SPINEWAY

Limited company with capital of 1 610 751.98 euros
Head office : 7 Allée du Moulin Berger, Bâtiment 7
69130 Ecully

484 163 985 RCS Lyon

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COMBINED GENERAL SHAREHOLDERS' MEETING OF 23rd MARCH 2022

Management and Group Report of the Board of Directors

Ladies and Gentlemen shareholders,

In accordance with the law and the statutes, we have summoned you to a mixed general meeting to report to you on the situation and activity of our Company during the financial year closed on 31 December 2021, and to submit the social and consolidated corporate financial statements for said financial year, approved by the Board of Directors on the 31st of January 2022 and various resolutions which fall within the scope of the Extraordinary General Meeting of the shareholders.

We will give you all the details and any additional information concerning the documents and documents provided for by the regulations in force and which have been kept at your disposal within the legal deadlines.

You will then take notice:

- reports from your Statutory Auditors,

- the supplementary report of the Board of Directors on the motions for resolutions not related to the approval of the financial statements for the past financial year.

- the report of the Board of Directors on the corporate governance established in accordance with the provisions of Article L. 225-37 of the French Commercial Code, which includes, in particular, the list of all the mandates and functions exercised in any company by each of the corporate officers of the company, during the past fiscal year, and the summary table of the valid delegations granted by the General Meeting of Shareholders to the Board of Directors in the area of capital increases.

In addition, we inform you that the following information and reports are attached to this report, in accordance with Article R. 225-102 of the French Commercial Code, the table showing the results of the company over the past five financial years.

I. ACTIVITY AND SITUATION OF THE GROUP

A. Scope of consolidation

This is the Spineway Group's fifth consolidation exercise, (hereinafter the "Group").

The Group includes SPINEWAY, the parent company of the Group, its US subsidiary SPINEWAY USA Inc., which is wholly owned and fully consolidated, and its French subsidiary DISTIMP fully owned and acquired on June 25th, 2021, and fully consolidated from the same date.

B. Group activity during the year

In a context still disrupted by the pandemic, Spineway Group closes the 2021 financial year with a turnover of 4 290 K€, up to 27% compared to 3 379 K€ in 2020. The turnover is driven by a strong commercial dynamic concretized by a month of December 2021 with a very good level of sales at 584 K€ (up 8% compared to 2020) which enabled the 4th quarter to reach 1 345 K€, up +26% compared to last year.

This growth was driven in particular by high sales performances in the Group's historical areas. Thus, Latin America recorded revenues of 1 983 K€, an improvement of 33% compared to fiscal year 2020, despite a still complicated situation; while sales in Asia reached 1 003 K€, up 19% compared to 2020.

Moreover, in line with its strategy, Spineway is continuing to develop its product mix by strengthening its higher value-added ranges. Thus, benefiting from the first commercial synergies with Distimp, sales in Europe amounted to 963 K€, up 38% compared to last year.

Consolidated operating profit amount to –1 409 K€ as of December 31, 2021 compared to –1 910 K€ in 2020

Current profit before tax is -912 K€ at December 31, 2021 compared to -14 189 K€ in 2020

The Group's net income stands at -1 583 K€ as of December 31, 2021 compared to -14 105 K€ in 2020.

C. Significant events at Group level during the year

- Continuation of the securing of financing thanks to the NEGMA contract (see 3.9) and the obtaining of 100% of the EMPs (see 1.3), the repayment of which has been deferred by one year

This contract concluded in October 2019 with Negma GROUP LTD by issuing OCA with attached BSA for a total potential amount of 40 million euros corresponding to 16 000 Issue Warrants by June 2022 is intended to finance projects bringing together capital and supporting its strategy, as well as supporting cash flow requirements related to current activity, particularly in connection with the current pandemic.

At the date of this report, there is still 15,45 million euros in additional financing under this contract, which has enabled a cash contribution of 18.6 million euros since its conclusion.

- Reinforcement of equity

The conversion of convertible or exchangeable bonds into new or existing ordinary shares over the period from January 2021 to the end of December 2021 resulted in a capital increase of 1 112 753.81 euros through the creation of 11 127 538 097 shares of 0,0001 euros each and an issue premium of 11 587 246 euros.

The capital on December 31, 2021 was made up of 15 760 297 545 shares of 0,0001 euro each.

- Group strategic growth plans

The strengthening of cash and equity capital now allows the group to initiate its growth plan to constitute a medium-sized European player specializing in spine. As such, the group acquired a first company, DISTIMP, on June 25th, 2021.

This acquisition allows Spineway to expand its products and services, by offering a wider range of implants and instruments for the treatment of severe spinal diseases as well as new high value-added surgical techniques for surgeons. This transaction will also enable the Group to strengthen its commercial positions, particularly in France, by relying on the large network of spine surgeons available to Distimp.

- Reinforcement of experience within the teams

The year 2021 also saw the arrival in addition to a sales director from France in charge of developing the networks of referring surgeons in this territory following the acquisition of Distimp, that of an experienced R&D director from the spine activity.

