



HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2016

A French Limited Company with a share capital of €8,030,369.20  
Registered office: Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac  
Bordeaux B 493 845 341



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## GENERAL COMMENTS

### *Definitions*

In this Half-year Financial Report and unless otherwise indicated:

- The “Company” or “Implanet” means Implanet SA, which has its registered office at Technopole Bordeaux Montesquieu, Allée François Magendie, 33650 Martillac, France, and is registered in the Bordeaux Trade and Companies Register, under number 493 845 341;
- The “Group” refers to Implanet SA and its subsidiary, Implanet America Inc.;
- “Financial Report” indicates this half-year financial report at June 30, 2016;
- “2015 Registration Document” means the 2015 Registration Document (*Document de référence*) filed with the French Financial Markets Authority on April 28, 2016, under the number R.16-035.

### *About Implanet*

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

Protected by four families of international patents, JAZZ has obtained 510(k) clearance from the Food and Drug Administration (FDA) in the United States, CE marking and Anvisa authorization in Brazil. Implanet has 50 employees. The Company generated revenue of €6.7 million in 2015 and €4.1 million during the first half of 2016. More information at [www.implanet.com](http://www.implanet.com).

Based near Bordeaux, France, Implanet opened a subsidiary in Boston, United States in 2013.

Implanet is listed in compartment C of the Euronext regulated stock market in Paris.

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

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

Ludovic Lastennet, Implanet Chief Executive Officer.

### 1.2 Statement of the person responsible

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

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

Martillac, September 22, 2016.

Ludovic Lastennet, Implanet Chief Executive Officer.

## 2. MANAGEMENT REPORT AT JUNE 30, 2016

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### 2.1. Significant events in the first half of 2016

#### June 2016:

- Issue of the balance of the warrants giving access to notes convertible into shares with share subscription warrants attached ("BEOCABSA") as part of the financing implemented in October 2015 to fund the development of the JAZZ BAND technology platform and the commercial roll-out of JAZZ worldwide. This second tranche of BEOCABSA will enable a potential additional maximum of €4 million to be raised, at the Company's discretion under certain usual conditions. This amount may be revised upwards by an equivalent amount if the share subscription warrants attached to the bonds issued under this operation are exercised.
- Appointment of Mary E. Shaughnessy, Senior VP Finance & Planning for the Partners CC group, expert in healthcare financing and reimbursements in the United States, as a new board member.

#### May 2016:

- American (510k) and European (CE) market authorizations obtained for the new Jazz Claw<sup>®</sup> implant.

#### April 2016:

- American (510k) and European (CE) market authorizations obtained for the new Jazz Lock<sup>®</sup> implant.
- Listing on the OTCQX<sup>®</sup> International market in the United States.

#### March 2016:

- Launch of a prospective, multicenter clinical study to document the outcomes of JAZZ technology in adult degenerative and adult deformity indications.

#### February 2016:

- Appointment of Brian T. Ennis as Chairman of the Implanet America subsidiary.

#### January 2016:

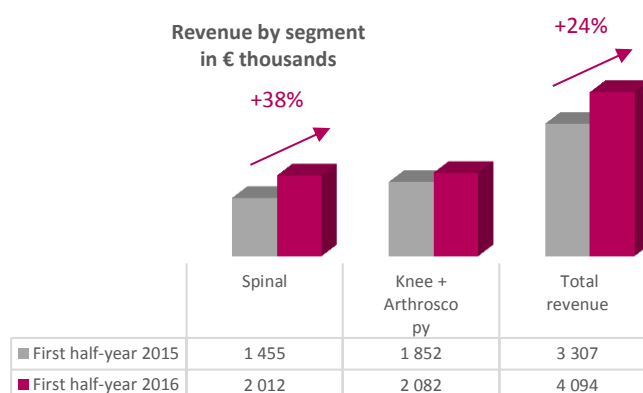
- Successful outcome of the first idiopathic scoliosis operation performed in Brazil using the JAZZ platform.

## 2.2. Activity, results and cash flow

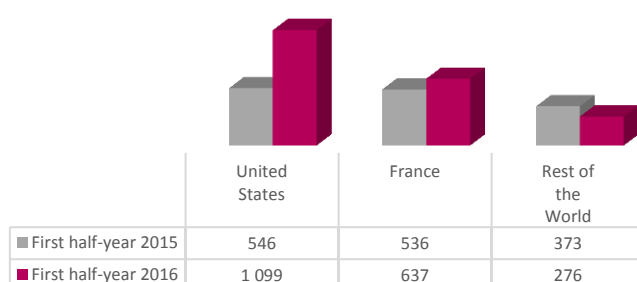
### 2.2.1 Revenue and gross margin

The first half of 2016 was notable for the continued robust trend in Spinal sales, and in particular JAZZ in the United States.

The Company's overall business showed strong growth of +24% at €4,094K over the half-year (vs. €3,307K at H1 2015), driven by +38% growth in Spinal sales at €2,012K (vs. €1,455K in H1 2015) and +12% growth in Knee sales at €2,082K (vs. €1,852K).



Spinal revenue by region in € thousands



In the United States and France - markets in which the Company sells its products directly - the Company achieved solid performance with respectively a doubling of Spinal sales (+101%) to €1,099K (vs. €546K) and +19% to €637K (vs. €536K).

This solid trend in Spinal sales in the direct markets (United States and France) is based on powerful fundamentals:

#### A/ Adoption by surgeons

The Company has accelerated the recruitment of surgeons, with at June 30, 2016, 111 regular users of Jazz technology (x1.8 compared to June 30, 2015), including 64 in the United States (x2.2) and 47 in France (x1.4).

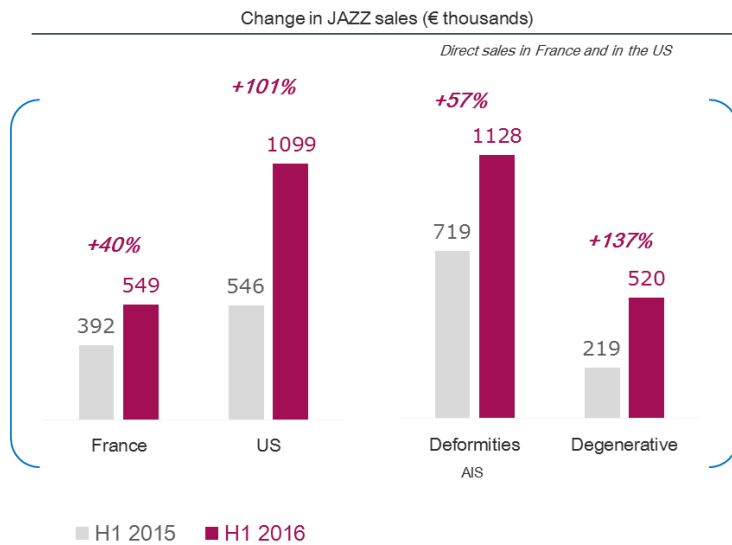
Number of active surgeons in France and in the United States <sup>1</sup>					
	<u>2013</u>	<u>2014</u>	<u>H1 2015</u>	<u>2015</u>	<u>H1 2016</u>
	10	21	34	39	47
	6	17	29	43	64
<b>Number of active surgeons</b>	<b>16</b>	<b>38</b>	<b>63</b>	<b>82</b>	<b>111</b>

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

### B/ Penetration of the Adult surgery market

The Company has also continued its acceleration in the highest potential segment of adult osteo-degenerative surgery. This surgery generated revenue multiplied by 2.4 to €520K over the half-year in the United States and France (vs. €219K i.e. +137%).

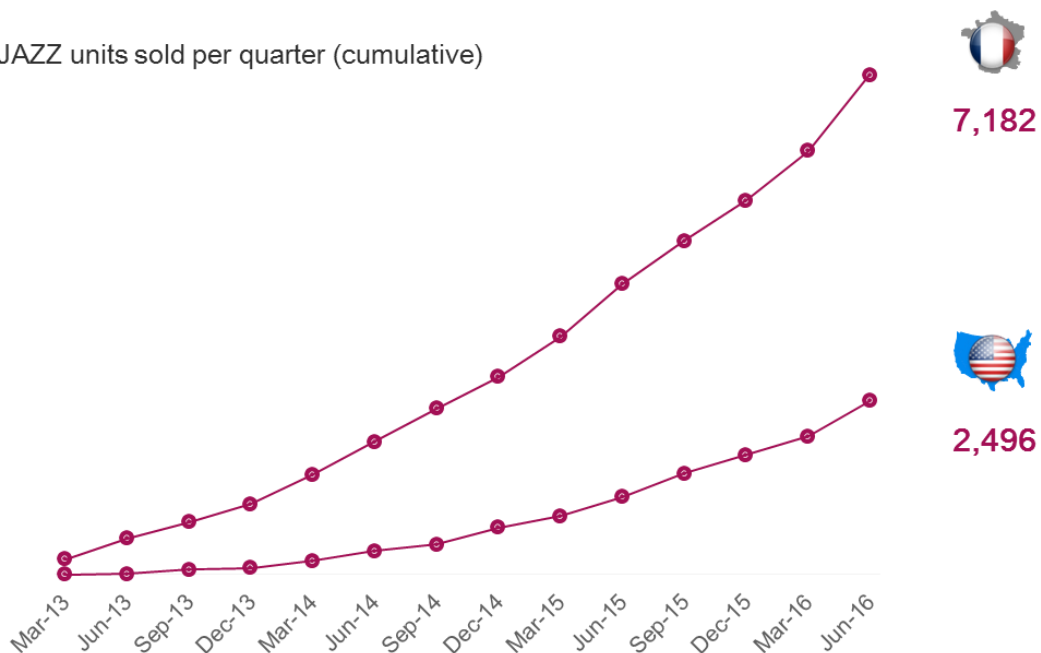
At the same time, the Company continued to see an increase in JAZZ sales for major adolescent deformity surgery, with growth of +57% to €1,128K over the half-year in the United States and France (vs. €719K).



In total, over the first half-year 2016, Implanet sold 1,805 JAZZ units in France, 773 in the United States and 556 in the rest of the world, for a total of 3,134 units, representing around 800 surgeries.

