



PRESS RELEASE

Full-year 2015 results and first-quarter 2016 revenue

- ▶ Tight grip on expenses, which are set to decline owing to withdrawal from the United States
- ▶ Cash position boosted by €2.1 million subscription commitments
- ▶ Adjusted revenue up 2% in the first quarter of 2016

Eragny-sur-Oise, France, April 28, 2016 – SAFE ORTHOPAEDICS (FR0012452746 – SAFOR), a company offering innovative ranges of sterile implants combined with their single-use instruments for back surgery, is announcing its full-year 2015 results and its first-quarter 2016 revenue.

“In 2015, we continued to pursue our R&D efforts, launching trauma and fenestrated screws. A new cervical range is also under development and scheduled for introduction during the second quarter of 2016. In addition, we began to refocus our activities in an effort to reallocate our resources to the most rapidly expanding regions. To this end, we are hiring a new Chief Executive Officer, and our search is making good progress. We plan to move into several new countries in 2016, and very recently we sealed a distribution agreement covering Australia and New Zealand, representing the first concrete achievement as part of our refocusing drive”, said Gérard Vaillant, Chairman of Safe Orthopaedics’ Board of Directors.

Full-year 2015 results in line with Safe Orthopaedics’ expansion strategy

in thousands of euros	2015	2014
Revenue	2,498	2,053
Purchases used and change in inventories	(2,024)	(1,640)
External costs	(2,684)	(2,221)
Personnel costs	(3,905)	(3,048)
Other operating expenses	(1,107)	(710)
Operating income/(loss) before non-recurring items	(7,218)	(5,566)
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Net financial income	656	570
Net income	(6,571)	(4,936)

Over 2015 as a whole, Safe Orthopaedics’ revenue rose 25% to €2.5 million, with mixed performance across its various regions. France recorded a strong top-line increase (+65%) despite its limited sales and marketing resources. Conversely, performance fell short of expectations in the highly crowded US market where the health system still tolerates the inherent inefficiencies of reusable instruments.

As announced on March 1, Safe Orthopaedics has decided to refocus its business on the regions expanding most rapidly — France, the rest of Europe and emerging markets.

As a result, the withdrawal from the United States gave rise to €0.1 million in costs that were recognized in 2015, while the expected savings are expected to add up to around €1 million in 2016 and then €1.5 million over a full year.



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In 2015, Safe Orthopaedics also continued its sales & marketing and R&D efforts, while keeping a tight grip on its costs and operating expenses, which rose in keeping with the increase in the headcount from 30 employees at December 31, 2014 to 37 at December 31, 2015.

Adjusted revenue up 2% in the first quarter of 2016

in thousands of euros	Q1 2016	Q1 2015	Change
France	303	257	+18%
Export (excluding the United States)	257	293	-12%
Adjusted revenue*	560	550	+2%
United States (discontinued operations)	100	153	-35%
Total consolidated revenue	660	703	-6%

**Adjusted for discontinued operations in the United States.*

In the first quarter of 2016, Safe Orthopaedics recorded revenue of €0.56 million adjusted for the United States. This small increase reflected the still limited sales & marketing resources allocated to the new priority regions.

Following its refocusing drive, the Company intends to reallocate the sales & marketing resources that were previously largely devoted to the United States. To this end, an International Sales Manager was recruited at the beginning of the year.

The sales teams will thus undergo further reorganization and strengthening over the year, and this initiative should start to pay off from the second quarter of 2016, with the start-up of business in the Australian and New Zealand markets also providing a boost (see the press release dated April 13, 2016).

Cash position

At March 31, 2016, Safe Orthopaedics had €4.15 million in cash, not including the received subscription commitments totaling €2.1 million, as announced at that date.

Safe Orthopaedics has received subscription commitments totaling €1.6 million in the form of OCABSA convertibles with warrants attached from IdInvest Partners, Kurma Partners and several members of the Board of Directors.

