



## 1<sup>st</sup> half of 2017:

- Sharp increase in half-year results
- Improved WCR

## Nine-month sales revenue of €7.4M (+125%)

<i>In thousands of euros</i>	30 June 2016	30 June 2017
Sales revenue	2 443	6 016
Gross margin	1 581	4 122
<i>% of sales revenue</i>	64,7%	68,5%
<i>Income from operations</i>	252	283
<i>Expenses from operations</i>	-3 520	-5 600
Operating income	- 825	698
<b>Net income</b>	<b>- 940</b>	<b>650</b>

*Group's consolidated accounts including the US subsidiary Spineway USA Inc.*

*Spineway's Board of Directors held a meeting on 23 October 2017 chaired by Stéphane Le Roux and closed the consolidated accounts for the first half of 2017.*

### Significantly improved results

The strong growth in activity over the first half of 2017 was driven, in particular, by the successful launch of the US subsidiary, Spineway USA Inc. Spineway's activity outside the US also played its part and posted an increase of +23% compared with the first half of 2016. This strong performance fully contributed to the Group's results.

Spineway's consolidated accounts, including the US subsidiary, posted a gross margin that was up 4 points, at 68.5% at the end of June 2017 compared with 64.7% the previous year.

Likewise, Operating income increased by over €1.5M, to €698k, despite the increase in purchases of goods (+€1031k), other purchases and external expenses (+€501k) and personnel expenses (+€592k), in connection with the reinforcement of our teams in France and in the US to support the very strong sales during the first half of the year.

Net income followed suit and reached +€650k, representing an increase of close to €1.6M compared with June 2016.

As a result of the sharp increase in activity, the Group's WCR increased to €5.1M following an increase in inventory of €1.1M pursuant to the launch of the US subsidiary during the second half of 2016 and the launch of a new product line. However, good management of its client receivables allowed Spineway to lower its WCR to 152 days of sales for the first half of 2017 compared with 304 days for the first half of 2016.

The Group's consolidated financial structure brought the shareholders' equity to €1 928k as at 30 June

2017 compared with €1 300k at the end of December 2016.

The Group's gross debt was of €4.8M compared with €4.1M at the end of December 2016 pursuant, in particular, to a loan of €0.5M to finance the US subsidiary. The Group's cash position was of €0.4M as at 30 June 2017 compared with €0.6M as at 30 June 2016 and €1.5M as at 31 December 2016<sup>1</sup>.

The strengthening of the cash position and of the shareholders' equity were anticipated with the signature of an agreement with the US management company Yorkville Advisors at the end of July, concerning a reserved issue of Notes with Warrants. This issue was the subject of a press release dated 28 July 2017.

### **A dynamic third quarter: +63%**

The Group, which, during the first half of the year, benefited from a US order of \$2M that had been deferred to early 2017, posted a more normalized third quarter at €1 368k (+ 63%). The nine-month sales revenue was therefore at €7.4M, up 125%. Spineway also continued its growth in its other areas of activity and posted a nine-month increase of +27% for its sales revenue from outside the USA.

With a 40% increase in activity at the end of September, Latin America confirmed the positive trend it had been showing over the last few quarters, particularly in Brazil and Colombia, thanks to MIS sales.

Europe showed an increase of +17%, mainly due to the strong performance of activities in France, representing €629k (+38%). Spineway recently recruited a new manager for Europe in order to reinvigorate activity in the other European countries.

In addition, the Middle East also showed positive results, with sales revenue of €750k, up +33% compared with the first nine months of 2016. Asia posted €579k, up 6% despite a delay in the approval of certain Spineway products, which slowed down the start of sales on the territory. The Group hopes for a return to normalized growth during the 2018 financial year in this area in which it has been established for a while.

***These strong sales performances show the successful positioning of Spineway's products and allows it to expect a sharp increase in its 2017 annual results.***

#### **SPINEWAY IS ELIGIBLE FOR THE PEA-PME**

*Spineway's half-year accounts will be made available at [www.spineway.com](http://www.spineway.com) on 28 October 2017*

#### **SPINEWAY will be attending the SFAF Mid-Caps conference on 14 November 2017**

***Spineway designs, manufactures and markets innovative implants and surgical instruments for treating severe disorders of the spinal column.***

***Spineway has an international network of over 50 independent distributors and 90% of its turnover comes from exports.***

***Spineway, which is eligible for investment through FCPIs (French unit trusts specializing in innovation), received the OSEO Excellence award as well as the Deloitte Fast 50 award in 2011. Rhône Alpes INPI Patent Innovation Award (2013) – Talent INPI award (2015).***

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<sup>1</sup> These consolidated accounts were closed in application of the going-concern principle, based on the following:

- Spineway's activity requires a significant WCR due to the timeframe needed to collect client receivables, having healthcare facilities in France and distributors outside France, and a large inventory in order to have implant product lines available.
- The going-concern assumption is based on assumptions that receivables will be collected in connection with the revenue budget and that the banking pool will continue to provide the same liquidity line. It is nevertheless specified that a credit line of €200K will be renegotiated as from 31 December 2017.
- On 1 September 2017, Tinavi notified Spineway of its exercise of Warrants, but the payment of funds, subject to approval by the Chinese authorities, has not yet been made as at 23 October 2017. As of now, Spineway is unable, in view of the administrative issues brought up by Tinavi, to determine when the payment of funds will be made and if such payment can even be made.
- In order to meet its cash requirement and finance its rapid development, the company entered into a contract providing for a firm commitment to subscribe for Notes representing a bond issue of €2M in favor of the YA II PN, LTD, investment fund. The investor has undertaken to subscribe – over a period of 36 months as from the issue date of the Tranche Warrants – for up to 200 Notes with attached Warrants ORNANE, representing a total par value of €2M, in several successive tranches. This obligation is nevertheless subject to the company's shares being transferred from Euronext Growth's E1 trading group to its E2 trading group.

This press release is entered into in both English and French languages. In case of discrepancies, French language shall prevail.