D. Research and development activity

The Group is working on several innovation projects that it does not want to detail, for reasons of confidentiality, given the highly competitive market situation.

Research and development expenses amounted to 573 K€ in 2021 regarding those projects.

As of December 31st, 2021, the research tax credit (CIR) of 167 K€ corresponds to the CIR to be received for the 2021 financial year. Research tax credits and innovation tax credits have been classified as "Other income " for a total of 173 K€.

In the same way, the Group continues its intellectual property policy and regularly files patent and trademark applications.

E. Significant event since the end of the year

The Geneva arbitral tribunal rendered its award dated January 20th, 2022, in favor of Spineway. INTEGRAL MEDICAL SOLUTIONS (IMS) is thus ordered to pay Spineway the full acquisition price of the shares, 4 160 K€ plus interest at the legal rate from October 23rd, 2019, and to reimburse Spineway 105 K€ for arbitration costs already borne directly by Spineway. IMS has a period of 30 days to appeal against this decision, it being specified that this appeal, except in special cases, would not have a suspensive effect.

In addition, this award remains subject to recovery procedures in the countries where the IMS group operates. The group recently won a tender on behalf of the Hospices Civils de Lyon for the supply of spinal implants for a period of 2 years from March 1, 2022 until February 29, 2024. The contract may tacitly be renewed twice for a period of 1 year for each renewal, i.e. until February 28, 2026 at the most. Similarly, new depots have been created, initiating new hospital partnerships in France.

F. Predictable evolution and future perspectives

The activity of the Spineway Group induces:

- A significant working capital requirement linked to the time taken to collect receivables from customers, healthcare establishments in France and distributors outside France, and a high level of inventory made necessary by the availability of the ranges of implants.
- The means of financing necessary for a high level of investment in the development phase of the activity to allow the provision of instrument kits partly in the form of loans (fixed) when creating deposits with customers.

The Group's strategic project, namely, to become a reference medium-sized European player in the spine, also requires substantial financial resources to:

- Be part of a process of development and/or conquest of mature markets.
- Financing external growth projects that will accelerate the achievement of critical size, an essential element for a return to profitability.

The financing strategy via OCBSA, which allows the Group to have a cash level at closing of 13 890 K€, is therefore necessary to finance business issues (particularly WCR) and strategic projects. The financing guaranteed under the Negma contract dedicated to cash flow needs linked to activity and organic growth therefore makes it possible to secure these needs at least for the coming year.

II. ACTIVITY AND SITUATION OF THE COMPANY DURING THE FINANCIAL YEAR

A. Situation and development of the company's activity during the year

1. Characteristics of the company and a reminder of the legal and financial operations carried out in previous years

Spineway is a public limited company that has been listed on the Euronext Growth market since 13 February 2013.

On December 14, 2017, Spineway obtained the visa of AMF No. 17-638 following the filing of the Prospectus in order to transfer its shares to the "Offer to the public" compartment of the Euronext Growth market.

During the 2017, 2018, 2019, 2020 and 2021 financial years, it is recalled that the company consolidated its equity and quasi-equity through (i) the issue and exercise of the Ornane reserved for the benefit of the investment fund YA II PN, LTD, managed by Yorkville SPV Ltd, of (ii) the capital increase reserved for the company Tinavi Medical Technologies, (iii) the issue and exercise of the Oceane reserved for the benefit of the European fund High Growth Opportunities Securization Fund, of (iv) the issue and exercise

of OCABSA for the benefit of Negma Group Ltd, of (v) the capital increase subscribed by the fund YA II PN, LTD and of (iv) the capital increase for the benefit of Park Capital. A detail of these different operations is provided in the accounting appendices.

In addition, by decisions dated January 25, 2021, the Board of Directors, making use of the delegation of authority granted by the General Meeting of October 3rd, 2019, in its first resolution, noted the creation of 3 200 000 000 shares new ordinary shares and the correlative capital increase of 3 200 000,00 euros resulting from the conversion of 1 280 OCAs by Negma Group Ltd. As a result, the share capital was increased to 3 463 275.94 euros.

Then, the Board of Directors of February 11th, 2021, took note of a material error resulting from erroneous calculations in the determination of the amount of the capital increase following the conversions of OCAs carried out since September 16, 2020. This increase having was calculated based on a nominal value of 0.001€ instead of a nominal value of 0.0001€. This material error therefore had repercussions on the capital increase recorded at the time. Thus, regarding the conversions that took place between September 16th, 2020, and February 8th, 2021, this resulted in the creation of 3 689 853 211 new ordinary shares and a correlative increase in the share capital of a nominal amount of 369 885,32 euros. The share capital was thus increased to 663 161,26 euros.

Finally, by decisions dated July 12, 2021, the Board of Directors, making use of the delegation of authority granted by the General Meeting of October 3rd, 2019, in its first resolution, noted the creation of 8 251 169 797 ordinary shares news and the correlative capital increase of 825 116.97 euros resulting from the conversion of OCA by Negma Group Ltd. As a result, the share capital was increased to 1 458 278.24 €.

