessor may demand a compensation payment in respect of the internal improvements which were installed and financed by it. These

improvements give rise to the payment of lease rental surcharges of €1,833 per month for a period of 84 months. The amount of the compensation payment would be equal to the amount of the remaining lease rental surcharges, namely €87,984 at 31 December 2013.

Charges and commitments

The amount of the rental payments recognized at the end of 2013 and the commitments up until the next three-year period are broken down as follows:

				Commitment until the next three-year period	
Real estate leasing contracts	**Effective start date of lease**	**Expiry date of lease**	**Expenses for 2013**	**Due in less than 1 year**	**From 1 to 5 years**
Administration building	08/10/2007	08/10/2016	137,948	139,747	253,097
Logistics building	15/12/2010	15/12/2019	138,632	138,362	276,724

22.6 Factoring contract

The Company uses the GE Factofrance factoring organization for financing, by assigning to it trade receivables originating in France. At the end of the two fiscal years presented, the outstanding balances (amounts discounted at the year-end date), together with the financial expenses arising from the use of the factor, were as follows:

FACTORING BODY (Amount in euros)	**31/12/2013**	**31/12/2012**
Outstanding financing balance with factor	262,184	290,345
Total factor debts	**262,184**	**290,345**
Commissions on factor drawdowns	18,107	28,065
Interest on factor drawdowns	7,041	12,734
Total factor expenses	**25,148**	**40,799**

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.

In its financial statements at 31 December 2012, the Company recognized a provision for impairment of receivables initially assigned to the factor for an amount of €13 thousand. No provision for impairment was recognized in the financial statements at 31 December 2013.

Factoring and financing commissions are recognized in financial net income.

22.7 Other financial commitments

Documentary credits and remittances

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

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

Pledge of term accounts

- pledge of a €150 thousand term account to HSBC France against leases;
- pledge of a term account of €150 thousand in favor of the Banque Courtois.

Lien on inventories

The opening of a cash credit facility of €500 thousand concluded on 15 December 2009 was backed by a lien on inventories of orthopedic implants and accessories set up in favor of the bank for an amount of €700 thousand.

On 17 December 2012, the Company proceeded with the repayment of its credit line and requested the total and definitive release of the lien over the inventories, which was obtained in January 2013.

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 31 December 2013, 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	2013 fiscal year	2012 fiscal year
Managers	20.3	19.8
Employees	12.8	10.0
Total average headcount	**33.1**	**29.8**

Note 24: Management and measurement of financial risks

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

Interest rate risk

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

- the cash balances include term accounts;
- no variable-rate debt has been subscribed, apart from the authorized overdraft of €500 thousand bearing interest at the Euribor three-month rate +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).

With regards to the concentration of credit risk, four French distributors accounted for 18% of the Company's total sales and four export distributors accounted for 28% of the Company's total sales.

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

Foreign exchange risks

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

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

Equity risk

The Company does not hold any participating investments or investment securities that are traded on a regulated market.

Note 25: Post balance sheet events

The Company has decided to proceed with the progressive withdrawal from the less profitable activities. This decision resulted in a significant impairment charge on inventories at 31 December 2013, particularly relating to the products in the “hips” range, which are now 100% impaired.

Note 26: Fees of the Statutory auditors

STATUTORY AUDITORS' FEES	2013 fiscal year				2012 fiscal year	
	Ernst & Young		INKIPIO AUDIT		Cabinet Roche Mameri & Azoulay	
Amount in euros	Amount excl. taxes	%	Amount excl. taxes	%	Amount excl. taxes	%
Statutory audit	40,000	18%	28,000	100%	15,000	81%
Due diligence	2,392	1%	0	0%	3,500	12%
Other due diligence as part of the stock market introduction	185,565	81%				
Total fees	227,957	**100%**	28,000	**100%**	18,500	**100%**

INKIPIO AUDIT
19, rue des Tuiliers
69003 Lyon
Simplified joint-stock company (SAS) with a capital of €300 thousand

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
A French *Société Anonyme* with a share capital of €8,099,283
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

FOR THE YEAR ENDED 31 DECEMBER 2013

«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 31 December 2013, 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.

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:

The 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. We have also verified that the information given in the Notes to the consolidated financial statements was sufficient, particularly with regard to the impact of the gradual withdrawal of the products in the “hips” range.

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 Directors, 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 have been notified to you in the management report.

Lyon and Paris-La Défense, 19 March 2014

The Statutory auditors

INKIPIO AUDIT **ERNST & YOUNG Audit**

Clément ALBRIEUX Franck SEBAG **»**

20.6. DIVIDEND DISTRIBUTION POLICY

20.6.1. Dividends and reserves distributed by the Company during the last three fiscal years

None.

20.6.2. Distribution policy

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

20.7. 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.

20.8. SIGNIFICANT CHANGES IN THE FINANCIAL OR COMMERCIAL POSITION

To the best of the Company's knowledge, there has not been any significant change in the financial or commercial position of the Company since 30 June 2014.

21. ADDITIONAL INFORMATION

21.1. SHARE CAPITAL

21.1.1. Amount of the share capital

21.1.1.1. Issued share capital

As of the Date of the *Document de référence*, the Company's share capital is €8,099,283 divided into 5,399,522 shares with a par 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 par 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 are held by a third party on its behalf.

On 9 January 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 pruchased: 10% of the share capital on the Date of buyback of the shares. When shares are acquired with a view to improving the trading and liquidity of the stocks, the number of shares taken into account to calculate the aforementioned 10% limit corresponds to the number of purchased sharesless the number of shares resold during the authorization period.

Objectives of share buybacks:

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

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

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

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

Shares redeemed in this manner may be cancelled.

As 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 9 January 2015

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

During implementation of the redemption program

- ✓ Publication of transactions at D+7 on the Company's website (excluding any transactions carried out under a liquidity agreement);
- ✓ Monthly filing by the Company to the AMF.