	2013	2014	2015	1H 2016
Units sold (cumulative)	1,829	5,889	11,690	14,824

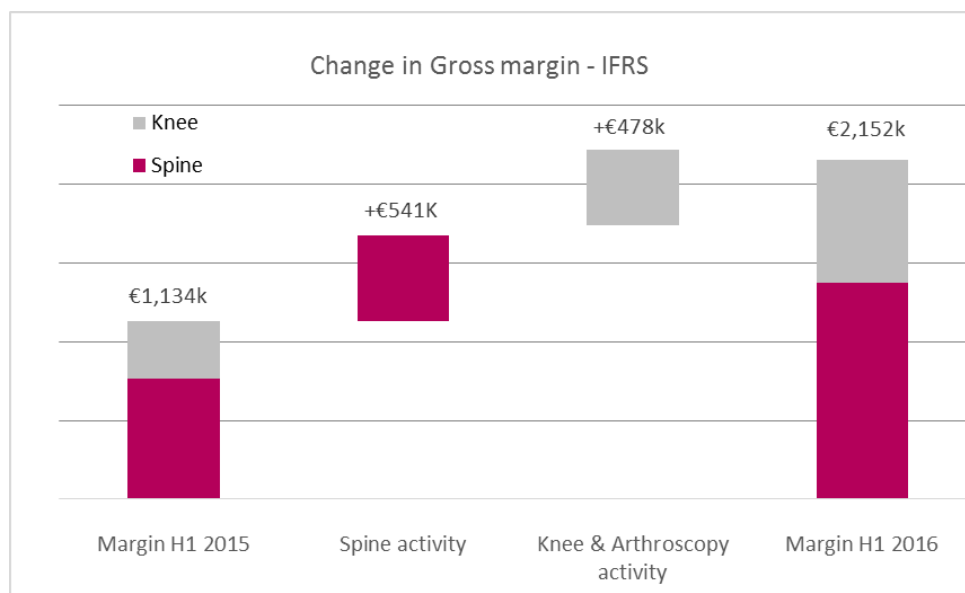
#JAZZ units sold per quarter (cumulative)



Gross margin increased by +90% over the period to reach €2,152K at the end of the first half of 2016 compared to €1,134K over the first half of 2015.

This significant improvement in the margin is mainly driven by:

- the overall increase in revenue,
- a favourable change in the product and region mix,
- improvements to margin rates in Knee & Arthroscopy sales.



## 2.2.2 Operating expenses

Operating costs increased by €128K compared to the 1<sup>st</sup> half-year 2015, mainly due to the impact of a provision for inventories of €94K at June 30, 2016 versus a reversal of €122K at June 30, 2015. This provision reversal follows the implementation of the screw re-sterilization process in 2015, allowing an increase in the duration of use.

Research and Development costs, net of the Research Tax Credit, increased slightly by €48K compared to the 1<sup>st</sup> half of 2015. This change is due to additional intellectual protection costs on patents for spinal scoliosis implants in the United States.

Regulatory and quality costs, net of the Research Tax Credit, do not show a significant change compared to the 1<sup>st</sup> half of 2015 (+ €38K).

Marketing and sales costs increased by €323K compared to the 1<sup>st</sup> half of 2015 due to the strong growth in activity, particularly in the United States. Payroll expenses increased by €184K compared to the 1<sup>st</sup> half of 2015, following the strengthening of the sales force, with, in particular, the appointment of Brian T. Ennis as Chairman of the Implanet America subsidiary and the recruitment of two sales managers. The increase in activity also generated higher travel costs and commissions paid to agents (+€173K). This increase was partly attenuated by a reduction in advertising costs over the period.

General and administrative expenses decreased by €240K compared to the 1<sup>st</sup> half-year 2015, due to the control of payroll expenses and a reduction in travel costs for general management, particularly

in the United States, where Implanet America is now structured with the appointment of Brian T. Ennis as Chairman of the subsidiary.

### 2.2.3 Financial net income

Financial net income amounted to –€246K at June 30, 2016 compared to –€25K at June 30, 2015, i.e. a deterioration of €221K. This change was mainly due to:

- An unfavourable change in the euro/dollar exchange rate that negatively impacted financial net income by €66K over the 1<sup>st</sup> half of 2016 compared to a favourable impact of +€177K over the 1<sup>st</sup> half of 2015.
- An increase in the amortized cost of loans for €81K compared to the 1<sup>st</sup> half-year 2015, associated with the issue of convertible notes with share subscription warrants attached at the end of 2015.
- A favourable impact of the decrease in the fair value of derivative liabilities of +€122K at June 30, 2016 compared to +€8K at June 30, 2015.

### 2.2.4. Company's cash flow

The table below presents selected items from the consolidated cash flow statement presented in section 3.5 of this Financial Report:

<b>(€K - Selected items from the half-year condensed consolidated financial statements in accordance with IFRS)</b>	<b>June 30, 2016 6 months</b>	<b>June 30, 2015 6 months</b>
<b>Cash flows from operating activities</b>	(3,200)	(3,861)
<i>Of which free cash flow</i>	(3,078)	(3,249)
<i>Of which change in working capital requirement (-)</i>	123	612
<b>Cash flows from investing activities</b>	3,771	(4,880)
<i>Of which acquisitions of fixed assets</i>	(348)	(108)
<i>Of which financial investments</i>	4,119	(4,773)
<b>Cash flows from financing activities</b>	276	9,510
<i>Of which transactions on equity &amp; OCABSA issue</i>	275	10,179
<i>Of which loans &amp; factoring</i>	1	(669)
<b>Changes in exchange rates</b>	51	(150)
<b>Change in cash</b>	<b>898</b>	<b>618</b>

Cash consumption, integrating operational flows, fixed asset acquisitions and financing flows by loans and factoring, fell by -24% to €3.5 million over the first half-year 2016 compared to –€4.6 million over the same period in 2015.

## 2.3. Progress and outlook

In the second half of the year, the Company will:

- Continue its commercial development strategy for the JAZZ platform, particularly in the United States:
  - Continue to penetrate the severe deformity market by integrating the commercial launch of JAZZ Claw;

- Increase sales efforts in Europe, and particularly Germany, the leading European market for Spinal surgery;
  - Continue to gain market share in the United States and France for the treatment of degenerative disorders with the launch of a major innovation, JAZZ Lock;
  - Make an active contribution at global conferences held by internationally renowned scientific organizations.
- Continue research and development efforts for an ever wider offering of the JAZZ technological platform, to treat 100% of spinal disorders.
  - Initiate major new clinical studies to demonstrate the superiority of JAZZ for the treatment of severe deformities and its effectiveness in osteo-degenerative disorders:
    - Roll-out the "International Sub-Laminar Study Group";
    - Launch a prospective, multicenter clinical study to document the outcomes of JAZZ technology in adult degenerative and corrective adult spinal deformity indications.

## 2.4. Post-balance sheet events

### 2.4.1. Interest-free loan for innovation of €800K granted in June 2016 and received on August 19, 2016

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In June 2016, the Company obtained the agreement from Bpifrance for an interest-free loan for innovation for an amount of €800K for the "development and clinical assessment of the Jazz braided implant for degenerative spinal surgery (in particular, the securing or replacement of pedicle screws)".

This loan has the following characteristics:

- 3-year deferred repayment;
- Linear repayment over 20 quarters from June 30, 2019 to March 31, 2024;
- Administration fees of €24K.

The funds were received by the Company on August 19, 2016.

### 2.4.2. Issue of a new tranche of OCABSA for the benefit of L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND on July 29, 2016

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On July 29, 2016, the Board of Directors approved the exercise of 25 BEOCABSA enabling the issue of a third tranche of 25 notes convertible into shares with share subscription warrants attached ("OCABSA") for a total value of €250K. The Company also issued 186,567 BSA<sub>T3</sub> (warrants) under this third tranche.

The characteristics of the OCABSA are presented in section 21.1.4.5 of the 2015 Registration document.

At the date of this Financial Report, 1 OC<sub>T3</sub> convertible bond is outstanding.

### 2.4.3. Grant of a key patent for the intellectual protection of JAZZ in the United States in August 2016

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On August 30, 2016, the Company announced that the US Patent and Trademark Office (USPTO) had granted the patent for the JAZZ<sup>®</sup> technological platform in the United States. The intellectual

protection for the JAZZ® technological platform now covers the braided implant and its tensioning system, which makes up the main element of its tooling.

#### **2.4.4. First successful implantations of Jazz Lock® in France, Italy and the United States**

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On September 14, 2016, the Company announced the successful results of the first Jazz Lock® surgeries. A pre-launch of Jazz Lock® had taken place in a selection of hospitals in France, Italy and the United States. 25 patients were treated and the very encouraging surgical results strengthen the Company's desire to carry out the large-scale launch of Jazz Lock® across its business zones by the end of the year.

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

### **2.5.1. Risk factors**

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The risk factors facing the Company are similar to those set out in Chapter 4 "Risk factors" of the 2015 Registration document. There was no significant change in the first half of 2016.

The Company does not expect any changes in these risks during the second half of 2016.

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

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Related party transactions are similar to those set out in Chapter 19 "Transactions with related parties" of the 2015 Registration document.

No new material agreements were made with any directors or members of the Board of Directors in the first half of 2016 other than those mentioned in the 2015 Registration document.

