



**2018 annual results**  
**Implementation of the NEWWAY 2021 plan**  
**Strategic acquisition in Latin America**

<i>In thousands of euros</i> <i>Consolidated accounts</i>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>	<b>6 515</b>	<b>9 138</b>
<b>Gross margin</b>	<b>4 201</b>	<b>6 151</b>
<i>% of revenue</i>	<i>64.5%</i>	<i>67.3%</i>
Operating revenue	823	574
Operating expenses	- 8 901	- 7 571
<b>Operating income</b>	<b>- 3 878</b>	<b>- 845</b>
<b>Net income</b>	<b>- 4 124</b>	<b>- 965</b>

*Spineway's Board of Directors, at a meeting held on 26 April 2019 chaired by Stéphane Le Roux, closed the 2018 annual accounts. The Group's statutory auditors audited said accounts and their reports are being prepared.*

**A reorganization that automatically had an adverse impact on the 2018 accounts**

SPINEWAY confirms 2018 revenue of €6.5M (-29%) resulting from a sharp drop in US sales following the liquidation of the main distributor, now generating only 5% of the group's revenue (compared with 40% last year).

Outside the US, the Group's activity was of €6.2M, up 14% compared with 2017.

In line with the first half of the year, the annual accounts reflect this drop in activity and bear the effects of the reorganization of the US subsidiary during the second half of the year. The Operating income was therefore at - €3.9M, including in particular the posting of some provisions for end-of-shelf-life inventory (€0.6M) and the unpaid invoices from the US distributor that has ceased its activity (€0.4M).

In addition, as the Groupe recruited a new CEO for its US subsidiary, it bore the expenses for two on-site US teams over the last quarter. As of 2019, the US subsidiary should show a significant decrease in personnel expenses.

Also, in order to support the changes in its product lines, Spineway kept up its R&D expenses, which amounted to €1.3M in 2018 (19% of 2018 revenue) and allowed it to benefit from a refundable tax credit of €0.4M for the financial year.

After these exceptional expenses, net income amounted to -€4.1M.

During the course of the financial year, the Group strengthened its financial structure by signing, in July 2018, a financing agreement for the issuance of *OCEANE* (bonds convertible into new and/or existing shares) with warrants representing a maximum of €14.5M. To date, the Group has issued five tranches of *OCEANE*, representing a total of €5.5M.

The conversion of the *OCEANE* issued during the 2018 financial year made it possible to boost the Group's equity capital, which was of €946k at the end of December, which included the financial year's losses. The Group's net debt amounted to €4.1M, with 77% representing short-term debts.

### Future prospects

During the first quarter of 2019, Spineway generated a revenue of €1.3M, compared with €1.8M the previous year (-28%). This level of activity reflects, in particular, the Group's new marketing policy to focus on the more profitable countries. Spineway's revenue in Europe remains stable at €387k, while recording a slight progress in MEA/India (+8%). In Latin America, Spineway voluntarily offset some deliveries in order to limit its trade receivables.

Furthermore, in line with its strategic plan to improve profitability, Spineway decided to lower its structural costs and, during the second quarter of 2019, began efforts to decrease its workforce in France by approximately 20%.

At the AAOS (American Academy of Orthopaedic Surgeons) Annual Meeting in Las Vegas last March, the US teams were able to make promising contacts and test the interest of surgeons and distributors in the Group's product lines: Mont-Blanc Evo, as well as the Mont-Blanc MIS line. Fully reorganized and with top-tier logistical support services (24-hour delivery, real-time inventory tracking, etc.), Spineway's US subsidiary should begin seeing the results of its prospecting efforts by the second half of 2019.

### Change in scope initiated as part of the implementation of the Newway 2021 plan

Early 2019, Spineway presented its new strategic plan, **Newway 2021**, which targets double-digit annual growth and a return to profitability in the long term. The latter goal focuses on three key directions:

- **New marketing policy** in order to improve product/country profitability (Japan, USA, Europe, etc.).
- **Evolving product lines toward premium positioning** in order to reposition the Group's products on a more profitable market (Mini-Invasive – MIS product line). Namely, a new generation of Mont Blanc pedicle screws, the Mont Blanc Evo product line, was presented at the Eurospine Conference in Barcelona at the end of 2018.
- **Targeted partnerships in order to accelerate development** on its more profitable markets or strengthen its positions in areas it is already present.

On March 20<sup>th</sup>, in accordance with the strategic plan, Spineway announced that it had entered into a promise of sale<sup>1</sup> by which it will acquire an equity stake (first a majority interest, then a 100% interest *in fine*) in a hospital group that manages private hospitals in Latin America and Africa.

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<sup>1</sup> Bilateral agreement to sell and purchase subject to conditions precedent with a unilateral selling option.

This Group owns three hospitals based in Colombia (500 beds, 2 450 employees and performing approximately 36 000 operations per year) and a network of hospitals in Africa (209 beds). It generated a total revenue of over €73M in 2018.

This equity investment is tied to the mid-September implementation of a partnership agreement that should allow accord Spineway to significantly improve its sales in the area. Furthermore, this vertical integration should result in a new group that will be recognized in the health field, with an original business model, and should provide Spineway with unique development opportunities.

The transaction is subject to the meeting of all the usual conditions precedent, in particular audit requirements, which are currently in progress.

***SPINEWAY IS ELIGIBLE FOR THE PEA-PME (EQUITY SAVINGS PLANS FOR SMES)***

*Find out all about Spineway at [www.spineway.com](http://www.spineway.com)*

*The annual accounts will be available on the company's website  
on 30 April 2019, after market closes.*

This press release has been prepared in both English and French. In case of discrepancies, the French version shall prevail.

***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 revenue comes from exports.***

***Spineway, which is eligible for investment through FCPIs (French unit trusts specializing in innovation), has received the OSEO Excellence award since 2011 and has won the Deloitte Fast 50 award (2011). Rhône Alpes INPI Patent Innovation award (2013) – INPI Talent award (2015). ISIN: FR0011398874 - ALSPW***

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