Each year

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

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$_{S/05/2012}$	BSPCE$_{01/2014-1}$	BSPCE$_{01/2014-2}$	BSPCE$_{01/2014-3}$	BSPCE$_{01/2014-4}$
Date of the Meeting	29 Dec 2007	5 February 2009	31 March 2010	14 March 2011	26 Sept 2011	29 June 2012	19/07/2013	19/07/2013	19/07/2013	19/07/2013
Date of Board of Directors' Meeting	29 Dec 2007	5 February 2009	22 April 2010	6 April 2011	18 Nov 2011	29 June 2012	08/01/2014	08/01/2014	08/01/2014	08/01/2014
Number of approved BSPCE	150,000	150,000	200,000	300,000	500,000	21,793	500,000	500,000	500,000	500,000
Total number of allocated BSPCE	100,000	106,500	167,500	269,000	103,500	21,793	39,706	20,138	1,278	246,864
Total number of subscibable shares (taking into account reverse split)	10,000	10,650	16,750	26,900	10,350	2,178	39,706	20,138	1,278	246,864
Of which the total number that can be subscribed by Directors	0	0	0	0	0	689	1,258	0	0	204,703
Directors concerned: Ludovic Lastennet Denis Saint-Denis Jean-Gérard Galvez						689 - -	1,258 - -	- - -	- - -	137,414 26,995 40,294
Start date of exercise of BSPCE	29 Dec 2007	5 February 2009	22 April 2010	1 June 2011	28 Nov 2011	29 June 2012	08/01/2015	08/01/2015	08/01/2015	08/01/2015
Expiry date of BSPCE	29 Dec 2017	5 February 2019	31 March 2020	1 June 2021	28 Nov 2021	29 June 2012	08/01/2024	08/01/2024	08/01/2024	08/01/2024
Share subscription price (after reverse split)	€15	€15	€15	€15	€15	€10	€6.68	€6.68	€6.68	€6.68
Terms and conditions of exercise	(1)(2)	(1)(2)	(1)(2)	(1)(2)	(1)(2)	(1)(3)	(5)	(6)	(7)	(7)
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	3	0	0	0	0
Cumulative number of BSPCE cancelled or expired	80,000	93,500	137,500	201,000	54,500	7,342	0	0	0	0
Remaining BSPCE as of the Date of the *Document de référence*	20,000	13,000	30,000	68,000	49,000	14,448	39,706	20,138	1,278	246,864
Total number of subscribable shares as of the Date of the *Document de référence* (taking into account the reverse split)	2,000	1,300	3,000	6,800	4,900	1,444 (4)	39,706	10,069	426	82,288

(1) These BSPCE can be exercised once they are allocated by the Board of Directors, in the amount of 1/3 of the BSPCE allocated to the holder per calendar year, it being specified that BSPCE exercisable during a calendar year that are not actually exercised, remain exercisable during later calendar years.

(2) Exercisable BSPCE must be exercised by their holder or their assignees:

- *within one month from the termination date of any salaried position and/or office of Director 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) Exercisable BSPCEmust be exercised by their holder or his/her assignees:

- *within one month from the termination date of any salaried position and/or office of Director within the Company, irrespective of the cause;*
- *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 total number of shares that can be subscribed upon exercise of these $BSPCE_{5/05/2012}$ has been rounded down holder by holder to take into account the reverse split by ten decided on 19 July 2013. In accordance with Articles L. 225-149 and R. 228-94 of the French Commercial Code, the Company is required to pay each holder who, upon exercising their securities giving access to the share capital, is left with fractional shares, an amount in cash equal to the fraction of shares multiplied by the value of the share, calculated in accordance with Article R. 228-94 of the French Commercial Code.

(5) The $BSPCE_{01/2014-1}$ may be exercised in full by the holder from 8 January 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.*

(6) The $BSPCE_{01/2014-2}$ may be exercised~~,~~ by the holder in accordance with the following schedule :

- *up to 50%, from 8 January 2015 onwards; and*
- *the balance, i.e. 50%, at the end of an 18-month period starting from the date of allocation by the Board, i.e. from 8 July 2015 onwards.*

In addition, the $BSPCE_{01/2014-2}$ will become fully exercisable by the holder or his/her assignees:

- *within 15 days from the signature of a merger agreement through absorption of the Company, or the date of transfer to a third party by one or more Company shareholders, acting separately or in concert pursuant to Article L. 233-10 of the French Commercial Code, of a number of shares such that said third party acquires the majority of the Company's share capital or voting rights;*
- *within six months from the incapacity or death of the holder.*

(7) The $BSPCE_{01/2014-3}$ and the $BSPCE_{01/2014-4}$ may be exercised by the holder in accordance with the following schedule:

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

In addition, the $BSPCE_{01/2014-3}$ and the $BSPCE_{01/2014-4}$ will become fully exercisable by the holder or his/her assignees:

- *within 15 days from the signature of a merger agreement through absorption of the Company, or the date of transfer to a third party by one or more Company shareholders, acting separately or in concert pursuant to Article L. 233-10 of the French Commercial Code, of a number of shares such that said third party acquires the majority of the Company's share capital or voting rights;*
- *within six months from the incapacity or death of the holder.*

21.1.4.2. Warrants (BSA)

	$BSA_{09/11}$	BSA_{2012}	$BSA_{05/12}$	$BSA_{09/12}$	$BSA_{01/2013}$	$BSA_{2013\text{-}Kreos}$	$BSA_{01/2014}$
Date of the Meeting	26 Sept 2011	29 June 2012	29 June 2012	11 Oct 2012	22 Jan 2013	19 July 2013	19 July 2013
Date of Board meeting	-	-	-	-	-	-	8 January 2014
Number of warrants issued	60,000	165,000	10,245	100,000	25,000	65,000	27,398
Total number of subscribable shares (taking into account the reverse split)	6,000	16,500	1,024	10,000	2,500	65,000	27,398
Of which the number subscribable by Directors	0	0	0	10,000	2,500	0	27,398
Directors concerned: *Denis Saint-Denis* *Jean-Gérard Galvez* *Jan Egberts* *Brian Ennis*	60,000		3,785	5,000 5,000	2,500		11,199 16,199
Number of non-Director beneficiaries	1	3	2	0	0	1	0
Start date of exercise of warrants (BSA)	26 Sept 2011	29 June 2012	29 June 2012	11 Oct 2012	22 Jan 2013	19 July 2013	8 January 2015
Expiry date of warrants (BSA)	26 Sept 2021	29 June 2022	29 June 2022	11 Oct 2022	22 Jan 2023	(1)	(6)
Issue price of warrants (BSA)	€0.10	€0.15	€0.10	€0.15	€0.15	€0	€0.668
Subscription price per share (taking into account the reverse split)	€10	€15	€10	€15	€15	(2)	€6.68
Terms and conditions of exercise	(3)	(3)	(3)	(3)	(3)	(3)	(6)
Number of shares subscribed as of the Date of the *Document de référence*	0	0	0	0	0	0	0
Cumulative number of warrants (BSA) null and void or cancelled as of the Date of the *Document de référence*	0	0	0	0	0	0	0
Warrants (BSA) remaining as of the Date of the *Document de référence*	60,000	165,000	10,245	100,000	25,000	65,000	27,398
Total number of shares subscribable as of the Date of the *Document de référence* (taking into account the reverse split)	6,000	16,500	1,024 (4)	10,000	2,500	65,000	9,132