**3. HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
PREPARED IN ACCORDANCE WITH IFRS STANDARDS FOR THE SIX-  
MONTH PERIOD ENDED JUNE 30, 2016**

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### 3.1. Consolidated statement of financial position

IMPLANET	Notes	6/30/2016	12/31/2015
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>		€	€
<b>ASSETS</b>			
Intangible fixed assets	3.1	570,546	634,732
Property, plant and equipment	3.2	1,461,048	1,426,061
Other non-current financial assets	4	936,282	985,949
<b>Total non-current assets</b>		<b>2,967,876</b>	<b>3,046,742</b>
Inventories	5	3,908,966	3,468,530
Trade receivables and related accounts	6.1	3,257,461	2,538,631
Other receivables	6.2	1,117,731	776,710
Current financial assets	4	1,200,207	5,309,067
Cash and cash equivalents	7	2,048,548	1,150,232
<b>Total current assets</b>		<b>11,532,913</b>	<b>13,243,171</b>
<b>TOTAL ASSETS</b>		<b>14,500,789</b>	<b>16,289,913</b>
<b>LIABILITIES</b>			
<b>Equity</b>			
Share capital	8	7,663,286	15,887,399
Paid-in capital		32,232	15,055,931
Translation reserve		(287,479)	(338,654)
Other comprehensive income		(23,126)	(23,131)
Reserves - Group share		2,874,134	(12,848,383)
Profit/(loss) - Group share		(3,801,890)	(8,007,562)
<b>Shareholders' equity - Group share</b>		<b>6,457,156</b>	<b>9,725,600</b>
Minority interests		-	-
<b>Total equity</b>		<b>6,457,156</b>	<b>9,725,600</b>
<b>Non-current liabilities</b>			
Employee benefit obligations	11	89,530	82,905
Non current financial liabilities	10	1,023,178	1,720,685
Derivative instrument liability	10	-	154
<b>Non-current liabilities</b>		<b>1,112,708</b>	<b>1,803,745</b>
<b>Current liabilities</b>			
Current financial liabilities	10	2,680,271	1,872,614
Derivative instrument liability	10	45,222	120,264
Provisions	12	55,000	55,000
Trade and other accounts payable		3,422,500	2,134,519
Tax and social security liabilities	13.1	714,082	560,446
Other payables and miscellaneous debt	13.2	13,849	17,725
<b>Current liabilities</b>		<b>6,930,925</b>	<b>4,760,568</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>14,500,789</b>	<b>16,289,913</b>

### 3.2. Consolidated income statement

IMPLANET	Notes	6/30/2016 6 months	6/30/2015 6 months
<b>CONSOLIDATED INCOME STATEMENT</b>		€	€
Revenue	14	4,094,478	3,306,543
Cost of sales	15.1	(1,942,524)	(2,172,500)
<b>Gross margin</b>		<b>2,151,954</b>	<b>1,134,043</b>
Research and Development expenses			
Research and Development expenses	15.3	(648,573)	(561,063)
Share-based payments	15.3	(5,386)	(13,660)
Subsidy	15.3	122,120	91,382
Cost of regulatory affairs and quality assurance			
Cost of regulatory affairs and quality assurance	15.4	(510,997)	(489,224)
Share-based payments	15.4	(144)	(2,848)
Subsidy	15.4	1,586	20,436
Sales and marketing expenses			
Sales and marketing expenses	15.2	(2,568,200)	(2,184,552)
Share-based payments	15.2	(37,929)	(98,369)
Operating costs			
Operating costs	15.5	(523,642)	(392,122)
Share-based payments	15.5	(2,814)	(5,892)
General and administrative expenses			
General and administrative expenses	15.6	(1,523,890)	(1,768,357)
Share-based payments	15.6	(9,619)	(4,776)
<b>Operating income (loss)</b>		<b>(3,555,532)</b>	<b>(4,275,002)</b>
Financial expenses	17	(324,463)	(260,883)
Financial income	17	22,928	50,913
Change in the fair value of the derivative	17	121,654	8,183
Foreign exchange gains and losses	17	(66,477)	177,251
<b>Net income (loss) before taxes</b>		<b>(3,801,890)</b>	<b>(4,299,538)</b>
Tax expense	18	-	-
<b>Net income (loss)</b>		<b>(3,801,890)</b>	<b>(4,299,538)</b>
<i>Group share</i>		(3,801,890)	(4,299,538)
<i>Minority interests</i>		-	-
Weighted average number of shares in circulation		10,761,540	8,939,936
<b>Basic earnings per share (€/share)</b>	19	<b>(0.35)</b>	<b>(0.48)</b>
<b>Diluted earnings per share (€/share)</b>	19	<b>(0.35)</b>	<b>(0.48)</b>

### 3.3. Statement of consolidated comprehensive income

IMPLANET	6/30/2016 6 months	6/30/2015 6 months
STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME	€	€
<b>Net income/(loss) for the period</b>	<b>(3,801,890)</b>	<b>(4,299,538)</b>
Actuarial differences	5	5,174
<b>Items non-recyclable in profit or loss</b>	<b>5</b>	<b>5,174</b>
Translation differences	51,175	(149,345)
<b>Items recyclable in profit or loss</b>	<b>51,175</b>	<b>(149,345)</b>
<b>Other comprehensive income (net of taxes)</b>	<b>51,180</b>	<b>(144,171)</b>
<b>Comprehensive Income (loss)</b>	<b>(3,750,710)</b>	<b>(4,443,709)</b>
Group share	(3,750,710)	(4,443,709)
Minority interests	-	-

### 3.4. Changes in shareholders' equity

IMPLANET	Capital	Capital	Additional	Reserves and	Translation	Actuarial	Shareholders'	Interest	Shareholders'
	Number of		paid-in	net income	differences	differences	equity -	Minority	equity
CHANGES IN SHAREHOLDERS' EQUITY	shares	€	capital	(loss)			Group share	interests	
			€	€	€	€	€	€	€
<b>At December 31, 2014</b>	<b>5,399,522</b>	<b>8,099,283</b>	<b>12,495,647</b>	<b>(13,198,681)</b>	<b>(153,050)</b>	<b>(29,069)</b>	<b>7,214,130</b>	<b>-</b>	<b>7,214,130</b>
Net income/(loss)				(4,299,538)			(4,299,538)		(4,299,538)
Other comprehensive income (loss)					(149,345)	5,174	(144,171)		(144,171)
<b>Comprehensive Income</b>		<b>-</b>	<b>-</b>	<b>(4,299,538)</b>	<b>(149,345)</b>	<b>5,174</b>	<b>(4,443,709)</b>	<b>-</b>	<b>(4,443,709)</b>
Issue of shares	4,967,558	7,451,337	3,725,669				11,177,006		11,177,006
Change in treasury shares				5,628			5,628		5,628
Share-based payments				125,545			125,545		125,545
Capital increase related costs			(1,301,569)				(1,301,569)		(1,301,569)
Issue of BSAs on bonds				11,299			11,299		11,299
<b>At June 30, 2015</b>	<b>10,367,080</b>	<b>15,550,620</b>	<b>14,919,747</b>	<b>(17,355,745)</b>	<b>(302,395)</b>	<b>(23,895)</b>	<b>12,788,332</b>	<b>-</b>	<b>12,788,332</b>
<b>At December 31, 2015</b>	<b>10,591,599</b>	<b>15,887,399</b>	<b>15,055,931</b>	<b>(20,855,945)</b>	<b>(338,654)</b>	<b>(23,131)</b>	<b>9,725,600</b>	<b>-</b>	<b>9,725,600</b>
Net income/(loss)				(3,801,890)			(3,801,890)		(3,801,890)
Other comprehensive income (loss)					51,175	5	51,180		51,180
<b>Comprehensive Income</b>		<b>-</b>	<b>-</b>	<b>(3,801,890)</b>	<b>51,175</b>	<b>5</b>	<b>(3,750,710)</b>	<b>-</b>	<b>(3,750,710)</b>
Conversion of bonds	355,952	365,049	164,951				530,000		530,000
Allocation of retained earnings to paid-in capital			(15,074,052)	15,074,052			-		-
Capital decrease		(8,589,162)		8,589,162			-		-
Change in treasury shares				(44,879)			(44,879)		(44,879)
Share-based payments				55,891			55,891		55,891
Capital increase related costs			(114,598)				(114,598)		(114,598)
Issue of warrants on bonds				55,852			55,852		55,852
<b>At June 30, 2016</b>	<b>10,947,551</b>	<b>7,663,286</b>	<b>32,232</b>	<b>(927,757)</b>	<b>(287,479)</b>	<b>(23,126)</b>	<b>6,457,156</b>	<b>-</b>	<b>6,457,156</b>

### 3.5. Consolidated cash flow statement

IMPLANET	Notes	6/30/2016 6 months	6/30/2015 6 months
CONSOLIDATED CASH FLOW STATEMENT		€	€
<b>CASH FLOW GENERATED FROM OPERATIONS</b>			
<b>Total net income/(loss)</b>		<b>(3,801,890)</b>	<b>(4,299,538)</b>
(-) Elimination of depreciation, amortization and impairment on intangible fixed assets	3.1	(110,733)	(146,014)
(-) Elimination of depreciation and amortization on property, plant and equipment	3.2	(375,935)	(472,609)
(-) Allocations to provisions	11, 12	(6,630)	(8,229)
(-) Expense related to share-based payments	9	(55,891)	(125,545)
(-) Gross financial interest paid		(108,739)	(241,491)
(-) Capitalized financial interest		5,982	14,724
(-) Change in the fair value of the derivative	10.3	121,654	8,183
(-) Capital gains or losses on disposals of fixed assets		14,345	(2,529)
(-) Other (accretion of advances, impact of amortized cost, etc.)		(208,234)	(77,094)
<b>Free cash flow before cost of net financial indebtedness and taxes</b>		<b>(3,077,708)</b>	<b>(3,248,934)</b>
<b>(-) Change in the working capital requirement (net of impairment of trade receivables and inventories)</b>		<b>122,729</b>	<b>612,468</b>
<b>Cash flow generated from operations</b>		<b>(3,200,437)</b>	<b>(3,861,402)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of intangible fixed assets	3.1	(1,053)	(10,703)
Capitalization of development expenses	3.1	(45,494)	(50,945)
Acquisition of property, plant and equipment	3.2	(316,848)	(110,292)
Redemption of term deposits classed as other current and non-current financial assets		5,300,000	1,182,564
Subscription of term deposits classed as other current and non-current financial assets		(1,200,000)	(5,007,398)
Disposals of fixed assets		15,000	64,339
Financial interests		19,376	14,724
<b>Cash flows from investing activities</b>		<b>3,770,981</b>	<b>(4,880,461)</b>
<b>CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>			
Capital increase, net of conversion of bonds into shares	8	-	11,177,006
Expenses relating to capital increase		(54,160)	(998,093)
Repayment of Kreos bond	10.3	(460,277)	(694,760)
Gross financial interest paid		(108,739)	(241,490)
Issue of convertible bonds, net of expenses	10.3	329,000	-
Short term bank overdrafts	10.4	-	500,000
Repayment of conditional advances	10.2	(40,000)	(35,000)
Repayment of finance leases	10.1	(152,968)	(200,795)
Repayment of bank loans	10.4	(82,115)	-
Other financing flows (factoring)	10	845,465	3,122
<b>Cash flows related to financing activities</b>		<b>276,206</b>	<b>9,509,989</b>
Impact of variations in exchange rates		51,310	(150,314)
<b>Increase (reduction) in cash</b>		<b>898,059</b>	<b>617,812</b>
Cash and cash equivalents at the start of the year (including overdraft facilities)	7	1,150,232	2,111,188
Cash and cash equivalents at the year end (including overdraft facilities)	7	2,048,291	2,729,000
<b>Increase (reduction) in cash</b>		<b>898,059</b>	<b>617,812</b>
		<b>06/30/2016</b>	<b>06/30/2015</b>
<b>Cash and cash equivalents (including overdraft facilities)</b>		<b>6 months</b>	<b>6 months</b>
Cash and cash equivalents	7	2,048,548	2,729,000
Current bank borrowings	10	(257)	-
<b>Cash and cash equivalents at the year end (including overdraft facilities)</b>		<b>2,048,291</b>	<b>2,729,000</b>

### 3.6. Detailed analysis of the changes in the working capital requirement (WCR)

Details of the change in the working capital requirement	06/30/2016 6 months	06/30/2015 6 months
Other non-current assets	(254)	1,004
Inventories (net of inventory impairment)	440,436	191,964
Trade receivables and related accounts (net of impairment of trade receivables)	718,830	390,303
Other receivables	341,020	675,067
Other current financial assets	-	(1,053)
Trade and other accounts payable	(1,227,544)	(714,960)
Tax and social security liabilities	(153,636)	73,424
Other payables and miscellaneous debt	3,877	(3,280)
<b>Total variations</b>	<b>122,729</b>	<b>612,468</b>

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

(Unless indicated otherwise, the amounts shown in these notes are in euros)

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

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The information below constitutes the Notes to the half-year condensed consolidated IFRS financial statements at June 30, 2016.