The remainder of €0.5 million is also being raised in the form of OCABSA convertibles with warrants attached from the US-based Yorkville fund, which represents the first tranche of a bond debt planned under an issue contract signed with Yorkville on April 27, 2016, allowing to reach, if necessary, a maximum amount of €5.0 million of bond debt in nominal value. This flexible bond financing line will immediately strengthen the Company's financial position.

An initial portion (amounting to €1.2 million) of the OCABSA notes with warrants will be subscribed for immediately by IdInvest Partners and the US-based Yorkville fund. The second portion (amounting to €0.9 million) of the notes with warrants will be subscribed for by the signatories of the aforementioned subscription commitments, subject to the passing at the forthcoming shareholders' meeting of the resolutions authorizing such additional notes with warrants to be issued. The forthcoming shareholders' meeting will also be requested to authorize the issue of additional tranche warrants to the US-based Yorkville fund, obliging the latter, for a period of 36 months, to subscribe for notes with warrants (in a maximum amount of €4.5 million in bond debt) in several successive tranches, which may be drawn at Safe Orthopaedics' discretion (subject to the satisfaction of certain conditions).



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Main characteristics of the notes with warrants issued to Yorkville (OCABSA_{YORKVILLE})

Main terms of the issuance

The OCABSA_{YORKVILLE} will be issued in several successive tranches, upon the exercise of tranche warrants issued free of charge by Safe Orthopaedics (the “**Tranche Warrants**”). If the Tranche Warrants are exercised by Safe Orthopaedics, holders of the Tranche Warrants must, subject to the satisfaction of certain conditions, subscribe to a tranche of OCABSA_{YORKVILLE}. 50 Tranche Warrants, representing a total debt debenture of 0.5 million euros, have already been issued under the 17th and 19th resolutions of the January 9, 2015 shareholders’ meeting. These 50 Tranche Warrants have already been exercised by Safe Orthopaedics.

450 Tranche Warrants may further be issued, should the next shareholders’ meeting approve such issuance.

Should the 500 Tranche Warrants be exercised by Safe Orthopaedics, the maximum total bond debenture will be 5.0 million euros.

It being specified that the issuance will not give rise to the filing of a prospectus with the AMF (French market regulator).

Main characteristics of the notes (OCA_{YORKVILLE})

The OCA_{YORKVILLE} will be issued at 97.5% of their nominal value.

They will have a maturity of 14 months as from issuance date and will not bear interest. On maturity or in case of default, the unconverted OCA_{YORKVILLE} shall be redeemed by Safe Orthopaedics. The OCA_{YORKVILLE}, will not be subject to a request for admission to trading on the Euronext Paris market and will therefore not be listed.

The OCA_{YORKVILLE} may be converted into shares at any time at their holder’s discretion according to the following conversion ratio: $N = Vn / P$

“N”: number of Safe Orthopaedics new ordinary shares to be issued upon conversion of one OCA_{YORKVILLE};

“Vn”: nominal value of one OCA_{YORKVILLE};

“P”:

- 92% of the daily VWAP of Safe Orthopaedics’ share over the pricing period (i.e. those trading days during which the OCA_{YORKVILLE} holder will not have sold shares among the ten trading days immediately preceding the conversion request of the Note) if the Tranche Warrants exceeds 500,000 euros ;
- 95% of the daily VWAP of Safe Orthopaedics’ share over the pricing period (i.e. those trading days during which the OCA_{YORKVILLE} holder will not have sold shares among the ten trading days immediately preceding the conversion request of the Note) if the Tranche Warrants is lower or equal to 500,000 euros;

Such amount being the lowest issue price as authorized by the Shareholders’ meeting of January 9, 2015 in its 17th and 19th resolutions.

Main characteristics of the Warrants (BSA_{YORKVILLE})

The number of BSA_{YORKVILLE} to be issued upon the issuance of each tranche of the OCABSA_{YORKVILLE} will be such that, multiplied by the exercise price of the BSA_{YORKVILLE} (determined as described below), the resulting amount shall be equal to the nominal amount of the Tranche Warrants, i.e. 0.5 million euros for the first Tranche Warrants. 228,310 BSA_{YORKVILLE}, with an exercise price of 2.19 euros, have been issued today after exercise of the 50 Tranche Warrants of the first tranche.



