Implementation of the new strategic plan

Signature of a financing agreement with Alpha Blue Ocean for a reserved issue of OCEANE (bonds convertible into new or existing shares) with attached warrants

As announced on 13 June 2018, SPINEWAY, specialist in surgical implants and instruments for treating disorders of the spinal column (spine), finalized a new strategic plan aiming to reposition Spineway on its markets via targeted actions:

- refocus its activities on the most promising areas;
- reorganize its US subsidiary and reinforce R&D to adapt its instruments/implants in order to access additional markets;
- reinforce its innovation strategy via targeted acquisitions;
- refinance growth.

This transformation should allow Spineway to change its scope and set itself on a new path toward profitable growth in the coming years.

To accelerate the implementation of this roadmap, Spineway announces that it has set up financing with Alpha Blue Ocean, Inc.

This financing, representing a maximum of €14.50M, will allow it to carry out this ambitious plan while covering its day-to-day operating needs.

Legal framework

In accordance with the power granted to the Board of Directors and approved by the Ordinary and Extraordinary General Meeting held by the shareholders of Spineway (the “Company”) on 25 June 2018, on 4 July 2018, Spineway’s Board of Directors approved the principle of an issue of 200 tranche warrants (the “Tranche Warrants”) that, upon exercise, results in the issue of 200 bonds convertible into new or existing shares (the “OCEANE”) with attached warrants to subscribe shares (the “Warrants”), representing a bond issue with a total par value of €2M in favor of the European High Growth Opportunities Securitization Fund (the “Investor”), an investment fund managed by European High Growth Opportunities Manco SA, a Luxembourg asset-management company, and empowered the CEO to launch this transaction, approve its final terms and conditions, and issue said Tranche Warrants.

Pursuant to the issuance agreement entered into on this day between the Investor and Spineway (the “Issuance Agreement”), the Investor has agreed to subscribe, within a maximum period of 36 months:

i. first, through 15 September 2018, up to 200 OCEANE with attached Warrants, representing a total par value of €2M, in two successive €1M tranches (each referred to as a “Tranche”) (the “Initial Commitment”);

ii. second, in accordance with the Issuance Agreement, and subject to approval by an Extraordinary General Meeting to be held by Spineway’s shareholders by 30 October 2018 at the latest of a power in favor of the Board of Directors allowing the pursuit of said financing program to its completion, the Investor has agreed to subscribe, pursuant to the exercise of 800 Tranche Warrants, as from said Extraordinary General Meeting, 800 OCEANE with attached Warrants, representing a total par value of €8M, in two successive €1M Tranches, and then twelve €0.5M Tranches (the “Additional Commitment”).

For its part, the Company has agreed not to initiate the exercise of any tranche warrants issued pursuant to the agreement for the issuance of Notes with attached Warrants entered into with the YA II PN, LTD investment fund.
Press release  

Ecully, 10 July 2018

on 28 July 2017 until the expiration of the Issuance Agreement. In the event that tranche warrants are exercised at YA II PN, LTD’s initiative before the end of the Issuance Contract, the Company undertakes to implement a Rest Period (as defined below) of 80 trading days, which will have the effect of postponing the Company’s ability to request that the Investor exercise any Tranche Warrants during the term of said Period.

In any event, the Investor shall not remain a long-term shareholder in Spineway’s capital.

Purpose of the transaction

The purpose of the issuance of these OCEANE with Warrants is to provide Spineway with the financial means necessary to carry out its new strategic plan and finance its 2018 operating costs. The transaction (Initial Commitment and Additional Commitment together) could result in a maximum capital investment of approximately €14.50M, broken down as follows:

- €9.5M corresponding to the subscription of all the 1,000 OCEANE to be issued pursuant to the financing program, at a unit subscription price equal to 95% of their par value; and
- €5M corresponding to the exercise of all the attached Warrants.

In 2018, close to €2M will be allocated to the financing of the first steps in the strategic plan, which include the reorganization of the US subsidiary, strengthening the Group’s sales and studying external-growth options. The balance of this new financing will, over the next years, be applied to reinforcing the innovation strategy, financing the WCR and adapting instruments/implants for the redeployment of sales in the United States and China.