The half-year condensed consolidated financial statements of Implanet were approved by the Board of Directors on September 20, 2016 and authorized for publication.

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

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

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

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

Implanet has been listed on the NYSE Euronext market in Paris since November 25, 2013.

Address of the registered office:

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

Registry number: RCS 493 845 341 - Bordeaux, France

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

##### 1.2. Significant events in the first half of 2016

###### June 2016:

- Issue of the balance of the warrants giving access to notes convertible into shares with share subscription warrants attached ("BEOCABSA") as part of the financing implemented in October 2015 to fund the development of the JAZZ BAND technology platform and the commercial roll-out of JAZZ worldwide. This second tranche of 400 BEOCABSA will enable a potential additional maximum of €4 million to be raised, at the Company's discretion under certain usual conditions. This amount may be revised upwards by an equivalent amount if the share subscription warrants attached to the bonds issued under this operation are exercised.

The Board of Directors also asked L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND to immediately exercise 35 BEOCABSA out of the 400 thus issued, giving rise to the issue of a tranche of OCABSA for a nominal amount of €350K.

- Appointment of Mary E. Shaughnessy, Senior VP Finance & Planning for the Partners CC group, expert in healthcare financing and reimbursements in the United States, as a new Director.

May 2016:

- American (510k) and European (CE) market authorizations obtained for the new Jazz Claw<sup>®</sup> implant.

April 2016:

- American (510k) and European (CE) market authorizations obtained for the new Jazz Lock<sup>®</sup> implant.
- Listing on the OTCQX<sup>®</sup> International market in the United States.

March 2016:

- Launch of a prospective, multicenter clinical study to document the outcomes of JAZZ technology in adult degenerative and adult deformity indications.

February 2016:

- Appointment of Brian T. Ennis as Chairman of the Implanet America subsidiary.

January 2016:

- Successful outcome of the first idiopathic scoliosis operation performed in Brazil using the JAZZ platform.

### 1.3. Subsequent events

July 2016:

- Issue of an additional tranche of OCABSA for a nominal amount of €250K

On July 29, 2016, the Board of Directors decided on the exercise of 25 BEOCABSA enabling the issue of a third tranche of 25 notes convertible into shares with share subscription warrants attached ("OCABSA") for a total value of €250K. The Company also issued 186,567 BSA<sub>T3</sub> (warrants) under this third tranche.

- Grant of an interest-free loan for innovation of €800K

In June 2016, the Company obtained the agreement from Bpifrance for an interest-free loan for innovation for an amount of €800K for the "development and clinical assessment of the Jazz braided implant for degenerative spinal surgery (in particular, the securing or replacement of pedicle screws)".

This loan has the following characteristics:

- 3-year deferred repayment;
- Linear repayment over 20 quarters from June 30, 2019 to March 31, 2024;
- Administration fees of €24K.

The funds were received by the Company on August 19, 2016.

August 2016:

- Grant of patent for the JAZZ<sup>®</sup> technological platform in the United States

On August 30, 2016, the Company announced that the US Patent and Trademark Office (USPTO) had granted the patent for the JAZZ<sup>®</sup> technological platform in the United States. The intellectual

protection for the JAZZ® technological platform now covers the braided implant and its tensioning system, which makes up the main element of its tooling.

## Note 2: Accounting principles, rules and methods

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### 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/finance/company-reporting/index_en.htm) ([http://ec.europa.eu/finance/company-reporting/index\\_en.htm](http://ec.europa.eu/finance/company-reporting/index_en.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 July 19, 2002, the summary interim consolidated financial statements of Implanet at June 30, 2016 have been prepared in compliance with IAS 34 "Interim Financial Reporting", as adopted by the European Union.

Since they are condensed financial statements, they do not include all the information required by the IFRS guidelines for the preparation of consolidated financial statements. These notes must therefore be supplemented by reading the consolidated financial statements of Implanet published in respect of the fiscal year ended December 31, 2015.

#### Going concern principle

The going concern principle was used by the Board of Directors in view of the following factors enabling the Company to cover its future cash requirements:

- Available cash and cash equivalents of €2.0 million;
- Its cash investments in other current financial assets for €1.2 million;
- A loan for innovation obtained from BPIfrance for an amount of €0.8 million received in August 2016 (refer to Note 1.3. Subsequent events);
- The exercise of 25 BEOCABSA allowing the issue of an additional tranche of OCABSA for a nominal amount of €250K in July 2016 (refer to Note 1.3. Post balance sheet events);
- The possible use of a financing line by issue of notes convertible into shares with share subscription warrants attached ("OCABSA") that could give rise to additional financing of €3.4 million, subject to:
  - direct and indirect investments by L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND in the Company's capital not exceeding 3% of the capital and voting rights given the number of potential shares resulting from the conversion of convertible bonds,
  - both the closing price and weighted average price over the five trading days preceding the issue request being at least €1.10.

The Company is also examining possible additional financing to fund new developments, which could involve a capital increase, particularly if the Company is no longer able to use the OCABSA credit line.

### **Accounting methods**

The accounting principles used are identical to those used for the preparation of the annual IFRS consolidated financial statements for the fiscal year ended December 31, 2015, with the exception of the application of the following new standards, amendments to standards and interpretations adopted by the European Union, for which application is mandatory for the Group with effect from January 1, 2016:

#### **Standards, amendments to standards and interpretations applicable with effect from the fiscal year beginning on January 1, 2016**

- Amendments to IAS 1: Presentation of financial statements: "Disclosure initiative"
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 27 - Equity method in separate financial statements
- Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 41 - Agriculture: Bearer plants
- Improvements to IFRS (2012-2014 Cycle)
- Improvements to IFRS (2010-2012 Cycle)

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

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

##### ***Standards, amendments to standards and interpretations adopted by the EU but not mandatory for 2016 interim financial statements***

None.

##### ***Standards and interpretations published by the IASB and not yet adopted by the European Union at June, 30 2016***

- IFRS 9 - Financial instruments
- IFRS 14 - Regulatory deferral accounts
- IFRS 15 - Revenue from contracts with customers
- IFRS 16 - Leases
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: Applying the consolidation exception
- Amendments to IFRS 10 and IAS 28 - Sales or contributions of assets between an investor and its associate or joint venture
- Amendments to IAS 12 - Recognition of deferred tax assets for unrealized losses
- Amendments to IAS 7 - Disclosure initiative: Transfer of financial assets
- Amendments to IFRS 2 - Classification and measurement of share-based payment transactions
- Clarifications to IFRS 15

The Group is currently in the process of assessing the impacts resulting from the first application of these new texts. It does not anticipate any significant impact on its financial statements.

## 2.2. Change of accounting method

With the exception of the new texts identified above, Implanet has not made any changes to its accounting methods during the first half of 2016.

## 2.3. Use of judgments and estimates

During the course of the preparation of these interim consolidated financial statements, the main judgments made by management as well as the principal assumptions used are the same as those applied during the preparation of the financial statements for the year ended December 31, 2015, namely:

- Grant of warrants or founders' warrants or stock options to the employees, executives and external service providers (refer to note 9),
- Determination of the fair value of derivative liabilities (refer to note 10),
- Recognition of development expenses in assets (refer to note 3),
- Impairment of inventories (refer to note 5),
- Impairment of trade receivables (refer to note 6.1),
- Recognition of revenue (refer to note 14),
- Provision for liabilities and expenses (refer to note 12).

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

## 2.4. Consolidation scope and methods

### Subsidiaries

On the date of publication of the half-year consolidated financial statements, the Company only had one wholly-owned subsidiary, Implanet America Inc., which it created at the end of February 2013.

<b>Implanet America Inc.</b>	<b>6/30/2016</b>	<b>12/31/2015</b>
Percentage of voting control	100%	100%
Percentage interest	100%	100%

### Conversion of the financial statements of foreign subsidiaries

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

<b>USD – US Dollar</b>	<b>6/30/2016</b>	<b>12/31/2015</b>	<b>6/30/2015</b>
Closing rate	1.1102	1.0887	1.1189
Average rate	1.1187	1.1166	1.1204

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

#### 3.1. Intangible fixed assets

INTANGIBLE FIXED ASSETS (Amounts in euros)	Software (lease-financing)	Software	Development expenses	In progress	Total
<b>GROSS VALUES</b>					
Statement of financial position at December 31, 2015	25,523	373,584	1,202,926	-	1,602,034
Capitalization of development expenses	-	-	45,494	-	45,494
Acquisition	-	1,053	-	-	1,053
Disposal	-	-	-	-	-
Foreign exchange impact	-	-	-	-	-
Transfer	-	-	-	-	-
Statement of financial position at June 30 2016	25,523	374,637	1,248,420	-	1,648,581
<b>DEPRECIATION AND AMORTIZATION</b>					
Statement of financial position at December 31, 2015	25,523	353,950	587,829	-	967,303
Increase	-	18,483	92,251	-	110,733
Decrease	-	-	-	-	-
Foreign exchange impact	-	-	-	-	-
Statement of financial position at June 30, 2016	25,523	372,433	680,080	-	1,078,036
<b>NET CARRYING AMOUNT</b>					
At December 31, 2015	-	19,634	615,097	-	634,732
At June 30, 2016	-	2,205	568,340	-	570,546

Capitalized development costs relate mainly to the "Jazz" project. Capitalized costs over the first half of 2016 relate to the "Jazz Claw", "Jazz Lock" and "Madison Upgrade" projects. There has not been any indication of loss of value in application of IAS 36.