(1) The BSA_{Kreos} warrants will be exercisable (and shall expire concomitantly) upon the earlier of the two following events:

- *the execution of one or more transfers of Implanet shares which would cause any person to hold at least ninety-five percent (on a fully diluted basis) of the Company's share capital; or*
- *the end of a period of five (5) years from the date of initial listing of all or part of the Company's shares on a regulated market or a French or foreign stock exchange.*

(2) The price per subscribed share upon the exercise of the $BSA_{2013\text{-}Kreos}$ warrants is €7.20.

(3) All of these warrants (BSA) are exercisable as of the Date of the Document de référence.

(4) The total number of shares that can be subscribed upon exercise of these $BSA_{05/12}$ has been rounded down holder by holder to take into account the reverse split by ten decided on 19 July 2013. In accordance with Articles L. 225-149 and R. 228-94 of the French Commercial Code, the Company is required to pay each holder who, upon exercising their securities giving access to the share capital, is left with fractional shares, an amount in cash equal to the fraction of shares multiplied by the value of the share, calculated in accordance with Article R. 228-94 of the French Commercial Code.

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

- *up to 1/3, from 8 January 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 8 July 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 8 July 2016 onwards.*

In addition, on 22 April 2014, the Board of Directors, exercising the authority granted by the General Shareholders' Meeting of 19 July 2013, issued 530,000 share issuance warrants (BEA) in favor of Kepler Cheuvreux, each of which is allowed the subscription of one share at a price 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%. 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 shares, leading to a dilution of 9.82% based on the share capital existing today, and of 8.30% based on the fully diluted share capital.

Moreover, the Extraordinary General Shareholders' Meeting of 19 July 2013, issued 65,000 Company share subscription warrants, free of charge, in favor of Kreos Capital IV (Expert Fund) LTD. Their features are described in section 22.3.3 of the *Document de référence*.

21.1.4.3. Share subscription or purchase option plan

None.

21.1.4.4. Free shares allocations

None.

21.1.4.5. Summary of dilutive instruments

As of the Date of the *Document de référence*, the total number of shares that can be created by the full exercise of all the rights giving access to the share capital of the Company totals 455,852 shares, corresponding to a maximum dilution of 7.79% on the basis of the diluted share capital. The dilution in terms of voting rights is identical and amounts to 7.79% on the basis of the diluted voting rights[48].

21.1.5. Acquisition rights and/or obligations connected to share capital issued but not authorized, and commitment to capital increase

The resolutions approved by the General Shareholders' Meeting of 9 January 2015, voting on an extraordinary basis are summarized below:

	Period of validity/Expiry	Ceiling (par value)	Pricing principles
Delegation of authority granted to the Board of Directors to issue shares and/or securities giving immediate and/or future access to the Company's share capital, with preferential subscription rights	26 months/ 9 March 2017	€8,099,283 (1)	

[48] Excluding exercise of the share issuance warrants issued in favor of Kepler Cheuvreux (whose terms and conditions of exercise are described in section 21.1.4.2 of the *Document de référence*).

	Period of validity/Expiry	Ceiling (par value)	Pricing principles
Delegation of authority granted to the Board of Directors for the purpose of increasing the capital by issuing ordinary shares or any securities giving future access to the share capital, without preferential subscription right, throught a public offering and with the option to create a priority right	26 months/ 9 March 2017	€ 4,049,640 (1)	See(2)
Delegation of authority granted to the Board of Directors to increase the share capital, immediately or in the future, by issuing ordinary shares or any securities giving access to the share capital, within the limit of 20% of the share capital per year, without shareholders' preferential subscription rights, by means of an offer to qualified investors or a limited circle of investors in accordance with paragraph II of Article L. 411-2 of the Financial and Monetary Code (private placement)	26 months/ 9 March 2017	€1,619,850 (1) and within the limit of 20% of the existing share capital at the Date of the transaction and per year	See(3)
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/ 9 July 2016	€809,930	(4)
Authorization granted to the Board of Directors 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/ 9 March 2017	within the limit of 10% of the share capital per year	See(5)
Delegation of authority granted to the Board of Directors for the purpose of increasing the number of shares to be issued in the context of a capital increase, with or without preferential subscription rights	26 months/ 9 March 2017	15% of the initial issue (1)(6)	Same price as initial issue
Delegation of authority granted to the Board, for the purpose of issuing of ordinary shares or securities giving access to the share capital, in the event of a tender offer initiated by the Company	26 months/ 9 March 2017	€4,049,640 (1)	-

	Period of validity/Expiry	Ceiling (par value)	Pricing principles
Delegation of authority granted to the Board for the purpose of increasing the share capital, within the limit of 10% of the share capital, in compensation for contributions in kind involving equity securities or securities giving access to the share capital of third-party companies a tender offer	26 months/ 9 March 2017	€4,049,640 and within the limit of 10% of the share capital per year(1)	-
Delegation of authority granted to the Board of Directors for the purpose of increasing the capital by incorporation of premiums, reserves, profits or other	26 months/ 9 March 2017	€1,619,850	-
Authorization granted to the Board of Directors for the purpose of granting options to subscribeor purchase shares	38 months/ 9 March 2018	539,952 shares	See (7) and (8)
Delegation of authority to be granted to the Board of Directors for the purpose of carrying out a free issue of BSCPE toCompany employees and executives	18 months/ 9 July 2016	539,952 shares	See (8) and (9)
Authorization to be granted to the Board of Directors to make allocations of existing or new free shares	38 months/ 9 March 2018	539,952 shares, up to a limit of 10% of the existing capital at the time of allocation	See (8)
Delagation of authority granted to the Board of Directors for the purpose of issuing and allocating warrants to (i) observers and 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 having who have entered into a services or consultant contract 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/ 9 July 2016	539,952 shares	See (8) and (9)
Authorization granted to the Board of Directors for the purpose of decreasing the share capital by canceling treasury shares	18 months/ 9 July 2016	Up to 10% of the share capital within a 24-month period	

(1) these amounts are not cumulative. The maximum cumulative ceiling authorized by the General Shareholders' Meeting for share capital increases has been set at a par value of €8,099,283 (par value). The aggregate nominal amount of issues of debt securities giving access to the Company's share capital may not exceed €40,000,000.