As of December 31st, 2021, the share capital (legal) therefore amounted to 1 458 278.24 euros, while the share capital (accounting), because of the regular conversion of OCAs by Negma Group Ltd, amounted at €1 576 029.77.

After the end of the financial year and by decisions dated January 31st, 2022, the Board of Directors, making use of the delegation of authority granted by the General Meeting of October 3, 2019, in its first resolution, noted the creation of 1 524 737 420 new ordinary shares and the correlative capital increase of 152 473.74 euros resulting from the conversion of OCA by Negma Group Ltd. Consequently, the share capital was increased to 1 610 751.98 €.

2. Analysis of the company's activity during the past financial year

In 2021, the company achieved a turnover of 4 272 K€ compared to 3 379 K€ in 2020.

Operating profit amounted to -1 088 K€ compared to -1 753 K€ in 2020.

Current profit before tax amounted to -827 K€ compared to -14 011 K€ in 2020

Finally, after an exceptional result of -855 K€, the financial year ended December 31, 2021 resulted in a net book loss of -1 513 K€ compared to -13 591 K€ in 2020.

B. Significant events since the end of the year

We refer you to the developments contained in paragraph I.E above.

C. Research and development activity

We refer you to the developments contained in paragraph I.D above.

D. Predictable evolution and future propects

We refer you to the developments contained in paragraph I.F above.

E. Information about the payment terms of suppliers

Articles L.441-6-1 and D.441-4 of the French Commercial Code provide you with information concerning the payment terms of our suppliers and our customers. You will find them in appendix.

	Article D441 L1 - Factures reçues non réglées à la date de clôture de l'exercice dont le terme est échu						Article D441 L1 - Factures émises non réglées à la date de clôture de l'exercice dont le terme est échu					
	0 JOUR	1 0 30 JOURS	31 0 60 JOURS	61 0 90 JOURS	91 JOURS ET PLUS	TOTAL (1 JOUR ET PLUS)	0 JOUR	1 0 30 JOURS	31 0 60 JOURS	61 0 90 JOURS	91 JOURS ET PLUS	TOTAL (1 JOUR ET PLUS)
(A) Tranches de retard de paiement												
Nombre de factures concernées	27					119	12					62
Montant total des factures concernées HT	40 265 €	85 575 €	21 654 €	7 769 €	42 908 €	157 906 €	35 878 €	161 983 €	113 805 €	118 400 €	86 486 €	480 674 €
Pourcentage du montant total des achats HT de l'exercice	1%	3%	1%	0%	1%	5%						
Pourcentage du chiffre d'affaires HT de l'exercice							1%	4%	3%	3%	2%	11%
(B) Factures exclues du (A) relatives à des dettes et créances litigieuses ou non comptabilisées												
Nombre des factures exclues	-						-					
Nombre total des factures exclues	-						-					
© Délais de paiement de référence utilisés (contractuel ou délai légal - article L441-6 ou article L443-1 du code de commerce)												
Délais de paiement de référence utilisés pour le calcul des retards de paiements	60 jours date de facture - Sauf 2 fournisseurs réglés par traite à 90 et 120 jours le 10 du mois						Délais contractuels propres à chaque client					

III. SUBSIDIARIES AND PARTICIPATIONS

In 2021, the American subsidiary, Spineway USA Inc., generated sales of 34 KUSD. The result is a loss of $ -223 KUSD.

In 2021, the French subsidiary, DISTIMP, generated sales of 365 K€. The result is a loss of $ -256 K€ since its acquisition on June 25th, 2021.

IV. RESULTS - ASSIGNMENT

A. Review of accounts and results

We will now present to you in detail the annual accounts that we submit for your approval and which have been drawn up in accordance with the rules of presentation and valuation methods provided for by the regulations in force.

During the fiscal year ended December 31st, 2021, revenue amounted to 4 272 425 euros compared to 3 379 615 euros for the previous fiscal year.

The amount of other operating income is 918 472 euros.

The amount of purchases and inventory changes amounted to 1 263 020 euros compared to 1 314 415 euros for the 2020 financial year.

The amount of other purchases and external charges amounts to 1 804 203 euros.

The amount of taxes and duties amounted to 72 815 euros compared to 46 0999 euros for the previous year.

The amount of wages and salaries amounts to 1 711 609 euros and the amount of social charges amounts to 684 326 euros for an average salaried workforce amounting, at the end of the fiscal year, to 31 people.

The amount of depreciation and provisions is 739 788 euros.

Operating expenses for the financial year totaled 6 279 524 € compared to 6 883 978 € for financial year 2020.

The operating profit for the financial year was – 1 088 626 euros.

As for the current profit before tax, taking into account the financial result of 261 569 euros, stands at – 827 058 euros.

After taking into account:

- exceptional profit of – 858 306 euros,

- corporate tax of -172 516 euros,

the result for the year ended December 31st, 2021, shows a net accounting loss of -1 512 848 euros.

As of December 31st, 2021, the total balance sheet of the Company amounted to 25 247 996 euros compared to 14 904 112 euros for the 2020 financial year.