### 3.2. Property, plant and equipment

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

PROPERTY, PLANT AND EQUIPMENT (Amounts in euros)									Total
	Equipment and tooling	Equipment and tooling (lease-financing)	Fixtures and fittings	Fixtures and fittings (lease-financing)	Office and IT equipment and furniture	Office and IT equipment and furniture (lease-financing)	Transport equipment (lease-financing)	In progress	
<b>GROSS VALUES</b>									
Statement of financial position at December 31, 2015	3,592,782	2,020,922	99,999	278,182	265,228	188,342	7,794	-	6,453,250
Acquisition	315,038	37,378	-	-	1,811	57,486	-	-	411,712
Disposal	(366,287)	-	-	-	-	-	-	-	(366,287)
Foreign exchange impact	-	-	-	-	(340)	-	-	-	(340)
Transfer	-	-	-	-	-	-	-	-	-
Statement of financial position at June 30, 2016	3,541,533	2,058,300	99,999	278,182	266,698	245,828	7,794	-	6,498,334
<b>DEPRECIATION AND AMORTIZATION</b>									
Statement of financial position at December 31, 2015	3,030,568	1,252,113	84,844	278,182	225,942	150,422	5,118	-	5,027,188
Increase	186,430	160,733	641	-	10,777	16,579	777	-	375,935
Decrease	(365,632)	-	-	-	-	-	-	-	(365,632)
Foreign exchange impact	-	-	-	-	(206)	-	-	-	(206)
Statement of financial position at June 30, 2016	2,851,366	1,412,846	85,485	278,182	236,513	167,001	5,895	-	5,037,286
<b>NET CARRYING AMOUNT</b>									
At December 31, 2015	562,214	768,810	15,155	-	39,287	37,919	2,676	-	1,426,061
At June 30, 2016	690,167	645,455	14,514	-	30,186	78,827	1,899	-	1,461,048

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

#### Note 4: Other financial assets

<b>OTHER FINANCIAL ASSETS</b> (Amounts in euros)	<b>6/30/2016</b>	<b>12/31/2015</b>
Term deposits	350,171	350,005
Medium-term notes (MTN)	300,428	305,128
Deposit - Kreos loan	190,735	190,735
Liquidity contract	46,735	91,615
Guarantees	48,212	48,466
<b>Total other non-current financial assets</b>	<b>936,281</b>	<b>985,949</b>
Term deposits	1,200,207	-
Medium-term notes (MTN)	-	5,309,067
<b>Total other current financial assets</b>	<b>1,200,207</b>	<b>5,309,067</b>

Non-current financial assets comprise:

- Two term deposits with a total value of €350K, of which:
  - One €200K term deposit maturing in 2018, pledged in favor of Banque Courtois as security for the €500K loan taken out in 2015 (refer to Note 7.4);
  - One €150K term deposit, renewed every six months and pledged in favor of HSBC as security for the lease-back agreements in force with this bank;
- a negotiable €300K medium-term note maturing in 2017, pledged as security for a lease-back agreement signed with Banque Courtois in 2014;
- a guarantee deposit in favor of Kreos for €191K, as part of the implementation of the €5 million bond loan issue in 2013. (refer to Note 7.3.1.);
- the cash reserve related to the liquidity contract;
- guarantees in respect of the commercial leases for its French and US premises.

Current financial assets comprise a €1,200K term deposit maturing in 2021 with possible anticipated repayment and with probable use over the next 12 months.

#### Note 5: Inventories

<b>INVENTORIES</b> (Amounts in euros)	<b>6/30/2016</b>	<b>12/31/2015</b>
Inventories of raw materials	97,491	79,937
Inventories of goods for resale	3,842,776	3,268,146
Inventories of semi-finished products	14,116	15,372
Inventories of ancillary devices and instruments	603,524	660,218
<b>Gross total inventories</b>	<b>4,557,906</b>	<b>4,023,673</b>
Impairment of inventories of goods for resale	(577,306)	(488,019)
Impairment of stocks of ancillary devices and instruments	(71,635)	(67,124)
<b>Total impairment of inventories</b>	<b>(648,941)</b>	<b>(555,143)</b>
<b>Net total inventories</b>	<b>3,908,965</b>	<b>3,468,530</b>

## Note 6: Receivables

### 6.1. Trade receivables

<b>TRADE RECEIVABLES AND RELATED ACCOUNTS</b> (Amounts in euros)	<b>6/30/2016</b>	<b>12/31/2015</b>
Trade receivables and related accounts	4,152,467	3,395,674
Impairment of trade receivables and related accounts	(895,006)	(857,042)
<b>Net total of trade receivables and related accounts</b>	<b>3,257,461</b>	<b>2,538,631</b>

The age of the receivables breaks down as follows:

<b>TRADE RECEIVABLES AND RELATED ACCOUNTS</b> (Amounts in euros)	<b>6/30/2016</b>	<b>12/31/2015</b>
Not yet due	2,332,961	1,455,925
Due for less than 90 days	565,505	588,726
Due for between 90 days and 6 months	153,884	238,688
Due for between 6 and 12 months	21,452	165,927
Due for more than 12 months	1,078,665	946,408
<b>Gross total trade receivables and related accounts</b>	<b>4,152,467</b>	<b>3,395,674</b>

### 6.2. Other receivables

<b>OTHER RECEIVABLES</b> (Amounts in euros)	<b>6/30/2016</b>	<b>12/31/2015</b>
Research tax credit (1)	348,900	225,193
Value added tax (2)	408,641	349,176
Employees and related accounts	18,311	18,282
Trade payable debit balances	20,734	24,679
Business competitiveness tax credit	57,575	37,019
Prepaid expenses (3)	252,081	106,311
Miscellaneous	11,488	16,049
<b>Total other receivables</b>	<b>1,117,730</b>	<b>776,710</b>

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

Where there is no taxable net income and considering the Company's European Union SME status, the receivables due from the Government in respect of the research tax credit (CIR) are payable in the year following that of their recognition:

- Estimated CIR at June 30, 2016: €124K
- CIR 2015: €225K, repayment expected in the second half of 2016

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

(3) Prepaid expenses relate to current expenditure.

## Note 7: Cash and cash equivalents

<b>CASH AND CASH EQUIVALENTS</b> (Amounts in euros)	<b>6/30/2016</b>	<b>12/31/2015</b>
Bank accounts	748,111	1,150,232
Term deposits	1,300,437	-
<b>Total cash and cash equivalents</b>	<b>2,048,548</b>	<b>1,150,232</b>

Term deposits for a total of €1,300K have maturities of less than three months.

## Note 8: Capital

### Issued capital

<b>COMPOSITION OF THE SHARE CAPITAL</b>	<b>6/30/2016</b>	<b>12/31/2015</b>
Capital (in euros)	7,663,285.70	15,887,399.00
Number of shares	10,947,551	10,591,599
of which, Ordinary shares	10,947,551	10,591,599
Nominal value (in euros)	€ 0.70	€ 1.50

The share capital amounted to €7,663,285.70. It is divided into 10,947,551 ordinary shares which are fully subscribed and paid up with a nominal value of €0.70.

The General Shareholders' Meeting of May 24, 2016 decided to carry out:

- The allocation of retained earnings to additional paid-in capital for €15,074K;
- A capital decrease, motivated by losses, for an amount of €8,589K by way of a reduction in the nominal value of the shares to €0.70;
- The constitution of an unavailable special reserve from the capital decrease for €4,593K.

During the first half of 2016, 53 bonds held by L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND (refer to Note 7.3.2.) were converted into shares generating the issue of 144,853 shares with a nominal value of €1.50 and 211,099 shares with a nominal value of €0.70, i.e. a capital increase of €365K and an additional paid-in capital of €165K.

### 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.

At June 30, 2016, the Company owned 110,162 treasury shares as part of a liquidity agreement signed with Bank Oddo et Cie on November 20, 2013.

### Equity line of credit with KEPLER CHEUVREUX

The Company opened an optional equity line of credit with KEPLER CHEUVREUX on July 9, 2014. Implanet can ask Kepler to subscribe to new shares which may be issued in tranches over the coming 24 months up to a general limit of 530,000 shares. KEPLER CHEUVREUX has made a firm subscription

undertaking at the exclusive request of Implanet. The Company did not draw from this credit line in the first half of 2016.

The "OCABSA" contract with L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND suspends the Company's ability to use this equity line of credit.

### Financing through the issue of notes convertible into shares with share subscription warrants attached ("OCABSA")

The Board of Directors of June 29, 2016 issued 400 BEOCABSA, which may give rise to a convertible notes issue for a maximum amount of €4 million for the benefit of the L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND. It also requested the immediate exercise of 35 BEOCABSA, allowing the issue of a tranche of OCABSA for a nominal value of €350K (refer to note 7.3.2.).

The Company, at its own initiative, may request the exercise of the remaining 365 BEOCABSA in order to allow the issue of OCABSA in several tranches for a maximum nominal amount of €250K each. This amount may be increased by mutual agreement between the Company and the BEOCABSA holder.

### Distribution of dividends

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

## Note 9: Warrants and founders' warrants

### Warrants ("BSA")

#### Change in outstanding warrants

Type	Award date	Number of options outstanding					Maximum number of subscribable shares (1) (2)
		12/31/2015	Awarded	Exercised	Void	6/30/2016	
BSA <sub>09/11</sub>	General Shareholders' Meeting of 09/26/2011	60,000				60,000	6,960
BSA <sub>05/12</sub>	General Shareholders' Meeting of 06/29/2012	10,245				10,245	1,188
BSA <sub>2012</sub>	General Shareholders' Meeting of 06/29/2012	40,000				40,000	4,640
BSA <sub>09/2012</sub>	General Shareholders' Meeting of 10/11/2012	100,000				100,000	11,600
BSA <sub>01/2013</sub>	General Shareholders' Meeting of 01/22/2013	25,000				25,000	2,900
BSA <sub>01/2014</sub>	Board meeting of 01/08/2014	16,199				16,199	18,790
BSA <sub>07/2015</sub>	Board meeting of 07/15/2015	44,699				44,699	44,699 *
BSA <sub>01/2016</sub>	Board meeting of 01/26/2016	-	30,000		(30,000)	-	- **
<b>Total</b>		<b>296,143</b>	<b>30,000</b>		<b>(30,000)</b>	<b>296,143</b>	<b>90,777</b>

\*note that some warrants are in the process of vesting

\*\*these warrants were not subscribed during the subscription period and have therefore become void

(1) Following the reverse share split decided on by the Extraordinary General Shareholders' Meeting of July 19, 2013, ten warrants awarded prior to this date give the right to subscribe to one share.