(2) the share issue price will be at least equal to the weighted average of the prices quoted on the last three trading days before the price was set, less, if applicable, the discount authorized by law (currently 5%), and corrected in the case of a difference in the possession date on the understanding that the issue price of the securities giving access to the share capital will be such that the sum received immediately by the Company, plus, if applicable, the sum that may be received by it subsequently for each share issued as a result of the issue of said securities, in at least equal to the issue price defined above;

(3) the share issue price will be at least equal to the weighted average of the prices quoted of the last three trading days before the price was set, less, if applicable, the discount authorized by the law (currently 5%), and corrected in the case of a difference in the possession date on the understanding that the issue price of the securities giving access to the share capital will be such that the sum received immediately by the Company, plus, if applicable, the sum that may be received by it subsequently for each share issued as a result of the issue saidsecurities, at least equal to the issue price defined above;

(4) the share issue price will be at least equal to the weighted average of the prices quoted of the last three trading days before the price was set, less, if applicable, the discount authorized by the law (currently 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 saidsecurities, at least equal to the issue price defined above;

(5) the Board may waive the pricing conditions set out in the aforementioned resolutions (within a limit of 10% of the Company's share capital at the Date of the transaction) in each 12-month period, and set the issue price of the ordinary shares and/or securities giving access to the capital, immediately or in the future, as detailed below:

- the issue price of ordinary shares will be at least equal to the weighted average of the prices of the last three trading sessions before it was set, less, if applicable, a maximum discount of 20%, on the understanding that it may under no circumstances be less than the nominal value of a Company share on the issue date of the shares involved;
- the issue price of the securities giving access to the share capital will be such that the sum received immediately by the Company, plus, if applicable, the sum that may be received by it subsequently, for each share issued as a result of the said securities, is at least equal to the issue price defined in the section above.

(6) 15% or any other percentage determined by decree.

(7) the purchase or subscription price per share will be determined by the Board on the date when the option is granted, byreference to the sale price of a share when said regulated stockmarket or stock exchange close 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 lessthan ninety-five percent (95%) of the average of the price quoted on the twentytrading sessions preceding the Date of the Board's decision to allocate the options.

(8) these amounts are not cumulative. The maximum cumulative number of shares authorized by the General Shareholders' Meeting and likely to be generated by the exercise of share subscription options, free share allocations and the exercise of warrants and founders' warrants is 539,952.

(9) the exercise price of the founders' warrants (BSPCE)/share warrants (BSA) will be determined by the Board of Directors on the Date of their allocation and must be at least equal to the weighted average price over the last 20 trading sessions preceding the Date of allocation by the Board.

21.1.6. Information on the share capital of any company of the Group that is subject of an option or a conditional or unconditional agreement to put it under option

None.

21.1.7.1. Table of changes in the share capital during the last three fiscal years

This following table shows the changes in the share capital during the last three fiscal years.

Date of issuances	Type of transaction	Share capital	Gross issue premium	Number of shares created	Number of shares making up capital	Par value	Share capital
23/03/2011	Capital increase	€1,048,154	€324,927.74	1,048,154	26,020,212	€1	€26,020,212
05/04/2011	Capital increase	€1,106,870	€343,129.70	1,106,870	27,127,082	€1	€27,127,082
03/10/2011	Capital increase	€2,428,955	-	2,428,955	29,556,037	€1	€29,556,037
19/07/2013	Capital increase	€3	-	3	29,556,040	€1	€29,556,040
19/07/2013	Capital decrease	(€25,122,634)	-	-	29,556,040	€0.15	€4,433,406
19/07/2013	Reversesplit (10 to 1)	-	-	-	2,955,604	€1.50	€4,433,406
19/11/2013	Capital increase through public offering	€2,555,556	€9,711,118.80	1,703,704	4,659,308	€1.50	€6,988,962
19/11/2013	Capital increase (overallotment option)	€383,322.50	€1,456,663.50	255,555	4,914,863	€1.50	€7,372,294.50
19/11/2013	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

21.1.7.2. Changes in the distribution of the Company's share capital during the last three fiscal years

	Situation at 31 December 2012		Situation at 31 December 2013		Situation at 31 December 2014	
	Number of shares	% of voting rights	Number of shares	% of voting rights	Number of shares	% of voting rights
Founders and historical investors	**3,371,823**	**11.41%**	**492,186**	**9.12%**	**450,440**	**8.34 %**
Other investors	**2,407,544**	**8.15%**	**90,578**	**1.68%**	**90,474**	**1.68%**
Financial investors	**23,776,670**	**80.45%**	**2,857,835**	**52.93%**	**1,680,812**	**31.13 %**
Seventure	3,004,708	10.17%	366,763	6.79%	336,763	6.79 %
Cofa Invest	1,256,638	4.25%	153,388	2.84%	153,388	2.84 %
Auriga	4,738,552	16.03%	578,403	10.71%	555,657	10.29%
Edrip	4,948,290	16.74%	604,004	11.19%	604,004	11.19 %
Leilani Investments Partner	1,384,549	4.68%	138,455	2.56%	138,455	2.56 %
CM-CIC	3,495,644	11.83%	412,818	7.65%	-	-
Wellington	4,948,289	16.74%	604,004	11.19%	-	-
Securities in bearer form	**N/A**	**-**	**1,958,923**	**36.28%**	**3,177,796**	**58.85%**
Total	**29,556,037**	**100%**	**5,399,552**	**100%**	**5,399,522**	**100%**

21.1.7.3. Distribution of the share capital and voting rights as of the Date of the Document de référence

Please see paragraph in section 18.1.