Stéphane Le Roux, CEO of the Spineway Group, commented on this potential contribution of €14.50M in additional financial resources: “This transaction will allow us to significantly strengthen the Group’s financial structure and give us the means to carry out our development plan. It was important that we be able to acquire significant resources in order to implement our redeployment and reorganize our subsidiary in the US, as this is an area of strong growth potential for us. Moreover, this financing will allow us to take advantage of any and all external-growth opportunities with respect to the strategic targets we have already identified.”

Pierre Vannineuse, head of European High Growth Opportunities Manco SA, commented as follows: “This partnership between Spineway and Alpha Blue Ocean is part of our global project to invest in players in the field of healthcare. This investment program, which aims to strengthen activity in the short term as well as start developing long-term projects right away, will allow the company to reinforce its role as a leader in severe spinal-column disorders. We are firmly convinced that their international development strategy will be successful, and that this financing will enable them to acquire the market shares necessary for them to establish a lasting presence.”

Characteristics of the Tranche Warrants, OCEANE and Warrants

The main characteristics of the Tranche Warrants, OCEANE and Warrants are as follows:

- **Main characteristics of the Tranche Warrants**

The Tranche Warrants require their bearer, at the Company’s request (a “Request”) pursuant to the Initial Commitment and the Additional Commitment or pursuant to the Investor’s call option (the “Investor Option”) exclusively under the Additional Commitment, to subscribe OCEANE with attached Warrants, i.e., one OCEANE

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(i) The following conditions must be met on the day the Warrants are exercised:

- The issuer must comply with the obligations set forth in the Issuance Agreement;
- No event or change causing the representations put forth by the issuer in the Issuance Agreement to become false or incorrect;
- No binding commitment has been undertaken by the issuer with respect to a change in control;
- No competent authority (in particular the AMF) has taken position against the issuance of the OCEANE or the Warrants, or their conversion or exercise;
- No event constituting a case of default as per the Issuance Agreement is occurring and not resolved during the applicable grace or appeal period;
- The commitment period of 32 months as from 30 October 2018 has not expired;
- The Spineway shares (i) are listed on the Euronext Growth Paris market and (ii) their listing has not been suspended on the date in question, whether by the AMF or Euronext, on the Euronext Growth Paris market (iii) have not been threatened, as from the date in question, whether (a) in writing by the AMF or Euronext or (b) by failure to meet the minimum requirements to remain listed on the Euronext Growth Paris market;
- The issuer must have at least a number of authorized, available and approved shares for the Investor upon conversion of all the OCEANE outstanding, equal to the par value of the OCEANE to be issued upon expiration of the Rest Period in question (plus the par value of any other OCEANE outstanding, as the case may be) divided by the average daily volume-weighted price on the end date of each Rest Period;
- The closing price of the Spineway share on the Euronext Growth Paris market must have exceeded 200% of the par value of the Spineway share over a period of over 60 trading days prior to the submission of the Request or prior to the date on which the Request is deemed to have been submitted (or, if this is not the case, an extraordinary general shareholders meeting shall have been held during such period in order to decrease the share capital by dividing the par value of the Spineway share in half or at least lowering it as much as possible).
per Tranche Warrant exercised, at a price set at 95% of the par value of an OCEANE. The Company can therefore request the exercise of the Tranche Warrants in order to allow the issuance of OCEANE in several tranches. Each exercise date of a Tranche Warrant is a “Tranche Warrant Exercise Date.”

A Request for the issuance of a Tranche pursuant to the exercise of one hundred (100) Tranche Warrants shall be deemed submitted by SpineWay to the Investor on the following dates:

- 9 July 2018 (exercise of 100 Tranche Warrants issued pursuant to the Initial Commitment);
- 15 September 2018 (exercise of 100 Tranche Warrants issued pursuant to the Initial Commitment);
- 30 October 2018 (exercise of 100 Tranche Warrants issued pursuant to the Additional Commitment, as the case may be);
- 1 January 2019 (exercise of 100 Tranche Warrants issued pursuant to the Additional Commitment, as the case may be).