B. Allocation of income

We kindly ask you to approve the financial statements (balance sheet, income statement and notes) as presented to you which show a net accounting loss of – 1 512 847.82 euros which we also suggest that you allocate this entire loss to the "Retained earnings" account, the amount of which would thus be increased from -525 684.79 euros to -2 038 532.61 euros.

Given this allocation, the equity of the company would be 21 188 529 euros.

C. Previous dividend distributions

In order to comply with the provisions of article 243 bis of the French General Tax Code, we remind you that no dividend has been paid in respect of the last three financial years.

D. Non tax deductible expenses

In accordance with the provisions of Articles 223 quater and 223 quinquies of the French General Tax Code, we ask you to approve the expenses not included in the tax deductible expenses, which amounted to 29 181 euros and which, taking into account the result fiscal deficit, have reduced the reportable deficit.

E. Analysis of the evolution of the results and the financial situation of the company

As previously explained, the company saw its turnover decrease from 3 379 K€ in 2020 to 4 272 K€ in 2021.

Borrowings and debts amounted to almost 3 837 K€ as of December 31st, 2021, compared to 4 370 K€ as of December 31st, 2020.

The "Cash" and "Marketable securities" items on December 31st, 2021, amounted to 8 694 K€ and 5 000 K€ respectively, i.e. a total of 13 694 K€ compared to a total of 4 838 K€ at December 31, 2020.

V. RISKS AND UNCERTAINTIES TO WHICH THE COMPANY IS CONFRONTED

The Group operates in a demanding, particularly regulated and constantly changing environment. This requires it to constantly take care to identify and control the risks whose occurrence would be likely to have an unfavorable effect for the Group, its activities, its financial situation, its results or the price of its title. This section presents the main risks to which the Group believes it is exposed.

The Group has carried out a review of the risks that could have a significant unfavorable effect on its activity, its financial situation, its results or its ability to achieve its objectives and considers that there are no other significant risks than those presented. below. Other risks of which the Group is not currently aware or which it does not consider significant at the date of this report could have a negative effect on its activity, its financial situation, its results or its ability to achieve its objectives.

A summary of these risks is presented in the table above.

The detailed description of the main risk factors likely to have a negative impact on the company, its activity, its financial situation, its results or its ability to achieve its objectives is appended to this report (Appendix 1).

Number	Risk	Probability of occurrence	Impact of the risk
	1 - Financial risks		
1	A proven risk of dilution of 16% and potential of 64% of the accounting share capital in the event of the exercise of all the dilutive instruments	Medium	High
2	A substantial liquidity risk increased by economic factors	High	Medium
	2 - Risks related to external growth operations		
3	A risk related to the implementation by Spineway of its external growth strategy which could prove to be slower or more difficult than expected for a return to profitability	Medium	High
	3 - Risks related to the activity and the market in which the Company operates		
4	A cyclical risk of the impact of the global pandemic linked to Covid-19 weighing on revenue growth	High	High
5	Risks related to the competitive environment based on the characteristics of the market which could in particular penalize the gross margin	High	Medium
	4 - Third parties risks		
6	Spineway's close dependence on its international distribution network	Medium	Medium
7	A risk of dependence on production suppliers for specific supplies and processes	Medium	Medium
	5 - Legal risks		
8	Increased risks related to regulatory constraints, particularly European ones	Medium	High
9	Risks related to the protection and the necessary control by the Company of its intellectual property rights	Medium	Low
10	The risks related to a possible questioning of the responsibility of the Company due to defective products reinforced by the sector of activity	Low	Medium

VI. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT POLICY

As of December 31st, 2020, the company's debt is mainly made up of short-term debts, these being composed Mobilization of Claims Born Abroad ("MCNE"). This short-term tool is indexed to the 3-month Euribor rate. The company has not considered it opportune for the moment to hedge on a rise in the Euribor 3 months but remains vigilant as for its evolution and does not deny this possibility in the future.

Medium and long-term loans are at fixed rates and have been taken out in euros except for a loan of 500 K$ used to capitalize the American subsidiary.

Financial notes and MCNEs are at variable rates.

The details of the short-term tools used at December 31st, 2021 are as follows:

MCNE : 133 505 euros out of a total of 200 000 euros MCNE expire upon payment of the invoice by the customer.

As of December 31, 2021, the Spineway Group recognized 10 bank loans and one outstanding bond loan.

In a context of Covid-19, the Group subscribed in 2020 to five PGE for a total of 1 308 K€ over 12 months at the rate of 0% with partner banking institutions.

Given the ongoing health context and the latest government measures, the company has opted to defer the start of repayment of four of these loans to one year. The first reimbursements will take place from June 2022. The fifth PGE, meanwhile, began to be reimbursed in June 2021.

With regard to the five other loans, which cover 38% of the amounts remaining due as of December 31, 2021, in respect of loans contracted by the Group, the latter complies with these covenants.

VII. TABLES OF RESULTS FOR THE LAST FIVE YEARS

To this report is annexed, in accordance with the provisions of Article R. 225-102 of the French Commercial Code, the table showing the results of the company during the last five financial years closed by the company. (Appendix 2).