21.2. 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. A Member of the Board of Directors' office 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 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 Members of the Board of Directors in office. If this limit is exceeded in the course of office, the oldest of Member of the Board of Directors is automatically deemed to have resigned at the end of the earliest General Shareholders' Meeting thereafter.

B. Observers (Article 15 of the Bylaws)

The Ordinary General Shareholders' Meeting may appoint observers at the recommendation of the Board. The Board of Directors may also appoint observers directly, subject to ratification by the following General Shareholders' Meeting.

Observers, whom there are not be 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 observers 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 observers 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 compliancewith 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 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, their 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 they 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.

21.2.3.1. 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 ofvoting rights and casts a number of votes at the shareholders' meetings equal to the number of share he/she owns for which all amounts due have been paid. The par value being the same, each capital or dividend share entitles the holder to one vote.

21.2.3.3. Right to dividends and profits (extract from Article 9 of the Bylaws)

Each share entitles its holder to share a ownership of the corporate assets, as share of profits and the liquidation bonuses proportionally to the number and par value of the existing shares.

Whenever it is necessary to hold several shares - whether there 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 by 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 onw shares

See section 21.1.3.

21.2.4. Terms and conditions governing modification of shareholders' rights

Shareholders' rights as stated in the Company's Bylaws may only be modified by the Company's Extraordinary General Shareholders' Meetings.

21.2.5. General Shareholders' Meetings

A. Shareholders' Meetings (Article 19 of the Bylaws)

General Shareholders' Meetings are convened and held according to the applicable laws.

If the Company wishes to send meeting notices by electronic means rather than by mail, it must obtain the prior consent of the shareholders concerned, who shall provide their electronic address.

Meetings are held at the registered office or in any other location stated in the notice.

The right to participate in meetings is governed by the laws and regulations in force and, in particular, is subject to the record of the shares in the name of the shareholder or of the authorized intermediary registered on behalf of such shareholder at least three business days prior to the meeting, at zero hours, Paris time, either in the shareholders' 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' shall appoint their 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 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 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 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 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.

A. 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. Crossing of Bylaws thresholds

None.

21.2.8. Specific stipulations governing changes in the share capital

The Company's Bylaws do not include any special stipulations for changes in the share capital.

22. MATERIAL CONTRACTS

22.1. DISTRIBUTION AND AGENCY AGREEMENTS

Axiadis SAM

The Company entered into a non-exclusive distribution agreement with Axiadis, a Monaco company. Under the agreement Axiadis distributes some of the Company's products (prosthetic and osteosynthesis implants) in France through a network of sales agents. The contract was entered into on 12 January 2011 and initially ran until 31 December 2014. It was extended by an additional clause to 31 December 2016. The contract's terms prohibit the distributor from (i) selling competing products in France, and (ii) selling Company products outside of France. If the distributor breaches condition (ii) it will be liable to pay a penalty of three times the corresponding sums billed. The Company can unilaterally terminate the agreement subject to a 90-day notice period if the distributor commits any serious breach of the terms and conditions, including if in any given year it fails to place the minimum orders as defined in the agreement, sell products outside of the French territory or is subject to a change of control. The distributor cannot transfer the agreement in full or in part without the Company's prior written agreement.

Inverlock Trading SAM

The Company entered into a non-exclusive distribution agreement with Inverlock Trading, a Monaco company. Under the agreement, Inverlock Trading distributes some of the Company's products (prosthetic and osteosynthesis implants) in France through its own distribution network. The contract was entered into on 12 January 2011 and initially ran until 31 December 2014. It was extended by an additional clause to 31 December 2016. The contract's terms prohibit the distributor from (i) selling competing products in France, and (ii) selling Company products outside of France. If the distributor breaches condition (ii) it will be liable to pay a penalty of three times the corresponding sums billed. The Company can unilaterally terminate the agreement subject to a 90-day notice period if the distributor commits any serious breach of the terms and conditions, including if in any given year it fails to place the minimum orders as defined in the agreement, sell products outside of the French territory or is subject to a change of control. The distributor cannot transfer the agreement in full or in part without the Company's prior written agreement.

Spine Enthusiast LLC

The Company's US subsidiary, Implanet America Inc., entered into sales agency agreements with 25 US companies to sell Jazz and the full range of the Implanet Spine System range 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 US company Spine Enthusiast LLC to distribute Jazz and the full Implanet Spine System in Florida. This agreement was entered into on 1 April 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 1 August 2013 with Cousin Biotech to manufacture Jazz braids;
- subcontracting agreement concluded on 25 August 2014 with Etablissements Coulot Décolletage to manufacture Jazz metallic implants; and

- subcontracting agreement concluded on 22 May 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 1 August 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 19 July 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 business *(i.e. nantissement de fonds de commerce)* in favor of Kreos Capital IV (UK) LTD.

These transactions were implemented as follows:

- the €5 million bond via the issue of 5 million non-convertible bonds with a par value of 1 euro each to Kreos Capital IV (UK) LTD was approved at the Company's Board of Directors' Meeting of 19 July 2013 and wholly subscribed by Kreos Capital IV (UK) LTD on 24 July 2013;

- the free issue of 65,000 warrants to Kreos Capital IV (Expert Fund) LTD was approved by the Extraordinary General Shareholders' Meeting of 19 July 2013; and

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

22.3.2. The venture loan agreement

This master agreement between the Company and Kreos Capital IV (UK) LTD ("**Kreos**"), effective from 19 July 2013, 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 not to:

(i) 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) issuance of convertible bonds or bonds redeemable in shares, or (e) current account advances from shareholders,

(ii) pledge or 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 an observer 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:	19 July 2013
Subscription date:	24 July 2013
Subscriber:	Kreos
Date of first repayment:	1 January 2014
Date of last repayment:	1 June 2016
Frequency of repayments:	monthly
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.