(2) Following the capital increase with preferential subscription rights in March 2015, the warrants were adjusted to parity at 1.16 (Board of Directors' decision of March 18, 2015).

## Founders' warrants ("BSPCE")

### Plans issued during the first half of 2016

Type	Award date	Features of the plans			Assumptions used		
		Total number of options awarded	Exercise period	Initial exercise price	Volatility	Risk-free rate	Total initial valuation, IFRS2 (Black&Scholes)
BSPCE 03/2016	Board meeting of 03/24/2016	370,000	10 years	€ 1.50	34.40%	-0.16%	€ 132,906

Type	Vesting period		
BSPCE 03/2016	1/3 on 04/01/2017	1/3 on 04/01/2018	1/3 on 04/01/2019

### Change in outstanding warrants

Type	Award date	Number of options outstanding					Maximum number of subscribable shares (1) (2)
		12/31/2015	Awarded	Exercised	Void	6/30/2016	
BSPCE 12/2007	Board meeting of 12/29/2007	20,000				20,000	2,320
BSPCE 02/2009	Board meeting of 02/05/2009	13,000				13,000	1,508
BSPCE 03/2010	Board meeting of 04/22/2010	30,000				30,000	3,480
BSPCE 06/2011	Board meeting of 04/06/2011	68,000				68,000	7,888
BSPCE 09/2011	Board meeting of 11/18/2011	49,000				49,000	5,684
BSPCE 01/2014-1	Board meeting of 01/08/2014	28,790				28,790	33,395
BSPCE 01/2014-2	Board meeting of 01/08/2014	15,936				15,936	18,483
BSPCE 01/2014-3	Board meeting of 01/08/2014	639				639	741
BSPCE 01/2014-4	Board meeting of 01/08/2014	215,629			(3,000)	212,629	246,649
BSPCE 03/2016	Board meeting of 03/24/2016		370,000		(1,000)	369,000	369,000 *
<b>Total</b>		<b>440,994</b>	<b>370,000</b>	<b>-</b>	<b>(4,000)</b>	<b>806,994</b>	<b>689,148</b>

\*note that some warrants are in the process of vesting

- (1) Following the reverse share split decided on by the Extraordinary General Shareholders' Meeting of July 19, 2013, ten warrants awarded prior to this date give the right to subscribe to one share.
- (2) Following the capital increase with preferential subscription rights in March 2015, the warrants were adjusted to parity at 1.16 (Board of Directors' decision of March 18, 2015).

## Stock options

### Plans issued during the first half of 2016

Type	Award date	Features of the plans			Assumptions used		
		Total number of options awarded	Exercise period	Exercise price	Volatility	Risk-free rate	Total initial valuation, IFRS2 (Black&Scholes)
Stock options 03/2016	Board meeting of 03/24/2016	70,000	10 years	€ 1.50	34.40%	-0.16%	€ 25,144

Type	Vesting period		
Stock options <sub>03/2016</sub>	1/3 on 04/01/2017	1/3 on 04/01/2018	1/3 on 04/01/2019

### Change in outstanding options

Type	Award date	Number of options outstanding					Maximum number of subscribable shares
		12/31/2015	Awarded	Exercised	Void	6/30/2016	
Stock options <sub>07/2015</sub>	Board meeting of 07/15/2015	22,500				22,500	22,500 *
Stock options <sub>03/2016</sub>	Board meeting of 03/24/2016		70,000			70,000	70,000 *
<b>Total</b>		<b>22,500</b>	<b>70,000</b>	-	-	<b>92,500</b>	<b>92,500</b>

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

### IFRS expenses booked in respect of the first halves of 2015 and 2016

Type	6/30/2015				6/30/2016			
	Probable cost of the plan to date	Cumulative expense at the start of the year	Charge for the period	Cumulative expense to date	Probable cost of the plan to date	Cumulative expense at the start of the year	Charge for the period	Cumulative expense to date
BSPCE <sub>12/2007</sub>	€ 34,387	€ 34,387	€ -	€ 34,387	€ 34,387	€ 34,387	€ -	€ 34,387
BSPCE <sub>02/2009</sub>	€ 37,389	€ 37,389	€ -	€ 37,389	€ 37,389	€ 37,389	€ -	€ 37,389
BSPCE <sub>03/2010</sub>	€ 63,891	€ 63,891	€ -	€ 63,891	€ 63,891	€ 63,891	€ -	€ 63,891
BSPCE <sub>06/2011</sub>	€ 117,310	€ 117,310	€ -	€ 117,310	€ 117,310	€ 117,310	€ -	€ 117,310
BSPCE <sub>09/2011</sub>	€ 45,462	€ 45,462	€ -	€ 45,462	€ 45,462	€ 45,462	€ -	€ 45,462
BSPCE <sub>05/2012</sub>	€ 8,277	€ 8,277		€ 8,277	€ 8,277	€ 8,277		€ 8,277
BSPCE <sub>01/2014-1</sub>	€ 60,808	€ 56,502	€ 4,306	€ 60,808	€ 60,808	€ 60,808	€ -	€ 60,808
BSPCE <sub>01/2014-2</sub>	€ 42,534	€ 32,578	€ 9,957	€ 42,175	€ 42,534	€ 42,534	€ -	€ 42,534
BSPCE <sub>01/2014-3</sub>	€ 1,350	€ 887	€ 304	€ 1,191	€ 1,350	€ 1,300	€ 50	€ 1,350
BSPCE <sub>01/2014-4</sub>	€ 590,880	€ 424,154	€ 100,609	€ 524,763	€ 590,880	€ 570,212	€ 20,668	€ 590,880
BSPCE <sub>03/2016</sub>	€ -	€ -	€ -	€ -	€ 132,546	€ -	€ 19,645	€ 19,645
BSA <sub>09/11</sub>	€ 17,413	€ 17,413	€ -	€ 17,413	€ 17,413	€ 17,413	€ -	€ 17,413
BSA <sub>05/12</sub>	€ 2,867	€ 2,867	€ -	€ 2,867	€ 2,867	€ 2,867	€ -	€ 2,867
BSA <sub>2012</sub>	€ 16,984	€ 16,984	€ -	€ 16,984	€ 16,984	€ 16,984	€ -	€ 16,984
BSA <sub>09/2012</sub>	€ 9,564	€ 9,564	€ -	€ 9,564	€ 9,564	€ 9,564	€ -	€ 9,564
BSA <sub>01/2013</sub>	€ 2,486	€ 2,486	€ -	€ 2,486	€ 2,486	€ 2,486	€ -	€ 2,486
BSA <sub>01/2014</sub>	€ 53,318	€ 37,690	€ 10,728	€ 48,418	€ 37,805	€ 37,690	€ 115	€ 37,805
BSA <sub>07/2015</sub>	€ -	€ -	€ -	€ -	€ 21,990	€ 5,871	€ 6,709	€ 12,580
Stock options <sub>07/2015</sub>	€ -	€ -	€ -	€ -	€ 19,258	€ 4,549	€ 4,899	€ 9,448
Stock options <sub>03/2016</sub>	€ -	€ -	€ -	€ -	€ 25,144	€ -	€ 3,727	€ 3,727
<b>Total</b>	<b>€ 1,104,919</b>	<b>€ 907,840</b>	<b>€ 125,544</b>	<b>€ 1,033,385</b>	<b>€ 1,288,345</b>	<b>€ 1,078,994</b>	<b>€ 55,813</b>	<b>€ 1,134,807</b>

**Note 10: Loans and financial liabilities**

<b>CURRENT AND NON-CURRENT FINANCIAL LIABILITIES</b> (Amounts in euros)	<b>6/30/2016</b>	<b>12/31/2015</b>
Financial debts - finance leases (1)	220,726	297,853
Repayable advances	42,946	84,944
Bond loans (2)	589,587	1,084,240
Derivatives liabilities, Kréos	-	154
Loans from financial institutions (3)	169,919	253,647
<b>Non-current financial debts</b>	<b>1,023,178</b>	<b>1,720,839</b>
Financial debts - finance leases (1)	314,456	295,433
Repayable advances	82,850	78,309
Current bank overdrafts	257	-
Bond loans (2)	1,205,499	1,268,742
Derivatives liabilities, L1 Capital	45,223	120,264
Debt under the factoring contract	910,563	65,098
Loans from financial institutions (3)	166,646	165,033
<b>Current financial liabilities</b>	<b>2,725,493</b>	<b>1,992,878</b>
<b>Total financial liabilities</b>	<b>3,748,671</b>	<b>3,713,717</b>

(1) The debts relating to the finance leases are guaranteed by a pledge of a term deposit for €150K and a MTN for €300K.

(2) The KREOS bond loan is secured by a pledge of the Company's goodwill and intellectual property.

(3) The bank loan is secured by pledge of a €200K term deposit.