VIII. SHAREHOLDING

A. Main shareholders

The company is not aware of any natural and/or legal persons holding, as of December 31st, 2021, directly or indirectly, more than one-twentieth, one-tenth, three-twentieth, one-fifth, one-quarter, one-third, half, two-thirds or nineteen-twentieths of the capital or voting rights at general meetings, and whose identity should be mentioned in this report in accordance with the provisions of Article L. 233-13 of the Code of business.

B. Auto-holding – Share Buyback program

The treasury shares held as of December 31st, 2021, represent a total of 956 997 treasury shares, for a total of 781.72 euros.

Over the year, 2 084 503 shares were purchased, and 1 753 002 shares sold.

A liquidity contract was signed with Portzamparc Stock Exchange Company.

A share buyback program was authorized by the Shareholders' Meeting March 8th, 2021, in accordance with the provisions of Article L. 225-209 of the French Commercial Code and the General Regulation of the "Autorité des Marchés Financiers", in accordance with following:

Securities concerned: ordinary shares.

Mnemonic code / ISIN code: ALSPW / FR0011398874

Authorization of the transaction: Ordinary General Meeting of March 8th, 2021.

Maximum share of capital whose purchase was authorized by the General Meeting: 10% of the shares making up the share capital.

Maximum purchase price: 2.5 € (two euros and fifty cents).

Maximum amount of funds available for the purposes of this program: fifteen billion eight hundred twenty-nine million thirty-one thousand five hundred (15 829 031 500) euros.

Objectives in order of priority:

- promote liquidity and facilitate the price of the Company's securities through an Investment Service Provider acting independently under a liquidity agreement in accordance with the Association's Code of Conduct French Financial Markets recognized by the Autorité des Marchés Financiers,

- cancel the shares thus redeemed by way of capital reduction, subject to the adoption by the General Meeting of shareholders, ruling on extraordinary matters, of a specific resolution relating to this capital reduction,

- allocate shares to employees or corporate officers of the company and to French or foreign companies or groups related to it in accordance with legal and regulatory conditions, in particular, as part of the participation in the fruits of the company's expansion employee share ownership plans or company savings plans, the stock option plan or by way of free allocation of shares or in any other condition permitted by the regulations,

- remit, within the limit of five percent (5%) of the share capital, the shares in payment or exchange, in particular, in the context of external growth operations,

- allot the shares upon the exercise of rights attached to transferable securities giving right by reimbursement, conversion, exchange, presentation of a warrant or in any other way, to existing shares of the company.

Redemption Method : Purchases, transfers or transfers may be made by any means, on one or more occasions, on or off the market, including block transactions (the maximum portion of the redemption program may be by way of acquisition or transfer of block of securities that can reach the totality of the authorized program.

Duration of the program: 18 months

IX. OPERATIONS OF OFFICERS AND PERSONS REFERRED TO IN ARTICLE L. 621-18-2 OF THE MONETARY AND FINANCIAL CODE ON THE SECURITIES OF THE COMPANY

In accordance with the provisions of Article L. 621-18-2 of the French Monetary and Financial Code and Article 223-26 of the AMF General Regulations, we remind you that shareholders must be informed of the transactions referred to in Article L. 621-18-2 which were carried out during the past financial year, by the persons referred to in that Article.

During the past financial year, no transaction referred to in Article L. 621-18-2 of the French Monetary and Financial Code was carried out.

X. EMPLOYEE PARTICIPATION

In accordance with the provisions of Article L. 225-102 of the French Commercial Code, we hereby indicate the statement of employee profit-sharing on the last day of the financial year, ie December 31, 2021.

The proportion of capital represented by the shares held by employees as of December 31, 2021, as defined in Article L. 225-102 of the French Commercial Code, is nil.

XI. ALLOCATION OF FREE SHARES AND STOCK OPTIONS

We refer you to the reports established elsewhere by the Board of Directors in accordance with the provisions of Articles L. 225-197-4 and L. 225-184 of the French Commercial Code.

XII. AGREEMENTS REFERRED TO IN ARTICLES L. 225-38 AND FOLLOWING OF THE CODE DE COMMERCE

We ask you to take note of the fact that no new agreement falling within the scope of Article L. 225-38 of the Commercial Code has been entered into during the past financial year, and that the agreements entered into and authorized previously continued during the past financial year.

Your Statutory Auditors have been duly informed of this agreement which they have described in their special report.

XIII. ADMINISTRATION AND CONTROL OF THE COMPANY

A. Choice of the method of exercise of the general direction

In accordance with Article R. 225-102 of the French Commercial Code, we remind you that the Board of Directors, in its meeting of November 22, 2012, decided that the general management of the company is assumed by the Chairman of the Board of Directors. 'Administration.

B. Status of the terms of office of the Directors and the Statutory Auditors

1. Administrators' mandates

No term of office expires at this General Meeting.

