SpineGuard Reports Six-Month 2018 Financial Results

- Operating loss improves by 50% and reduces to €0.8m
- EBITDA improves by 70% and reduces to € -0.5m
- Gross margin increases to 86.3%
- Cash at €0.9m and financing for up to Euro 9.0m secured

PARIS and SAN FRANCISCO, Sept. 18, 2018 – 18h00 CET – SpineGuard (FR0011464452 – ALSGD), an innovative company that designs, develops, and markets disposable medical devices intended to make spine surgery safer by bringing real-time digital technology into the operating room, announced today financial results for the half year ending June 30, 2018, as approved by the Board of Directors on September 18, 2018.

Stéphane Bette, CEO of SpineGuard, said: “Our results are in line with our objectives and demonstrate that we are moving toward our operational profitability goal by year-end. Strengthened by our recent financings, we will continue to invest for our growth with a focus on the United States, the DSG smart screw as well as to prepare for the future with the digital and robotic applications of our DSG® technology.”

<table>
<thead>
<tr>
<th>€ thousands – IFRS</th>
<th>H1 2018</th>
<th>H1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>3,626</td>
<td>4,199</td>
</tr>
<tr>
<td>Gross margin</td>
<td>3,131</td>
<td>3,613</td>
</tr>
<tr>
<td>Gross margin (% of revenue)</td>
<td>86.3%</td>
<td>86.0%</td>
</tr>
<tr>
<td>Sales, distribution, marketing</td>
<td>-2,436</td>
<td>-3,400</td>
</tr>
<tr>
<td>Administrative costs</td>
<td>-980</td>
<td>-1,055</td>
</tr>
<tr>
<td>Research &amp; Development</td>
<td>-554</td>
<td>-684</td>
</tr>
<tr>
<td>Non recurring operating profit / (loss)</td>
<td>-839</td>
<td>-1,526</td>
</tr>
<tr>
<td>Non recurring operating costs</td>
<td>0</td>
<td>-152</td>
</tr>
<tr>
<td>Operating profit / (loss)</td>
<td>-839</td>
<td>-1,678</td>
</tr>
<tr>
<td>Financial result</td>
<td>-229</td>
<td>-566</td>
</tr>
<tr>
<td>Income tax</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net profit / (loss)</td>
<td>-1,086</td>
<td>-2,244</td>
</tr>
<tr>
<td>EBITDA</td>
<td>-483</td>
<td>-1,612</td>
</tr>
</tbody>
</table>

NB: unaudited

Operating break even for year-end well underway

Operating loss improves by 50% at - €839K- vs. - €1,678K and EBITDA improves by 70% at - €483K at June 30, 2018 compared to - €1,612K at June 30, 2017.
Operating expenses were €3,970K compared with €5,139K for H1 2017, a decrease of €1,169K compared with June 30, 2017.

Gross margin of 86.3% at June 30, 2018 compares favorably with the prior year result of 86.0%. The change mainly reflects a stronger ASP in the USA, in particular, thanks to the PediGuard Threaded and the permanent actions on cost of goods.

For H1 2018, the Company reported revenue of €3,626K, down 5% cc (14% reported) compared with H1 2016.

Revenue in the United States decreased 1% cc (-11% reported) to €3,022K in the first half of 2018, compared with €3,397K in the first half of 2017. In the rest of the world, revenue decreased 25% during the first half of 2018 to €604K compared with €802K in the first half of 2017.

4,352 DSG units were sold in the first half of 2018 compared with 4,264 in the first half of 2017, including 2,599 in the United States, representing 61% of total units sold.

Working capital requirements were €806K compared with €706K at December 31, 2017.

At June 30, 2018, cash and cash equivalents were €861K compared with €1,190K at December 31, 2017, and is explained as follows:

- The operating cash flow of €(566)K compared with the same period last year of €(1,494)K.
- Equity funding using the equity line (OCAPI) for a gross amount of €1,200K throughout the period.
- The payment of interests to IPF Partners of €173K and to Bpifrance of €37K.
- The repayment of capital to IPF Partners of €525K.

The Company’s workforce count is 20 at H1 2018, compared to 22 at the end of December 2017.

Recent events and outlook:

- In every operating room around the world, SpineGuard continues to demonstrate the value of its dynamic surgical guidance technology in market looking for innovation and safer and enhanced clinical solutions. The DSG technology platform remains unique in its ability to differentiate tissues in real time with reduced X-ray exposure for the surgical teams;

- In the USA, the commercial launch started at the end of 2017. It was completed in April 2018 with an agency contract with Zavation under which SpineGuard Inc. acts as a commercial agent in certain key accounts in the country;

- The distribution in China with our partner XR Medical continues to bear fruit with a 600 unit order in H1 and exciting perspectives both for the second half of 2018 and long term in the second largest market worldwide after the USA;

- SpineGuard and ConfiDent ABC (Adin Group) continue to work in close partnership to accelerate the deployment of the DSG technology in dental implantology;

- SpineGuard is actively pursuing other industry partnerships for expanded commercial applications of its proprietary digital DSG technology within the spinal and broader musculoskeletal sector to trigger new sources of revenue;
In early September, SpineGuard secured €9.0m of financing consisting of: 1) the issuance of a €6.0m euro bond facility with Norgine Ventures and Harbert European Fund Advisors in substitution of IPF Partners in two tranches and; 2) a new equity line in the form of a €3.0m convertible bond facility with Nice & Green (OCAPI) over a period of 15 months. The line has zero associated warrants. SpineGuard estimates that these combined financings provide for an extended runway until August 2020.

SpineGuard delivers on its profitability plan to reach operating breakeven by the end of 2018.

Next financial press release: Third quarter 2018 revenue on October 11, 2018

About SpineGuard®
Founded in 2009 in France and the USA by Pierre Jérôme and Stéphane Bette, SpineGuard’s mission is to make spine surgery safer by bringing real-time digital technology into the operating room. Its primary objective is to establish its proprietary DSG® (Dynamic Surgical Guidance) technology as the global standard of surgical care, starting with safer screw placement in spine surgery and then in other surgeries. PediGuard®, the first device designed using DSG, was co-invented by Maurice Bourlion, Ph.D., Ciaran Bolger, M.D., Ph.D., and Alain Vanquaethem, Biomedical Engineer. It is the world’s first and only handheld device capable of alerting surgeons to potential pedicular or vertebral breaches. Over 60,000 surgical procedures have been performed worldwide with DSG® enabled devices. Numerous studies published in peer-reviewed medical and scientific journals have demonstrated the multiple benefits that PediGuard® delivers to patients, surgical staff and hospitals. SpineGuard is expanding the scope of its DSG® platform through strategic partnerships with innovative medical device companies and the development of smart instruments and implants. SpineGuard has offices in San Francisco and Paris. For further information, visit www.spineguard.com.

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