**Reconciliation redemption value/balance sheet value**

<b>RECONCILIATION REDEMPTION VALUE / BALANCE SHEET VALUE</b> (amounts in euros)	<b>Redemption value</b> <b>06/30/2016</b>	<b>Amortized cost</b>	<b>Fair value</b>	<b>Balance sheet value</b>	
				<b>6/30/2016</b>	<b>12/31/2015</b>
Financial leases	535,182	-	-	535,182	593,285
Repayable advances	130,000	(4,204)	-	125,796	163,253
Current bank overdrafts	257	-	-	257	-
Bond	1,958,295	(163,210)	-	1,795,085	2,352,982
Derivatives liabilities	-	-	45,223	45,223	120,418
Debt under the factoring contract	910,563	-	-	910,563	65,098
Loans from financial institutions	336,565	-	-	336,565	418,680
<b>Total financial liabilities</b>	<b>3,870,862</b>	<b>(167,414)</b>	<b>45,223</b>	<b>3,748,671</b>	<b>3,713,717</b>

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

FINANCIAL LIABILITIES BY MATURITY IN REDEMPTION VALUE (amounts in euros)	6/30/2016			
	Gross amount	Part due in less than 1 year	From 1 to 5 years	More than 5 years
Financial leases	535,182	314,456	220,726	-
Repayable advances	130,000	85,000	45,000	-
Current bank overdrafts	257	257	-	-
Bond	1,958,295	1,363,476	594,819	-
Debt under the factoring contract	910,563	910,563	-	-
Loans from financial institutions	336,565	166,646	169,919	-
<b>Total financial liabilities</b>	<b>3,870,862</b>	<b>2,840,398</b>	<b>1,030,464</b>	-
<i>Current financial liabilities</i>	<i>2,840,398</i>			
<i>Non-current financial debts</i>	<i>1,030,464</i>			

**10.1. Financial liabilities – finance leases**

CHANGES IN FINANCIAL LIABILITIES - LEASE-FINANCING (Amounts in euros)	Financial liabilities - lease-financing contracts	Current part	Non-current part	
			from 1 to 5 years	more than 5 years
<b>At December 31, 2015</b>	<b>593,285</b>	295,433	297,853	-
(+) Subscription	94,864			
(-) Redemption	(152,968)			
<b>At June 30, 2016</b>	<b>535,182</b>	<b>314,456</b>	<b>220,726</b>	

**10.2. Repayable advances**

CHANGES IN REPAYABLE ADVANCES (Amounts in euros)	OSEO Knees	Total
<b>At December 31, 2015</b>	<b>163,253</b>	<b>163,253</b>
(+) Subscription	-	-
(-) Redemption	(40,000)	(40,000)
Subsidies	-	-
Financial expenses	2,543	2,543
(+/-) Other movements	-	-
<b>At June 30, 2016</b>	<b>125,796</b>	<b>125,796</b>

**Breakdown of repayable advances by maturity, in redemption value**

MATURITIES OF REPAYABLE ADVANCES, IN REDEMPTION VALUE (Amounts in euros)	OSEO Knees	Total
<b>At June 30, 2016</b>	<b>130,000</b>	<b>130,000</b>
Part due in less than one year	85,000	85,000
Part due between 1 and 5 years	45,000	45,000
Part due in more than 5 years	-	-

### 10.3. Bond loans

CHANGES IN BOND ISSUES (Amounts in euros)	Non-convertible KREOS bond issue	OCABSA L1 Capital	Total
<b>At December 31, 2015</b>	<b>1,984,812</b>	<b>368,170</b>	<b>2,352,982</b>
(+) Subscription	-	346,500	346,500
(-) Warrant discount	-	(55,852)	(55,852)
(-) Derivative liability	-	(46,458)	(46,458)
(-) Redemption	(460,277)	-	(460,277)
(+/-) Impact of amortized cost	34,671	153,520	188,191
(+/-) Translation	-	(530,000)	(530,000)
<b>At June 30, 2016</b>	<b>1,559,206</b>	<b>235,879</b>	<b>1,795,085</b>

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

MATURITIES OF BOND ISSUES, IN REDEMPTION VALUE (Amounts in euros)	Non-convertible KREOS bond issue	OCABSA L1 Capital	Total
<b>At June 30, 2016</b>	<b>1,598,295</b>	<b>360,000</b>	<b>1,958,295</b>
Part due in less than one year	1,003,476	360,000	1,363,476
Part due between 1 and 5 years	594,819	-	594,819
Part due in more than 5 years	-	-	-

#### 10.3.1. Issue of bond loan to KREOS for a total amount of €5,000 thousand

During the first half of 2016, the Company carried out the repayment of fixed monthly payments for a total of €565K (including capital amortization of €460K) in accordance with the schedule set out in the amendment to the venture loan agreement signed with KREOS CAPITAL IV (UK) LTD on April 16, 2015.

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

The 2013 warrants (BSA) issued under this contract are recognized as derivative liabilities and measured at fair value, with changes in this fair value recognized in profit or loss.

BSA 2013 - Valuation assumptions	6/30/2016	12/31/2015
Number of BSA outstanding	65,000	65,000
Number of subscribable shares	75,400 (1)	75,400 (1)
Exercise price	€ 6.20	€ 6.20
Expected term	1.5 years	2 years
Volatility	31.99%	28.77%
Risk-free rate	-0.65%	-0.35%
<b>Value of derivative (in euros)</b>	<b>0</b>	<b>154</b>

(1) Following the capital increase with preferential subscription rights in March 2015, the warrants were adjusted to parity at 1.16 (Board of Directors' decision of March 18, 2015).

The BSA<sub>2015</sub> (warrants) issued under this contract were recognized at fair value in equity instruments at the issue date.

BSA 2015 - Valuation assumptions	On issue
Number of BSA outstanding	18,473
Number of subscribable shares	18,473
Exercise price	€ 2.91
Expected term	2.5 years
Volatility	30.58%
Risk-free rate	-0.16%
<b>Value of equity instrument (in euros)</b>	<b>11,299</b>

At June 30, 2016, 65,000 BSA<sub>2013</sub> and 18,473 BSA<sub>2015</sub> were outstanding and could give rise to the subscription of 93,873 shares.

### 10.3.2. Issue of notes convertible into shares with share subscription warrants attached ("OCABSA") in favor of L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND

On October 12, 2015, the Company entered into an OCABSA contract with L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND, enabling the Company to potentially raise €5 million at its discretion.

The OCA have the following characteristics:

- Nominal value: €10,000
- Subscription price: 99% of par value
- Maturity: 12 months
- Conversion terms:  $N = V_n / P$  where:
  - N is the number of shares that can be subscribed;
  - $V_n$  is the value of the bond receivable;
  - P corresponds to 92% of the lowest of the 10 average daily share prices weighted by the volumes of Company shares immediately preceding the date of the conversion request and as a minimum equal to the nominal share value (€0.70).

The Board of Directors decided the issue:

- of a first tranche of 100 OCABSA for a total value of €1.0 million on October 12, 2015;
- of a second tranche of 35 OCABSA for a total value of €350K on June 29, 2016.

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

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

Conversion option	Tranche 1		Tranche 2	
	6/30/2016	12/31/2015	6/30/2016	At issue (06/29/2016)
Number of bonds outstanding	1	54	35	35
Number of subscribable shares	8,264	287,723	290,408	290,408
Exercise price	€ 1.21	€ 1.88	€ 1.21	€ 1.21
Expected term	1 month	5 months	3 months	3 months
Volatility	29.65%	28.01%	33.70%	33.70%
Risk-free rate	-0.65%	-0.45%	-0.65%	-0.65%
<b>Value of derivative (in euros)</b>	<b>909</b>	<b>120,264</b>	<b>44,314</b>	<b>46,458</b>
<b>Change in fair value over the first half-year 2016</b>	<b>(119,355)</b>		<b>(2,145)</b>	

The BSA<sub>T1</sub> and BSA<sub>T2</sub> issued under this contract are recognized at fair value in equity instruments at the issue date.

Warrant (BSA)	Tranche 1	Tranche 2
	At issue (10/12/2015)	At issue (06/29/2015)
Number of BSA outstanding	400,000	244,755
Number of subscribable shares	400,000	244,755
Exercise price	€ 2.50	€ 1.43
Expected term	3 years	3 years
Volatility	33.33%	30.23%
Risk-free rate	-0.20%	-0.64%
<b>Value of equity instrument (in euros)</b>	<b>167,825</b>	<b>55,852</b>

At June 30, 2016, 36 notes convertible into shares (1 OC<sub>T1</sub> and 35 OC<sub>T2</sub>) as well as 644,755 warrants (BSA) were outstanding (400,000 BSA<sub>T1</sub> and 244,755 BSA<sub>T2</sub>).

#### 10.4. Loans from financial institutions

CHANGE IN BANK LOANS (Amounts in euros)	Bank loans
<b>At December 31, 2015</b>	<b>418,680</b>
(+) Subscription	-
(-) Redemption	(82,115)
<b>At June 30, 2016</b>	<b>336,565</b>

The Company has not contracted any new loans during the first half of 2016

#### Breakdown of loans from financial institutions by maturity, in redemption value

BANK LOANS BY MATURITY (Amounts in euros)	Bank loans
<b>At June 30, 2016</b>	<b>336,565</b>
Part due in less than one year	166,646
Part due between 1 and 5 years	169,919
Part due in more than 5 years	-

## Note 11: Employee benefit obligations

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

ACTUARIAL ASSUMPTIONS	6/30/2016		12/31/2015	
	Managers	Non managers	Managers	Non managers
Retirement age	Voluntary departure between ages 65 and 67			
Collective agreements	Metallurgy Engineers and Managers	Metallurgy Gironde Landes	Metallurgy Engineers and Managers	Metallurgy Gironde Landes
Discount rate (IBOXX Corporates AA)	1.05%		2.03%	
Mortality table	INSEE 2016		INSEE 2015	
Rate of revaluation of salaries	2.00%		2.00%	
Rate of turnover	Average (AG2R table)		Average (AG2R table)	
Rate of Social Security charges	53%	47%	53%	47%

The provision for retirement commitments has changed as follows:

EMPLOYEE BENEFIT OBLIGATIONS (Amounts in euros)	Retirement benefits
<b>At December 31, 2015</b>	<b>82,905</b>
Past service costs	5,872
Financial costs	758
Actuarial differences	(5)
<b>At June 30, 2016</b>	<b>89,530</b>

## Note 12: Provisions

PROVISIONS (Amounts in euros)	6/30/2016				Amount at year end
	Amount at start of year	Allocations	Reversals	Release of surplus provisions	
Provisions for legal disputes	55,000				55,000
<b>Total provisions for liabilities and expenses</b>	<b>55,000</b>	-	-	-	<b>55,000</b>

### Disputes and liabilities

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

## Note 13: Current liabilities

### 13.1. Tax and social security liabilities

TAX AND SOCIAL SECURITY LIABILITIES (Amounts in euros)	6/30/2016	12/31/2015
Employees and related accounts	300,065	163,385
Social Security and other social bodies	372,628	353,295
Other taxes, duties and similar payments	41,389	43,767
<b>Total tax and social security liabilities</b>	<b>714,082</b>	<b>560,447</b>

### 13.2. Other current liabilities

<b>OTHER CURRENT LIABILITIES</b> (Amounts in euros)	<b>6/30/2016</b>	<b>12/31/2015</b>
Directors' fees due to members of the Board of Directors	7,500	7,500
Miscellaneous	6,349	10,225
<b>Total other current liabilities</b>	<b>13,849</b>	<b>17,725</b>

### Note 14: Revenues

The breakdown of revenue by region over the periods considered is as follows:

<b>REVENUE BY REGION</b> (Amounts in euros)	<b>6/30/2016</b>	<b>6/30/2015</b>
France	2,103,882	1,483,113
Brazil	525,451	857,034
United States	1,099,438	545,749
Rest of the World	365,706	420,648
<b>Total revenues</b>	<b>4,094,478</b>	<b>3,306,543</b>

<b>REVENUE BY TYPE OF PRODUCTS</b> (Amounts in thousands of euros)	<b>6/30/2016</b>	<b>6/30/2015</b>
Spine	2,012	1,455
Knee + Arthroscopy	2,082	1,852
<b>Total revenue</b>	<b>4,094</b>	<b>3,307</b>

## Concentration of credit risk:

- one distributor in France generated 26% of consolidated revenue in the first half of 2016;
- one export distributor generated 13% of consolidated revenue in the first half of 2016.