Repayment schedule						
Number of installments	**Payment date**	**Amount of loan**	**Costs**	**Capital**	**Interest**	**Amount of payment**
1	22 Jul 2013	(5,000,000.00)	62,500.00	0.00	15,735.42	78,253.42
2	1 Aug 2013		0.00	0.00	47,916.67	47,916.67
3	1 Sept 2013		0.00	0.00	47,916.67	47,916.67
4	1 Oct 2013		0.00	0.00	47,916.67	47,916.67
5	1 Nov 2013		0.00	0.00	47,916.67	47,916.67
6	1 Dec 2013		0.00	0.00	47,916.67	47,916.67
7	1 Jan 2014		0.00	190,735.44	0.00	190,735.44
8	1 Feb 2014		0.00	144,646.66	46,088.79	190,735.44
9	1 Mar 2014		0.00	146,032.85	44,702.59	190,735.44
10	1 Apr 2014		0.00	147,432.34	43,303.11	190,735.44
11	1 May 2014		0.00	148,845.23	41,890.21	190,735.44
12	1 Jun 2014		0.00	150,271.66	40,463.78	190,735.44
13	1 Jul 2014		0.00	151,711.77	39,023.68	190,735.44
14	1 Aug 2014		0.00	153,165.67	37,569.77	190,735.44
15	1 Sept 2014		0.00	154,633.51	36,101.93	190,735.44
16	1 Oct 2014		0.00	156,115.41	34,620.03	190,735.44
17	1 Nov 2014		0.00	157,611.52	33,123.92	190,735.44
18	1 Dec 2014		0.00	159,121.96	31,613.48	190,735.44
19	1 Jan 2015		0.00	160,646.88	30,088.56	190,735.44
20	1 Feb 2015		0.00	162,186.41	28,549.03	190,735.44
21	1 Mar 2015		0.00	163,740.70	26,994.74	190,735.44
22	1 Apr 2015		0.00	165,309.88	25,425.56	190,735.44
23	1 May 2015		0.00	166,894.10	23,841.34	190,735.44
24	1 Jun 2015		0.00	168,493.50	22,241.94	190,735.44
25	1 Jul 2015		0.00	170,108.23	20,627.21	190,735.44
26	1 Aug 2015		0.00	171,738.44	18,997.01	190,735.44
27	1 Sept 2015		0.00	173,384.26	17,351.18	190,735.44
28	1 Oct 2015		0.00	175,045.86	15,689.58	190,735.44
29	1 Nov 2015		0.00	176,723.38	14,012.06	190,735.44
30	1 Dec 2015		0.00	178,416.98	12,318.46	190,735.44
31	1 Jan 2016		0.00	180,126.81	10,608.63	190,735.44
32	1 Feb 2016		0.00	181,853.03	8,882.41	190,735.44
33	1 Mar 2016		0.00	183,595.79	7,139.66	190,735.44
34	1 Apr 2016		0.00	185,355.25	5,380.20	190,735.44
35	1 May 2016		0.00	187,131.57	3,603.87	190,735.44
36	1 Jun 2016		72,500.00	188,924.91	1,810.53	263,235.44

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 19 July 2013 issued 65,000 free warrants for shares in the Company to Kreos Capital IV (Expert Fund) LTD. (the "**BSA_{Kreos}**")

The **BSA_{Kreos}** entitle the holders to subscribe for 65,000 ordinary shares in the Company with a par value of €1.50 each at €7.20 per share.

The **BSA_{Kreos}** cannot be assigned or transferred except in the following circumstances:

(i) warrants transferred by Kreos Capital IV (Expert Fund) Limited to any entity (i) controlled directly or indirectly as defined by Article L. 233-3 of the French Commercial Code by Kreos Capital IV (Expert Fund) Limited, or (ii) that controls, directly or indirectly, as defined by Article L. 233-3 of the French Commercial Code, Kreos Capital IV (Expert Fund) Limited, or (iii) that is under joint control, directly or indirectly, as defined by Article L. 233-3 of the French Commercial Code, with Kreos Capital IV (Expert Fund) Limited during the period when the **BSA$_{Kreos}$** are exercisable;

(ii) warrants (BSA) transferred to its constituent Limited Partnerships, if Kreos Capital IV (Expert Fund) Limited expires during the lifetime of the Kreos warrants (BSA).

The **BSA$_{Kreos}$** will be exercisable (and shall expire concomitantly) until the earlier of the following two events occurring:

(i) the exercise of one or more transfers of Implanet shares which would cause any person to hold at least ninety-five percent (on a fully diluted basis) of the Company's share capital; or

(ii) the expiry of a five (5) year period from the initial listing of the Company's shares on the Paris Euronext stock market.

Note that there will be no request to admit the **BSA$_{Kreos}$** for trading.

23. INFORMATION FROM THIRD PARTIES, EXPERT STATEMENTS AND DECLARATIONS OF INTEREST

None.

24. PUBLISHED DOCUMENTS

The Document de référence is available free of charge at the Company's registered office, Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France.

It can also be consulted on the websites of the Company (www.implanet.com) and the AMF (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 OF 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 €8,099,283
Registered office: Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France
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 2013, as well as the internal control and risk management procedures in the Company.

The report has been prepared by management according to the terms approved by the Board of Directors during its meeting on 13 February 2014.

1- Corporate governance

Ludovic Lastennet heads up the Company as Chief Executive Officer. Ludovic Lastennet was first appointed CEO on 27 November 2012 for an unlimited term. He is also Sales and Marketing Director and is an employee of the Company.

Rules of procedure were adopted by the Board of Directors on 11 April 2013 and amended on 21 May 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 various recommendations of the Corporate Governance Code for Small and Midcaps and indicates the measures that have been adopted:

	Adopted	Not adopted

1.1- 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 Directors	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(3)
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(4)

(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 risks it incurs in terms of these offices.

(2) The exercise of profit-sharing instruments allocated to executives from the Date of this *Document de référence* shall be subject to performance conditions.

(3) As at the date of the financial report, the Company has not made public the rules of procedure adopted by the Board of Directors on 7 June 2013; however it plans to publish them on the Company's website.

(4) To date, the Board of Directors has not evaluated the operation of the Board and its working methods. A self-assessment will be included in the Board's work for 2014. The findings will be discussed during a Board meeting and an action program drawn up where appropriate.

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 7 June 2013 to specify notably the role and composition of the Company's 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 5 February 2007, 31 July 2009, 31 March 2010 and 22 January 2013, and the Board of Directors' Meeting on 24 May 2007. As at 31 December 2013, the Company's Board of Directors had eight members. In addition, two non-voting members were appointed by the General Shareholders' Meeting (the first on 15 April 2010 and the second on 19 November 2013) to attend Board meetings and take part in the deliberations in a consultative capacity only.