2. Statutory Auditors' mandates

No auditor's mandate will expire at this General Meeting

3. Attendance fees

We propose to allocate an annual amount of up to four thousand euros (4 000 €) in attendance fees in order to remunerate directors (independent) for the current and subsequent financial years, until a new decision by the General Meeting of Shareholders decides otherwise.

C. Internal control procedures

The Company has put in place internal control provisions to ensure rigorous financial management and control of risks.

A description of the main existing provisions on internal control is presented below.

The Group's internal control system consists of a set of control mechanisms and external services set up by management to ensure the sound and efficient management of the company's business and assets.

Accounting and financial information:

The accounting of the company is governed by the Commercial Code and, more generally, by the legal and regulatory environment, in accordance with the provisions of the General Accounting Plan.

In this context, and in addition to the mandatory documents, are established:

- weekly monitoring of banking positions and monthly forecasts.
- a weekly billing situation.
- a monthly statement of turnover and gross margin by customer and by range,
- a cash analysis carried out monthly including the review of receipts and customer outstandings
- monthly inventory reporting.
- monthly management financial statements in connection with the implementation of monthly accounting closings and the development of numerous management reports.
- the implementation of a company project management policy common to all departments.
- the implementation of quarterly budget monitoring (analysis of actual-budget variances) and a bi-annual reforecast process.
- the implementation of a sales and supply forecast policy including the collection of customer information and developed in consultation between the sales, supply and finance departments.

The financial function is managed internally by the Administrative and Financial Director. The accounting function is provided with the assistance of an external and independent public accountant (BBM Baker Tilly 4 rue Paul Valerien Perrin, 38 170 Seyssinet).

The realization of the payroll and the tax review are entrusted to this accountant.

Accounts prepared in accordance with French standards are produced with the assistance of the accounting firm and are submitted for audit to the Company's statutory auditors. The administrative and financial department reports to the Chief Executive Officer of the Company.

D. Social and environmental consequences of the company's activity

The nature of the Group's activities does not pose a significant risk to the environment.

However, the Company is mindful of environmental and sustainable development issues and is developing a digital approach (priority area of the 2021 marketing plan).

Thus, Spineway is finalizing a project for a digital catalog and dematerialization of technical brochures as well as the deployment of a mobile and tablet application which has reduced the printing of documentation. The constant evolution of products indeed requires frequent updates. Similarly, the Company provides computerized models of its documentation to its distributors and offers them to print documentation locally, in order to reduce energy costs related to the transport of documents. In addition, the Company has designed, internally, a scalable and reusable stand structure (congresses, trade shows), which reduces waste linked to the destruction of single-use joinery (the most widespread practice). The reuse of an evolutionary structure also allows the Spineway stand to be given a new look, as its congress stands evolve, adding to the previous structure. Similarly, the transformation of the electronic signature management project will accelerate the dematerialization project and limit all printing to the strict minimum.

In order to coordinate all RSA actions, the Group has set up a CSE operational committee led by the Human Resources Manager. Similarly, the group is considering the creation of a CSR group within the Administration Committee.

Your Board invites you, after reading its supplementary report and the reports presented by your Statutory Auditors, to adopt the resolutions it submits to your vote.

Made in Ecully,
31st of January 2022

Board of Directors,
Stéphane LE ROUX

This report is available in both English and French. In case of discrepancy, the French version shall prevail.

APPENDIX 1

Risks and uncertainties facing the company

SPINEWAY

Limited company with capital of 1 610 751.98 euros
Head office : 7 Allée du Moulin Berger, Bâtiment 7
69130 Ecully

484 163 985 RCS Lyon

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COMBINED GENERAL SHAREHOLDERS' MEETING OF 23rd MARCH 2022

Appendix to the management and group report

Risks and uncertainties facing the company

1.1 Financial risks

1.1.1 A proven risk of dilution of 16% and potential of 64% of the accounting share capital in the event of the exercise of all the dilutive instruments

The exercise of all the dilutive instruments issued on the date of this report would result in the issuance of new shares. These new shares could represent up to nearly 13% of Spineway's accounting [1] share capital.

The exercise of all the dilutive instruments issued and the dilutive instruments likely to be issued by Spineway would have a significant dilutive impact since it would lead to a massive issue of new shares which could represent up to nearly 49% of the capital. social accounting [1] of Spineway.

Spineway effectively uses dilutive financing tools consisting, at the date of this report, in:

- the issue and exercise of ORNANE (Bonds Redeemable in Cash and New and Existing Shares) reserved for the benefit of the investment fund YA II PN Ltd, managed by Yorkville SPV Ltd (ORNANE Yorkville):

100 bonds were issued and converted.
267,379 BSA (share subscription warrants) were attached to these ORNANE, including:
. 129,574 BSAs were exercised; and,
. 137,805 BSA remain in circulation and give right to an equivalent number of shares.

[1] The accounting share capital corresponds to the actual share capital, which may not have been fully endorsed legally (capital increases being legally recorded periodically and therefore grouped and not over time). At the closing date of 31/12/21, the legal share capital amounts to €1,458,278.24, divided into 14,582,782,342 shares with a par value of €0.0001 fully paid up and the share capital amounting to €1,576,029.77, divided into 15,760,297,542 shares with a par value of €0.0001 fully paid up.