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The BSA_{YORKVILLE} will not be subject to a request for admission to trading on the Euronext Paris market and will therefore not be listed. They will be exercisable during a 5-year period starting on their issuance date (the “Exercise Period”).

Each BSA_{YORKVILLE} will give right to its holder, during the Exercise Period, to subscribe to one new Safe Orthopaedics’ share (subject to certain potential adjustments). The exercise price of the BSA_{YORKVILLE} will be equal to 115% of the average daily VWAP of Safe Orthopaedics’ share over the ten (10) trading days immediately preceding (i) issue date of the first Tranche Warrants and (ii) the exercise date of the Tranche Warrant giving rise to the issuance of the OCA_{YORKVILLE} from which the BSA_{YORKVILLE} are detached for the following Tranches Warrants.

New shares resulting from the conversion of OCA_{YORKVILLE} or the exercise of BSA_{YORKVILLE}

New shares issued upon conversion of OCA_{YORKVILLE} or exercise of BSA_{YORKVILLE} will carry immediate and current dividend rights. They will carry the same rights as those attached to the existing ordinary shares of the Company and will be admitted to trading on Euronext Paris market under the same listing line (ISIN FR0012452746).

Safe Orthopaedics will publish and update on its website a table of the outstanding Tranche Warrants, OCA_{YORKVILLE}, BSA_{YORKVILLE} and number of shares.

On an indicative basis, based on the closing stock price on April 27, 2016, *i.e.* 2.04 euros, the theoretical impact of the conversion of all the OCA_{YORKVILLE}, and of the exercise of all BSA_{YORKVILLE} on a shareholder’s position is as follows: a shareholder currently holding 1.0% of Safe Orthopaedics’ share capital will hold 0.97% of Safe Orthopaedics’ share capital after the conversion of all the OCA_{YORKVILLE}, and the exercise of all the BSA_{YORKVILLE}.

Yorkville’s Commitments

Until the latest of (i) the end of the commitment period of 36 months and (ii) the full conversion and/or redemption of all the outstanding OCA_{YORKVILLE}, Yorkville committed:

- not to hold at any time a number of shares higher than 4.99% of the outstanding number of shares of the Safe Orthopaedics (except in case of Safe Orthopaedics’s agreement); and
- not to request any seat at the Board of Directors of Safe Orthopaedics.

Theoretical value of the BSA_{YORKVILLE}

Based on the volatility assumption adopted for the share (40%) and the closing price of Safe Orthopaedics’ shares on April 26, 2016 (2.01 euros), the theoretical value of the BSA_{YORKVILLE} works out at 0.71 euros.

Main characteristics of the other Notes With Warrants (« OCABSA_{Id} »)

Main terms of the issuance

The OCABSA_{Id} have been issued pursuant to the 7th resolution of the June 25, 2015 shareholders’ meeting and reserved to funds managed par IdInvest Partners.



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Main characteristics of the Notes (OCA_{Id})

The OCA_{Id} have a nominal value of €1.71 each (the "**Nominale Value**"), which represents a total debenture value of 700,000 euros.

The OCA_{Id} will not be subject to a request for admission to trading on the Euronext Paris market and will therefore not be listed, will have a maturity of seven years as from their issuance date, and will not bear interest.

The OCA_{Id} may be converted into new shares at any time at their holder's discretion. Each OCA_{Id} will give right to one new Safe Orthopaedics' share with a par value of 0.10 euros, issued for 1.71 euro (subject to certain potential adjustments).

Main characteristics of the Warrants (BSA_{Id})

One BSA_{Id} will be attached to each OCA_{Id} and will immediately be detached from the OCA_{Id}.

The BSA_{Id} will not be subject to a request for admission to trading on the Euronext Paris market and will therefore not be listed. They will be exercisable from their issuance date until April 30, 2021 (the "**Exercise Period**"). The non-exercised BSA_{Id} on April 30, 2021 will be considered as null and void.