The terms of office of the eight Directors and the non-voting members will expire at the close of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ending on 31 December 2015.

The Company considers that Luc Kerboull and Jan Egberts fulfill the criteria for independent Directors under the MiddleNext Corporate Governance Code for Small and Midcaps, inasmuch as both Luc Kerboull 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 significant clients, suppliers, or bankers of the Company or 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 ties with a Director or a reference shareholder; and
- have not been Company auditors in the last three years.

Name	Corporate office	Main position in the Company
Jean-Gérard Galvez	Director	Chairman of the Board of Directors
Ludovic Lastennet	Director and Marketing Director	Chief Executive Officer and Sales
Edmond de Rothschild Investment Partners represented by Raphaël Wisniewski	Director	
COFA-Invest represented by Marie Hélène Plais	Director	
Rainer Strohmenger	Director	
Luc Kerboull	Independent Director	
Seventure Partners represented by Emmanuel Fiessinger	Director	
Jan Egberts	Independent Director	
Auriga Partners, represented by Philippe Peltier	Non-voting member	
Kreos Capital IV (UK) Limited, 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; and
- to approve the Chairman's report on corporate governance and internal control.

It also monitors the quality of the information provided to shareholders and to the markets.

1.3-Conditions for the preparation and organization of the work of the Board

To make a meaningful contribution to the work of the Board of Directors, all members must receive the necessary documents. Requests for documentation are submitted to the Chairman, or where relevant, to any Company executive (Chief Executive Officer or Deputy CEO).

All Board members are authorized to meet the Company's senior executives, provided they inform the Chairman of the Board and the Chief Executive Officer beforehand.

The Board is regularly informed by the Chief Executive Officer on the Company's financial position, cash position, financial commitments and significant events for the Company and the Group.

Lastly, all new Board members may request training on the particular features of the Company, the Group, their businesses and operating segments.

The Board members are notified about meetings by letter, fax or email at least five (5) days before each meeting.

Meetings of the Board of Directors may also be called by any other means, including verbally, if all active Directors are present or represented at the meeting.

All documents and draft documents providing information on the agenda and on any other issues submitted to the Board are sent or provided to the Directors prior to the meeting in a timely manner.

Moreover, the Board is informed about the Company's financial position, cash position and commitments during its meetings.

The Company's Board of Directors plans to comply with the provisions of recommendation 15 of the MiddleNext Code. To date, it has not evaluated the operation of the Board and its working methods. A self-assessment will be included in the Board's work for 2014. The findings will be discussed during a Board meeting and an action program drawn up where appropriate.

This evaluation will also aim to check that all important issues are satisfactorily prepared and will assess the contribution of each member to the Board's work, in light of their skills and engagement, in particular.

1.4-Report on the work of the Board in fiscal year 2013

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 14 times during fiscal year 2013 on the dates listed below. The attendance rate for all members (Directors and non-voting members) was 59.83%.

Date of Board meeting	Number of members present	Attendance rate
7 January 2013	Directors: 7 Non-voting members: 1	Directors: 87.5% Non-voting members: 50%
1 February 2013	Directors: 5 Non-voting members: 0	Directors: 62.5% Non-voting members: 0%
8 February 2013	Directors: 7 Non-voting members: 2	Directors: 87.5% Non-voting members: 100%
5 April 2013	Directors: 7 Non-voting members: 2	Directors: 87.5% Non-voting members: 100%
11 April 2013	Directors: 8 Non-voting members: 2	Directors: 100% Non-voting members: 100%
30 April 2013	Directors: 8 Non-voting members: 0	Directors: 100% Non-voting members: 0%
21 May 2013	Directors: 8 Non-voting members: 0	Directors: 100% Non-voting members: 0%
7 June 2013	Directors: 7 Non-voting members: 2	Directors: 87.5% Non-voting members: 100%
4 July 2013	Directors: 6 Non-voting members: 0	Directors: 75% Non-voting members: 0%

Date of Board meeting	Number of members present	Attendance rate
19 July 2013	Directors: 4 Non-voting members: 0	Directors: 50% Non-voting members: 0%
9 September 2013	Directors: 5 Non-voting members: 0	Directors: 62.5% Non-voting members: 0%
30 October 2013	Directors: 6 Non-voting members: 0	Directors: 75% Non-voting members: 0%
19 November 2013	Directors: 7 Non-voting members: 1	Directors: 87.5% Non-voting members: 50%
25 November 2013	Directors: 5 Non-voting members: 1	Directors: 62.5% Non-voting members: 50%
Average attendance at Board of Directors' Meetings	**/**	**Directors: 80.36%** **Non-voting members: 39.29%**

1.5-Audit Committee

The Board of Directors formed the Audit Committee on 7 June 2013 for an unlimited term, in accordance with the provisions of Article L. 823-20-4 of the French Commercial Code.

Independently of the Company's directors, the Audit Committee is tasked with assisting the Board of Directors, ensuring 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.

The main duties of the Audit Committee are:

- to monitor the preparation of the financial information;
- to monitor the effectiveness of the internal audit and risk management systems;
- to monitor the audit of the annual accounts and consolidated accounts by the Statutory auditors;
- to recommend Statutory auditors to be put forward for appointment at the General Shareholders' Meeting and to review the terms of their compensation;
- to monitor the independence of the Statutory auditors;
- to periodically up-date themselves on any major disputes; and
- in general, to provide advice and make appropriate recommendations in any of the above areas.

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

As at the date of the financial report, the Board of Directors, with the exception of Ludovic Lastennet, fulfills the functions of the Audit Committee. Accordingly 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, Director;
- 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.

The Audit Committee met once since it was formed, on 13 February 2014.

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 7 June 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 at the date of the financial report, 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, Director; and,
- Seventure Partners, represented by Emmanuel Fiessinger, Director.

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 non-executive Directors, including free share plans and share subscription and purchase options;
- to examine the compensation of the non-executive Directors, including free share plans and share subscription and purchase options, retirement and benefit schemes 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 Directors, including those leaving their position. The Committee proposes compensation structures and amounts, specifically, the rules for setting the variable portion of compensation in accordance with the Company's strategy, objectives and results and 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 Directors;

- to examine the total value of the attendance fees and the system for their distribution among 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 least twice a year, according to a schedule set by its Chairman to discuss an agenda decided by its Chairman, which is sent to the Compensation 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 Board of Directors.