- the issue and exercise of OCEANEs (Convertible Bonds Exchangeable for New or Existing Shares reserved for the benefit of the European High Growth Opportunities Securization Fund (OCEANE ABO):

Of the 1 040 bonds (OC) issued, 1 039 OC were converted, and 1 OC matured without being converted (this OC was canceled during the 2020 financial year).
81 249 999 BSAs were attached to OCEANE ABOs, including:
. 333 333 BSAs were exercised and,
. 80 916 666 BSA remain in circulation. These warrants give the right to an equivalent number of shares.

- the issue and exercise of OCABSA (bonds convertible into shares with stock warrants) for the benefit of Negma Group Ltd (OCABSA Negma):

9,720 OC were issued and converted (including 580 OC issued for commitment fees). The number of shares issued in conversion of convertible bonds cannot be anticipated since it depends on a ratio linked to market price assumptions. See paragraph 20.1 of the 2020 Universal Registration Document.
It should be noted that the conversion price used for the dilution calculations on the date of this report is 0.001€ based on a reference VWAP (volume-weighted average price) of 0.001€ determined according to the period and the contractual calculation methods as if the conversions had taken place on the date of this report. Similarly, the reference exercise price of BSAs on future tranches of convertible bonds used in this fully diluted approach is 0.0035€. It is based on 140% of the reference VWAP of 0.0025€ according to contractual calculation methods.
1 719 480 177 BSAs attached to OCABSAs were issued, including:
. 1 379 366 359 BSAs held by Negma Group Ltd. These BSAs have not been exercised and give the right to an equivalent number of shares; and,
. 340 113 818 BSA sold by Negma Group Ltd to Spineway (below).

- the acquisition by Spineway of 340,113,818 BSA Negma Group Ltd by agreement dated January 6, 2021:

The BSA thus retroceded correspond to half of the BSA issued during conversions of convertible bonds drawn until November 2020 (tranches 1 and 2). The purpose of this acquisition of BSA is to enable the Company to leverage itself in the future and, to a lesser extent, to limit the risk of dilution. These BSAs may therefore be either canceled or exercised as accretive instruments for the benefit of the Company.

The risk of dilution was amplified in 2020 due to the application of a compensation mechanism provided for by the Negma Group Ltd financing contract. In 2020, the impact of offsets consisted of a financial charge which totaled 12 M€ (including 9 M€ directly related to issues and conversion of OC and 2.7 M€ for the revaluation debt induced by the clearance of compensation via capital increase and the compensation due to the sale of shares resulting from this same capital increase). This financial charge was financed with Spineway shares (2 033 642 037 shares issued, i.e. 25% of the 8 031 612 656 shares making up Spineway's book capital on the date of this report).

The compensation clause provided for in the initial financing contract signed in October 2019 provided that, insofar as the conversion price was lower than the par value per share, compensation equivalent to the stock market price on the day before the conversion multiplied by the difference between, on the one hand, the conversion amount divided by the corresponding conversion price and, on the other hand, the conversion amount divided by the par value of a share.

*Formula: (Closing price of the day before the conversion date) * ((Converted amount / conversion price) - (Converted amount / nominal value)).*

The amendment to the financing contract signed in May 2020 and negotiated to reduce the impact of compensation (in particular when compensation generated new compensation) now provides that when the conversion price on the date of conversion is lower than the par value of one share, the Company owes Negma Group Ltd compensation which depends on the event giving rise to the compensation:

- compensation generated on a tranche of convertible bonds paid in cash - calculation unchanged -: share price on the day before the conversion date multiplied by the difference between, on the one hand, the conversion amount divided by the corresponding conversion price and d on the other hand the conversion amount divided by the nominal value of a share.
*Formula: (Closing price of the day before the conversion date) * ((Converted amount / conversion price) - (Converted amount / par value));*

- compensation generated by a tranche of CB issued in clearing of compensation without cash contribution: conversion amount divided by the par value of a share multiplied by the difference between, on the one hand, the par value of a share and, d on the other hand, the average sale price of the shares corresponding to this same conversion.
*Formula: (Converted amount / par value) * (Par value - average sale price of the shares).*

This mechanism is provided for in the Negma Group contract, which was the subject of an amendment in May 2020, specifically regarding compensation, to minimize the impact of these compensation rules. Also, Spineway reduced the nominal value of its share to a level well below the market price so as not to have to bear new compensation. Given the current nominal value, which is €0.0001, therefore much lower than the market price, the Company effectively considers that there is no risk of additional dilution due to the absence of new compensation, which was corroborated in 2021 by the absence of any compensation despite the lifting of large tranches.

A summary table of the risk of dilution induced by all financial instruments is presented below.

Any allocation or additional issuance of financial instruments giving access to capital would result in additional, potentially significant dilution for the Company's shareholders.

The Company is looking for opportunities to diversify less dilutive financing with a clear desire to stop using this method of financing as soon as it has the means. The strategy of setting up a European spine platform should enable the Company to no longer have recourse to this type of financing.