As from the third Tranche under the Additional Commitment and for the following Tranches, a Request for the issuance of a Tranche pursuant to the exercise of the Tranche Warrants shall be deemed submitted by SpineWay to the Investor upon expiration of each period of 40 trading days following the exercise of a Tranche Warrant (the “Rest Period”).

The Tranche Warrants are freely transferable to any other fund or company controlling or controlled by European High Growth Opportunities Securitization Fund but cannot be transferred to a third party without the Company’s prior approval. They shall not be the subject of a request for admission to trading on Euronext Growth and therefore shall not be listed.

- **Main characteristics of the OCEANE**

The OCEANE shall be issued in several Tranches. The nominal amount of the two Tranches of the Initial Commitment shall be equal to €1M each. The nominal amount of the first two Tranches of the Additional Commitment shall be equal to €1M each, then the aggregate nominal amount of each of the following Tranches shall be equal to €0.5M.

The OCEANE have a par value of €10,000 each and are subscribed at 95% of par.

The OCEANE have a maturity of 12 years from their date of issuance. In case of an event of default(1) or if new shares are not delivered in accordance with the Issuance Agreement, the OCEANE that have not been converted shall be redeemed by the Company at par. Upon maturity, the OCEANE shall automatically be converted into shares. The OCEANE do not bear interest.

At its discretion, the Investor may convert all or any of the OCEANE into new and/or existing shares (a “Conversion”). Upon a Conversion, the Investor shall determine the number of OCEANE to be converted and the corresponding aggregate par value so converted (the “Conversion Amount”). The number of shares to be issued to the Investor upon each Conversion shall be equal to the Conversion Amount divided by 95% of the Market Price (as defined below) on the Conversion date.

Upon a Conversion, the Company shall have the right at its sole discretion to remit to the Investor the corresponding new and/or existing shares (as described above).

The market price (the “Market Price”) shall be the lowest daily volume-weighted average price of the Company’s share over the fifteen (15) consecutive trading days immediately preceding the applicable date (the “Pricing Period”). By way of exception, in the case of a Conversion, or upon exercise of Tranche Warrants or Investor Option during the Additional Commitment, the Pricing Period shall mean the last fifteen (15) trading days.

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(1) Events of default include, in particular:
- continued failure to perform the obligations set forth in the Issuance Agreement for a period of 30 days as from the first of the following dates: (i) the date on which the Company becomes aware of the failure and (ii) the date on which the Investor notifies the Company of said failure;
- the Company’s failure to deliver the shares owed to the Investor within the three trading days following the date the OCEANE are converted or the Warrants are exercised.
Immediately preceding the applicable date during which the Investor did not sell any shares of the Company on the market.

The OCEANE are freely transferable to any other fund or company controlling or controlled by European High Growth Opportunities Securitization Fund but cannot be transferred to a third party without the Company’s prior approval. They shall not be the subject of a request for admission to trading on Euronext Growth and therefore shall not be listed.

- **Main characteristics of the Warrants**

Each OCEANE shall be issued with a number of Warrants equal to 50% of the par value of an OCEANE divided by the strike price of the Warrants in question (the “Strike Price”). The Warrants shall immediately be detached from the OCEANE and each Warrant shall give its bearer the right to subscribe for one (1) new share in the Company, subject to possible adjustments.

The Strike Price of the Warrants attached to the OCEANE shall be equal to 115% of the average daily volume-weighted price of the Spineway share over the fifteen (15) trading days preceding the Request in question (or on the Tranche Warrant Exercise Date in the event that the Investor Option is exercised during the Additional Commitment), it being specified that, for the first Tranche, the Warrant Strike Price shall be equal to 115% of the lower of (i) the Market Price immediately preceding the signature of the commitment letter (i.e., 1.3641 euros) and (ii) the Market Price immediately preceding the Request to be submitted for the first Tranche.

The Warrants shall be exercisable in new shares for a period of five years from their respective issuance dates.

The Warrants are freely transferable to any other fund or company controlling or controlled by European High Growth Opportunities Securitization Fund but cannot be transferred to a third party without the Company’s prior approval. They shall not be the subject of a request for admission to trading on Euronext Growth and therefore shall not be listed.