Each BSA_{Id} will give right to its holder, during the Exercise Period, to subscribe to one new Safe Orthopaedics' share (subject to certain potential adjustments). The exercise price of the BSA_{Id} will be equal to 115% of the nominal value of the OCA_{Id}.

New shares resulting from the conversion of OCA_{Id} or the exercise of BSA_{Id}

New shares issued upon conversion of OCA_{Id} or exercise of BSA_{Id} will carry immediate and current dividend rights. They will carry the same rights as those attached to the existing ordinary shares of the Company and will be admitted to trading on Euronext Paris market under the same listing line (ISIN FR0012452746).

On an indicative basis, the theoretical impact of the conversion of all the OCA_{Id} and of the exercise of all BSA_{Id} on a shareholder's position is as follows: a shareholder currently holding 1.0% of Safe Orthopaedics' share capital will hold 0.94% of Safe Orthopaedics' share capital after the conversion of all the OCA_{Id}, and the exercise of all the BSA_{Id}.

Theoretical value of the BSA_{Id}

Based on the volatility assumption adopted for the share (40%) and the closing price of Safe Orthopaedics' shares on April 26, 2016 (2.01 euros), the theoretical value of the BSA_{Id} works out at 0.64 euros.

Correction to the number of surgeries reported, with no impact on the revenue recorded in 2015

Following further control procedures, an error has come to light, with no impact on 2015 revenue. The total number of surgeries reported on February 11, 2016 when 2015 revenue figure was released contained an error of 467 surgeries. Accordingly, the adjusted number of surgeries in 2015 stands at 1,843, below the previously announced figure of 2,310 and also below the 2015 target of 2,200 surgeries. Even so, the number of surgeries outside the United States still showed a highly positive trend, with growth running at 84% (rather than 133%), providing further evidence of the solid market penetration achieved by Safe Orthopaedics' products.



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The now corrected error stemmed from shortcomings in the methodology used to collect data from certain distributors. Safe Orthopaedics will continue to use the number of surgeries as an internal performance indicator, but as a precautionary measure, will no longer disclose it given the growing complexity of the procedure and time required to perform checks on the larger number of distributors it deals with. That said, Safe Orthopaedics reserves the right to continue referring in its reports to the number of surgeries in certain territories where it can be certain of the data quality.

Changes to the roles of Dominique Petit and Thomas Droulout, Company's co-founders

Dominique Petit, co-founder of Safe Orthopaedics, its former Chief Technology Officer and Chief Operating Officer, will continue as a consultant to play a role in the technical development and management of the network of key opinion leaders involved in the technical development of Safe Orthopaedics' products. Dominique will also remain a member of the Board of Directors.

Thomas Droulout, co-founder and Head of R&D, will now also act as Chief Technology Officer, with responsibility for R&D and industrialization.

Next publication: 2016 Q2 revenue, July 12, 2016 (after the market closes)

About Safe Orthopaedics:

Founded in 2010, Safe Orthopaedics is a French medical technology company that develops and markets an innovative range of sterile implants and associated single-use surgical instruments, with the aim of facilitating safer, optimized and lower-cost spinal surgery. By avoiding the reuse of surgical instruments, Safe Orthopaedics reduces the risk of infection, avoids the cumbersome and unreliable logistics of instrument sterilization, and limits hospital costs. Protected by 17 patent families, the SteriSpine™ Kits are CE-marked and FDA cleared. The company is based at Eragny-sur-Oise (France), and has 37 employees.

For more information, visit: www.SafeOrtho.com

Disclaimer

This press release contains information related to the markets where Safe Orthopaedics operates and forward-looking statements. Even though Safe Orthopaedics believes that this information and forward looking statements are based on current plans and forecasts of Safe Orthopaedics, such forward-looking statements are, by their nature, subject to a number of important risks and uncertainties that could cause actual results to differ materially from the plans, objectives and expectations expressed or implied in such forward-looking statements. A full description of the risks and uncertainties that could affect its results, financials, performance or achievements and thus lead to a change from the forward-looking statements, securities can be found in the Safe Orthopaedics's annual report and half-year report available at its website.

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