**Note 15: Operating expenses****15.1. Cost of sales**

<b>COST OF SALES</b> (Amounts in euros)	<b>6/30/2016</b>	<b>6/30/2015</b>
Purchases of raw materials and goods	(1,635,803)	(1,752,688)
Depreciation and amortization of ancillary devices	(306,722)	(419,812)
<b>Cost of sales</b>	<b>(1,942,524)</b>	<b>(2,172,500)</b>

**15.2. Sales, Distribution & Marketing**

<b>SALES, DISTRIBUTION AND MARKETING</b> (Amounts in euros)	<b>6/30/2016</b>	<b>6/30/2015</b>
Materials and supplies not for stock	(45,786)	(101,255)
Vehicle leases	(30,926)	(31,555)
Miscellaneous rentals	(2,553)	(5,832)
Hardware, equipment and works	(3,079)	(11,713)
Insurance policies	(56,661)	(42,007)
Intermediary compensation Fees	(261,758)	(220,132)
Advertising	(62,864)	(182,401)
Transport	(2,418)	(1,674)
Travel, assignments and entertaining	(398,226)	(231,269)
Duties and taxes	(1,720)	(1,781)
Payroll expenses	(1,061,222)	(876,787)
Depreciation and amortization of fixed assets	(17,879)	(17,314)
Share-based payments	(37,929)	(98,369)
Royalties	(98,852)	(91,022)
Sales commission	(462,018)	(288,909)
Impairment of trade receivables	(54,836)	(61,321)
Miscellaneous	(7,402)	(19,581)
<b>Sales, Distribution and Marketing expenses</b>	<b>(2,606,129)</b>	<b>(2,282,921)</b>

### 15.3. Research and development

<b>RESEARCH AND DEVELOPMENT</b> (Amounts in euros)	<b>6/30/2016</b>	<b>6/30/2015</b>
Vehicle leases	(14,840)	(23,278)
Hardware, equipment and works	(13,305)	(4,463)
Studies and research	(36,263)	(74,851)
Intellectual property fees	(226,379)	(83,949)
Travel, assignments and entertaining	(13,375)	(23,366)
Duties and taxes	(3,065)	(5,551)
Payroll expenses	(311,567)	(378,880)
Capitalization of R&D expenses	33,786	90,617
Depreciation and amortization of capitalized R&D expense	(58,140)	(50,398)
Depreciation and amortization of fixed assets	(1,124)	(1,121)
Share-based payments	(5,386)	(13,660)
Miscellaneous	(4,301)	(5,822)
<b>Research and Development costs</b>	<b>(653,958)</b>	<b>(574,722)</b>
Research tax credit	122,120	91,382
<b>Subsidies</b>	<b>122,120</b>	<b>91,382</b>
<b>Research and Development costs, net</b>	<b>(531,838)</b>	<b>(483,340)</b>

### 15.4. Regulatory affairs and quality assurance

<b>REGULATORY AFFAIRS AND QUALITY ASSURANCE</b> (Amounts in euros)	<b>6/30/2016</b>	<b>6/30/2015</b>
Materials and supplies not for stock	(33,302)	(39,894)
Miscellaneous rentals	(289)	(2,159)
Studies and research	(84,450)	(63,769)
Intermediary compensation Fees	(84,248)	(124,568)
Payroll expenses	(242,428)	(198,143)
Capitalization of R&D expenses	11,708	-
Depreciation and amortization of capitalized R&D expense	(34,110)	(31,981)
Depreciation and amortization of fixed assets	(9,855)	(5,437)
Share-based payments	(144)	(2,848)
Miscellaneous	(34,022)	(23,272)
<b>Regulatory affairs and quality assurance costs</b>	<b>(511,141)</b>	<b>(492,071)</b>
Research tax credit	1,586	20,436
<b>Subsidies</b>	<b>1,586</b>	<b>20,436</b>
<b>Regulatory affairs and quality assurance costs, net</b>	<b>(509,555)</b>	<b>(471,635)</b>

## 15.5. Operations

<b>OPERATING COSTS</b> (Amounts in euros)	<b>6/30/2016</b>	<b>6/30/2015</b>
Materials and supplies not for stock	(5,357)	(12,689)
Real estate leases	(64,088)	(66,094)
Vehicle leases	(6,389)	(4,931)
Miscellaneous rentals	(2,833)	(3,495)
Hardware, equipment and works	(18,929)	(18,920)
Intermediary compensation Fees	-	(14,458)
Transport	(17,228)	(1,903)
Travel, assignments and entertaining	(993)	(3,479)
Payroll expenses	(259,623)	(305,678)
Depreciation and amortization of fixed assets	(39,053)	(58,136)
Share-based payments	(2,814)	(5,892)
Provisions/Reversals of inventory provisions	(93,798)	121,670
Miscellaneous	(15,351)	(24,008)
<b>Operating costs</b>	<b>(526,456)</b>	<b>(398,014)</b>

## 15.6. General and administrative expenses

<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Amounts in euros)	<b>6/30/2016</b>	<b>6/30/2015</b>
Materials and supplies not for stock	(34,914)	(33,478)
Real estate leases	(100,953)	(97,687)
Vehicle leases	(9,191)	(18,506)
Miscellaneous rentals	(8,901)	(41,433)
Hardware, equipment and works	(65,269)	(122,212)
Insurance policies	(114,323)	(113,115)
Intermediary compensation Fees	(474,038)	(442,374)
Advertising	(15,263)	(28,538)
Travel, assignments and entertaining	(98,860)	(167,496)
Postal and telecommunication expenses	(32,487)	(39,410)
Banking services	(53,717)	(19,007)
Duties and taxes	(21,903)	(46,927)
Payroll expenses	(460,850)	(528,139)
Attendance fees	(7,500)	(9,000)
Depreciation and amortization of fixed assets	(19,764)	(32,657)
Share-based payments	(9,619)	(4,776)
Miscellaneous	(5,956)	(28,377)
<b>General and administrative expenses</b>	<b>(1,533,509)</b>	<b>(1,773,133)</b>

### Note 16: Headcount

The table below indicates the structure as well as the changes in headcount within the Group during the periods presented:

AVERAGE HEADCOUNT	06/30/2016 (6 months)	06/30/2015 (6 months)
Managers	31.4	30.8
Employees	18.1	16.0
<b>Total average headcount</b>	<b>49.5</b>	<b>46.8</b>

In addition, the breakdown of the headcount by geographic region is as follows:

AVERAGE HEADCOUNT BY GEOGRAPHIC REGION	06/30/2016 (6 months)	06/30/2015 (6 months)
France	41.4	40.8
United States	8.1	5.9
<b>Total average headcount</b>	<b>49.5</b>	<b>46.8</b>

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

FINANCIAL INCOME AND EXPENSES (Amounts in euros)	6/30/2016	6/30/2015
Amortized cost of loans	(314,259)	(233,492)
Changes in the fair value of derivative liabilities	121,654	8,183
Other financial expenses	(10,204)	(27,391)
Financial income	22,928	50,913
Foreign exchange gains and (losses)	(66,477)	177,251
<b>Total financial income and expenses</b>	<b>(246,358)</b>	<b>(24,535)</b>

#### Note 18: Corporate income tax

Based on the same rules as applied at December 31, 2015, the Group did not recognize any deferred tax assets at June 30, 2016.

#### Note 19: Net earnings per share

BASIC EARNINGS PER SHARE (Amounts in euros)	6/30/2016	6/30/2015
Net income for the year	(3,801,890)	(4,299,538)
Weighted average number of shares in circulation	10,761,540	8,939,936
<b>Basic earnings per share (€/share)</b>	<b>(0.35)</b>	<b>(0.48)</b>
<b>Diluted earnings per share (€/share)</b>	<b>(0.35)</b>	<b>(0.48)</b>

#### Note 20: Related parties

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

##### 20.1. Executive compensation (excluding awards of capital instruments)

No post-employment benefits are granted to members of the Board of Directors.

The compensation of the executive officers breaks down as follows:

<b>COMPENSATION OF CORPORATE OFFICERS (Amounts in euros)</b>	<b>6/30/2016</b>	<b>6/30/2015</b>
Fixed compensation due	234,739	193,751
Variable compensation due	33,598	11,250
Benefits in kind	7,407	6,297
Share-based payments	30,227	117,304
Advisers' fees	54,000	241,665
Attendance fees	7,500	7,500
<b>TOTAL</b>	<b>367,471</b>	<b>577,767</b>

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

#### **Note 21: Off-balance sheet commitments**

Off-balance sheet commitments at December 31, 2015 have not changed significantly over the period.

#### 4. LIMITED AUDITORS' REPORT ON THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EU

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INKIPIO AUDIT

ERNST & YOUNG Audit

*This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

Implanet  
Period from 1 January to 30 June 2016

Statutory Auditors' Review Report  
on the Half-yearly Financial Information

**INKIPIO AUDIT**  
19, rue des Tuiliers  
69003 Lyon  
S.A.S. au capital de € 300.000

Commissaire aux Comptes  
Membre de la compagnie  
régionale de Lyon

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92400 Courbevoie - Paris-La Défense 1  
S.A.S. à capital variable

Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles

## Implanet

Period from 1 January to 30 June 2016

### **Statutory Auditors' Report on the Half-yearly Financial Information**

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meetings of Shareholders and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Implanet, for the period from 1 January to 30 June 2016;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

#### **1. Conclusion on the financial statements**

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRS as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matter set out in Note 2.1 “Principle for the preparation of the financial statements” in the notes to the condensed half-yearly consolidated financial statements, which describes the elements underlying the going concern assumption.

## 2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Lyon and Paris-La Défense, 22 September 2016

The Statutory Auditors

*French original signed by:*

INKIPIO AUDIT

ERNST & YOUNG Audit

Clément Albrieux

Franck Sebag

Jean-Pierre Caton