For reference, based on the share’s closing price on 6 July 2018 (i.e., €1.45), the theoretical value of a Warrant would be between €0.34 and €0.69 depending on the volatility applied (i.e., between 30% and 60%). The theoretical value of a Warrant is obtained using the Black & Scholes formula based on the following hypotheses:

- maturity: 5 years;
- risk-free interest rate: 0%;
- dividend payout rate: 0%.

**New shares resulting from the Conversion of OCEANE or the exercise of Warrants**

The new shares issued upon conversion of the OCEANE and/or exercise of the Warrants shall be admitted to trading on Euronext Growth as from their issuance, will carry immediate and current dividend rights and will be fully assimilated to and fungible with the existing shares.

The Company shall update a summary table on its website showing the Tranche Warrants, OCEANE, Warrants and number of shares outstanding.

**Theoretical impact of the issuance of the OCEANE with attached Warrants (based on the Company share’s closing price on 6 July 2018, i.e., €1.45)**

For reference, assuming the Company decides to remit only new shares upon Conversion of the OCEANE, the impact of the issuance of the OCEANE with attached Warrants would be as follows:
• Impact of the issuance on the consolidated net assets per share (based on the shareholders’ equity as at 31 December 2017, i.e., €3.0M, and the number of shares making up the Company’s share capital as at 6 July 2018, i.e., 4,467,371 shares):

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<thead>
<tr>
<th></th>
<th>Non-diluted basis</th>
<th>Diluted basis(1)</th>
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<tbody>
<tr>
<td></td>
<td>1st Tranche</td>
<td>Total</td>
</tr>
<tr>
<td>Before issuance</td>
<td>€0.67</td>
<td></td>
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<tr>
<td>of the new shares</td>
<td></td>
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<tr>
<td>resulting herefrom</td>
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</tr>
<tr>
<td>After issuance of</td>
<td>€0.71</td>
<td>€1.00</td>
</tr>
<tr>
<td>a maximum of 1,080,333 shares (1st Tranche) or of 8,025,340 new ordinary shares (total Tranches) resulting from the reimbursement of the OCEANE in shares</td>
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<td></td>
</tr>
<tr>
<td>After issuance of</td>
<td>€0.76</td>
<td>€1.12</td>
</tr>
<tr>
<td>a maximum of 1,399,065 shares (1st Tranche) or of 11,212,661 new ordinary shares (total Tranches) resulting from the reimbursement of the OCEANE in shares and the exercise of the Warrants</td>
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(1) assuming the exercise of all the dilutive instruments existing to date that could result in the creation of an indicative maximum of 2,230,088 new shares.

• Impact of the issuance on the investment of a shareholder currently holding 1% of the Company’s share capital (based on the number of shares making up the Company’s share capital as at 6 July 2018, i.e., 4,467,371 shares):

<table>
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<tr>
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<th>Non-diluted basis</th>
<th>Diluted basis(1)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>1st Tranche</td>
<td>Total</td>
</tr>
<tr>
<td>Before issuance</td>
<td>1.00%</td>
<td></td>
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<tr>
<td>of the new shares</td>
<td></td>
<td></td>
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<tr>
<td>resulting from this capital increase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>After issuance of</td>
<td>0.81%</td>
<td>0.36%</td>
</tr>
<tr>
<td>a maximum of 1,080,333 shares (1st Tranche) or of 8,025,340 new ordinary shares (total Tranches) resulting from the reimbursement of the OCEANE in shares</td>
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<td></td>
</tr>
<tr>
<td>After issuance of</td>
<td>0.76%</td>
<td>0.28%</td>
</tr>
<tr>
<td>a maximum of 1,399,065 shares (1st Tranche) or of 11,212,661 new ordinary shares (total Tranches) resulting from the reimbursement of the OCEANE in shares and the exercise of the Warrants</td>
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</table>

(1) assuming the exercise of all the dilutive instruments existing to date that could result in the creation of an indicative maximum of 2,230,088 new shares.

The Company specifies that, in the event that the OCEANE are converted, it has the right to remit existing shares instead of new shares in order to limit dilution for its shareholders.

Next communication: Revenue for the first half of 2018 – 11 July 2018 after market closes

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

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

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