The non-executive Directors who are not members of the Compensation Committee are free to attend any of these meetings.

The Chairman of the Company's Board of Directors, if he/she is not a committee member, can be invited to attend the committee meetings. The Committee invites him/her to put forward proposals. He/she has no vote and does not attend deliberations about his/her own situation.

The Compensation Committee can ask the Chairman of the Board of Directors for permission to invite to the meeting any Executive Officer with the expertise required to handle a specific agenda item. The Chairman of the Compensation Committee or of the meeting will highlight the confidentiality obligations incumbent on all attendees.

The Compensation Committee met once during fiscal year 2013 and once during fiscal year 2012.

1.7-Directors' compensation: principles and rules

The Company applies all the recommendations of the MiddleNext Corporate Governance Code relating to the compensation of executive and non-executive Directors.

Targets were set and approved by 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 2013. In particular, these targets included revenue growth criteria.

On the proposal of the Compensation Committee meeting on 12 December 2013, the Board of Directors meeting on 8 January 2014 evaluated the level of achievement of these objectives and decided to pay the CEO the variable portion of his compensation corresponding to their achievement.

The Company's Directors were not paid attendance fees for fiscal year 2013.

Ludovic Lastennet entered into an employment contract with the Company on 2 April 2007. He was appointed Chief Executive Officer during the Board meeting of 27 November 2012, and 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 18 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 22 July 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 Chapter IV of the framework document filed with the AMF on 1 October 2013.

To date, the Company has identified the following main risk categories:

- The competitive environment;
- The Company's dependence on its sales network;
- Intellectual property;
- The manufacturing process;
- Risks related to liability arising from its products;
- Financial risks;
- Legal risks notably in relation to the regulations applicable to medical devices, approvals already obtained or in process, and the regulatory environment;
- Company organization.

These risks are reviewed once a year in order to update the risks with the people directly concerned. The goal of this review is to formally draw up the list of actions required to control these risks and to evaluate the effectiveness of these measures.

2.2- Coordination of risk management with internal control

The risk management system aims to identify and analyze the main risks and risk factors that could affect the Company's activities, processes and objectives, and to define the resources required to maintain these risks at an acceptable level for the Company, particularly by implementing preventive measures and controls, which are part of the internal control system.

At the same time, the internal control system relies on the risk management system to identify the main risks that need to be controlled. The Company has established and developed an internal control system since its inception, however its formal risk management organization is more recent. The Company has embarked on a process of coordinating these two systems, with the aim of identifying the control methods applicable to the Company's key processes that are liable to be affected by the risks categorized as "major".

2.3- General internal control principles

2.3-1. Definition

Implanet applies the definition of internal control proposed by the French financial markets authority (AMF), according to which internal control is a system that the Company implements. The system aims to ensure:

- compliance with laws and regulations;
- implementation of the instructions and directions given by general management;
- proper functioning of the Company's internal processes;
- reliability of financial information; and
- in general, to help to control its activities, ensure the effectiveness of its operations and the efficient use of resources.

During the fiscal year, Implanet continued to roll out its internal control system aimed at "ensuring internally the relevance and reliability of the information used and distributed in the Company's activities".

Nonetheless, internal control cannot provide an absolute guarantee that the Company's objectives will be achieved, or that the risks of error or fraud are fully controlled or eliminated.

2.3-2. Components of internal control

The internal control system is based on an organization with a clear definition of responsibilities, reference systems, resources and procedures. The Company has implemented a quality assurance system since its formation. Processes in all areas of its activity are described by procedures, operating methods, instructions and forms. This written documentation traces all stages of the activities, defines the methods and responsibilities of those involved, specifies the Company's know-how and gives precise instructions for carrying out a given procedure.

All Company employees are involved in internal control.

Operating procedures.

All documentation relating to the quality management system (QMS) is uploaded to a dedicated Intranet site to optimize access to documents and ensure they are continually updated to reflect developments in the Company's activities (document life-cycle management). The aim of the system is to achieve continuous improvement of the Company's and the Group's quality and operating procedures, across all areas from operations and management to support.

The quality assurance system covers the following areas:

- Company management
- Innovation
- Quality management
- Listening to customers
- Developing and improving products
- Demonstrating value
- Sales
- Product manufacture

- Managing methods and resources
- Purchasing
- Accreditation

Organization of the Finance and Accounting Department

The Finance and Accounting Department is made up of four people, including the Chief Financial Officer.

The following organization is in place in the Company to minimize financial management risk:

- the Company's General management and the Finance Department personnel in particular are responsible for improving internal control and incorporating the recommendations of the external auditors and the Audit Committee;
- the Company maintains internal separation between the preparation and oversight of the financial statements and calls on independent experts to evaluate complex accounting entries;
- a chartered accountant verifies the preparation of interim and annual individual financial statements and the financial statements prepared under IFRS;
- payroll management is subcontracted to a specialist independent firm;
- the accounting operations of the subsidiary Implanet America Inc. are entrusted to a firm of chartered accountants.

The accounts are produced internally and then submitted to the Company's Statutory auditors for review before being presented to the Audit Committee for discussion. This procedure is designed to ensure that the Company's accounting practices are in line with French and international accounting standards (IFRS), as well as to guarantee consistency in the presentation of the accounts.

The Finance Department reports directly to the Chairman of the Board of Directors.

The budget and "monthly reporting" procedure

At the end of the financial 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 Board comprising Ludovic Lastennet (Chief Executive Officer), Denis Saint-Denis (Chief Financial Officer), Régis Le Couëdic (Research and Development Director), Alain Meunier (Clinical & Scientific Affairs Director), Franck Rigal (Quality and Regulatory Affairs Director), Franck Laporte (Operations Director), Nicolas Marin (Marketing Director), Laurent Penisson (Sales Director, France) and Stéphane Valdés (Export Sales 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 2014, 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 2013.

2.6- Representation of women and men on the Board of Directors

In accordance with the provisions of French Law No. 2011-103 of 27 January 2011 relative to gender balance on company boards of directors and supervisory boards, and equality in the workplace, the Company currently has one female Director on the Board and plans to appoint a second.

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Chairman of the Board of Directors

26.2. STATUTORY AUDITORS' REPORT, PREPARED PURSUANT TO ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

[**INTENTIONALLY OMITTED**]