Innovative back microsurgery

Press release

VEXIM Announces Strong 2014 Half-year Results

Sales nearly double: +94% to €4.9m
Gross margin rises: +14 points to 78% of sales
Net income improves: +€0.4m to -€3.7m

Outlook

US commercial launch of kyphoplasty and vertebroplasty solutions expected in early 2015

Toulouse, 22 September 2014 - VEXIM (FR0011072602 – ALVXM / PEA-PME eligible), a medical device company specialized in minimally invasive solutions for the treatment of vertebral fractures, today reports consolidated results for the first half of 2014[1].

Vincent Gardès, VEXIM's CEO, comments: *"The 2014 first-half saw important clinical, commercial and regulatory developments that strengthened SpineJack®'s position in the vertebral augmentation market, with nearly doubling sales while significantly improving gross margin. The clinical data, market share gain and manufacturing processes optimizations contributed to the improvement in earnings. We expect a sustained momentum of sales growth and gross margin in the future. We remain confident in potentially reaching a 10% market share in the vertebral compression fracture market in Europe by the end of 2014 and turning profitable in 2015."*

Excellent sales momentum and significant improvement in gross margin

Consolidated accounts (€'000)	**06/30/2014**	**06/30/2013**
Sales	**4,918**	**2,533**
Gross margin	**3,817**	**1,614**
as a % of Sales	77.6%	63.7%
Operating expenses	-7,475	-5,744
Net operating income (loss)	**-3,658**	**-4,130**
Net income (loss)	**-3,674**	**-4,086**

[1] The accounts, having been subject to a limited review, were adopted by the Board of Directors on 18 September 2014.

In the 2014 first half, VEXIM's sales reached €4.9 million, up 93.5% from the same period in 2013. This excellent momentum reflects the effectiveness of VEXIM's direct sales strategy for SpineJack® in Europe (83% of sales), supplemented by specialized distributors in selected countries (17% of sales).

The gross margin for the first half more than doubled from the 2013 first half to €3.8 million. As a percentage of sales, the gross margin for the period ending June 30, 2014 increased by 14 percentage points year over year to reach nearly 78%. This strong rise results from the predominant share of direct sales, but also improved scale-up processes following the launch of the New Generation of SpineJack® in Q2 2014. This reflects as well the good average selling price of the device in Europe.

In a context of strong growth, operating expenses rose only 30% from the 2013 first half, approximately three times slower than revenue, to reach €7.5 million. This tight control over operating expenses led to a €0.5 million improvement in the net operating loss that declined to €3.7 million.

Based on the above, the net loss for the period was €3.7 million, down €0.4 million from the 2013 first half.

A flexible financial structure

At the beginning of the year, VEXIM carried out a successful capital increase without preferential subscription rights for €11.8 million, strengthening its equity and diversifying the shareholder base including an 8.9% ownership acquired by Bpifrance.

On 30 June 2014, VEXIM had €8.2 million in cash reflecting a measured investment strategy, concentrated mainly on clinical and commercial developments.

In addition, under the terms of a contingent equity line secured in October 2013, VEXIM may issue up to 400,000 new shares and raise additional capital according to its requirements.

Half-year operating highlights

Investments programmed for 2014 were concentrated in the first half:

Major clinical advances
The results of two clinical studies were published by VEXIM in the first half:

- In March, a retrospective study on 178 patients showing the excellent long-term results of SpineJack® for long-lasting benefits in terms of pain reduction, recovery of the patients' functional capacities and maintenance of the anatomical restoration of the vertebra;
- In May, the one-year intermediate results of an international clinical study of 103 patients demonstrated the capacity of SpineJack® in treating acute fresh traumatic vertebral compression fractures.

SpineJack®'s CE mark expanded
Based on positive clinical data, SpineJack®'s CE mark was expanded to all types of vertebral compression fractures, including the most complex and unstable.

Launch of the New Generation SpineJack® device
At the SFCR Congress in Paris from June 5-7, 2014, Vexim presented the new generation SpineJack® device, introducing improvements in the implant system, simplifying and thereby improving fluidity in surgical procedures and also contributing to optimizing the manufacturing processes.

Pursuing the growth strategy

After excellent performances in the first half, VEXIM intends to pursue its growth momentum by focusing on its main strategic priorities:

Preparing for the product portfolio launch in the United States
As outlined in its last press release, VEXIM opened a subsidiary in the United States to support the development of commercial operations in the US market that will be based on a network of agents and specialized dealers. The next stages in this process will involve the establishment of a local marketing team for the commercial launch in early 2015 of vertebroplasty and kyphoplasty solutions. Simultaneously, VEXIM initiated a regulatory approval process for SpineJack® in the US market.

Continuing development in Europe
VEXIM intends to pursue the direct deployment of SpineJack® in European hospitals and clinics, by introducing its technology to the largest number of physicians. The objective of training 300 surgeons remains a strategic priority, notably following the resounding success of the 3rd Expert Symposium organized in May by VEXIM in Lisbon, attended by more than 120 back and spine specialists.

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2014 provisional financial reporting schedule*:
2014 annual sales: January 19, 2015
*Indicative date, subject to potential modifications

About VEXIM, the innovative back microsurgery specialist

Based in Balma, near Toulouse (France), VEXIM is a medical device company created in February 2006. The Company has specialized in the creation and marketing of mini-invasive solutions for treating traumatic spinal pathologies. Benefitting from the financial support of its longstanding shareholders, Truffle Capital[2] and Banexi Venture, and from OSEO public subsidies, VEXIM has designed and developed the SpineJack®, a unique implant capable of repairing a fractured vertebra and restoring the balance of the spinal column. The Company currently has 57 staff. It has its own sales teams in France, Germany, Italy, Spain, Switzerland and the United Kingdom, as well as distributors notably in Argentina, India, Taiwan, Belgium, South Africa, Colombia, Chile, Panama and in the following countries where the product is currently being registered: Mexico, Brazil, Venezuela, Ecuador and Peru. VEXIM has been listed on NYSE Alternext Paris since May 3, 2012.
For further information, please go to www.vexim.com

SpineJack®[3] revolutionary implant for treating Vertebral Compression Fractures

The revolutionary aspect of the SpineJack® lies in its ability to restore a fractured vertebra to its original shape, restore the spinal column's optimal anatomy and thus remove pain and enable the patient to recover their functional capabilities. Specialized instruments and guided by X-ray allow the implants into the vertebra to be carried out by mini-invasive surgery in approximately 30 minutes enabling the patient to be discharged shortly after surgery. The SpineJack® range consists of three titanium implants with three different diameters, thus covering 95% of vertebral compression fractures and all patient morphologies. SpineJack® technology benefits from the support of international scientific experts in the field of spine surgery and worldwide patent protection until 2029.

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- **Name:** VEXIM
- **ISIN code:** FR0011072602
- **Ticker:** ALVXM

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[2] Founded in 2001 in Paris, Truffle Capital is a leading independent European private equity firm. It is dedicated to investing in and building technology leaders in the IT, life sciences and energy sectors. Truffle Capital manages €550m via FCPRs and FCPIs, the latter offering tax rebates (funds are blocked during 7 to 10 years). For further information, please visit www.truffle.fr and www.fcpi.fr.
[3] This medical device is a regulated health product that, with regard to these regulations, bears the CE mark. Please refer to the Instructions for Use.