The financing of any external growth is already partially ensured thanks to Negma Group Ltd financing. Consequently, their possible dilutive impact is partly integrated.

The risk of dilution is based on assumptions which may of course change given the implementation of Spineway's growth strategy, which could, if necessary, take the form of operations accompanied by the issuance of shares. additional items liable to accentuate the dilution of shareholders to the benefit of value-creating projects, including for shareholders.

The Company assigns this risk a **high** level.

The share capital mentioned in the table below and taken into account for the dilution calculations corresponds to the accounting capital of Spineway (and not to the legal share capital). The accounting share capital corresponds to the actual share capital, which may not have been fully endorsed legally (capital increases being legally recorded periodically and therefore grouped and not over time). At the closing date of 31/12/21, the legal share capital amounts to 1 458 278.24€, divided into 14 582 782 342 shares with a par value of 0.0001€ fully paid up and the accounting share capital amounts to 1 576 029.77€, divided into 15 760 297 542 shares with a par value of 0.0001€ fully paid up.

Furthermore, the fully diluted information provided in the tables below implies that the entire dilutive instruments are exercisable (which depends on Spineway's future stock market prices).

Impact dilutif de l'exercice des instruments ouvrant droit à une quote-part du capital social	Instruments émis ou ayant vocation à être émis et ouvrant droit à une quote-part du capital social				
	BSA Spineway	OCABSA Negma	BSA attachés aux OCEANE ABO	BSA attachés aux ORNANE Yorkville	Total
Synthèse des instruments dilutifs potentiels [1]	340 113 818 BSA [2]	- 1 541 271 120 BSA non encore exercés - 200 OC non encore converties au titre de la dernière levée d'OCABSA de 10/21 - 6 180 OC au titre des tranches restantes en cas de recours à 100% des possibilités de financement Negma pour 15,45 M€	80 916 666 BSA	137 805 BSA	-1 962 439 409 BSA -200 OC non encore converties au titre de la dernière levée d'OCABSA de 10/21 - 6 180 OC au titre des tranches restantes en cas de recours à 100% des possibilités de financement Negma pour 15,45 M€
Nombre d'actions nouvelles pouvant être créées du fait de l'exercice des instruments dilutifs émis à la date du document d'enregistrement universel	340 113 818	2 235 715 564	80 916 666	314 262 622	2 971 008 670
Quote-part du capital social [4] (post émission du ou des instruments ciblés ouvrant droit à une quote-part du capital social) représentée par le nombre d'actions nouvelles créées	2,11%	12,42%	0,51%	1,96%	16,47%
% de détention post-dilution d'un actionnaire détenant 1% du capital social de la Société (soit 157602976 actions) à la date du document d'enregistrement universel	0,98%	0,88%	0,99%	0,98%	0,87%
Nombre d'actions nouvelles fully diluted pouvant être créées selon une hypothèse d'utilisation de 100% des enveloppes de financement et du fait de l'exercice du montant total d'instruments non encore émis correspondant à ces tranches potentielles	340 113 818	26 232 122 802	80 916 666	314 262 622	26 967 415 907
Quote-part du capital social [4] (post émission du ou des instruments ciblés ouvrant droit à une quote-part du capital social) représentée par le nombre d'actions nouvelles créées fully diluted	2,1%	62,5%	0,5%	2,0%	64,2%
% de détention post-dilution fully diluted d'un actionnaire détenant 1% du capital social de la Société (soit 157602976 actions) à la date du document d'enregistrement universel	0,98%	0,38%	0,99%	0,98%	0,37%

(1) Dilutive instruments are understood as dilutive instruments issued on the date of the Universal Registration Document (BSA) and, according to the fully diluted approach, as the shares to be issued in the event of 100% use of the envelopes of financing signed to date (namely the lifting of all potential OC and their 100% conversion) as well as additional related dilutive instruments (BSA). There are currently two categories of potential dilutive instruments:
- the BSAs issued and not exercised on past OC issues (it being specified that these BSAs could not be exercised if their exercise price was not sufficiently attractive before their expiry date); and,
- the OCs not yet exercised at the date of this report under the residual envelope of the Negma financing contract and the warrants that could result therefrom. The issuance of these additional CB tranches is in the hands of the Company.
(2) See contract for the sale of BSA to Spineway by Negma Group Ltd dated January 6, 2021 referred to in paragraph 20.1 Financing agreement signed on October 18, 2019 with Negma Group Ltd » » of the Universal Registration Document 2020
(4) The accounting share capital corresponds to the accounting share capital at the closing date on 12/31/21, this being legally acted on a periodic basis only given the high number and frequency of conversions when tranches are exercised.

1.1.2 A substantial liquidity risk increased by economic factors

The Company has significant financing needs given, on the one hand, high operating costs, particularly in connection with costly regulatory issues and significant working capital requirements, and, on the other hand, the health crisis. current situation linked to the epidemic of Covid-19.

The Group's working capital requirements are impacted by:
- the need to have a large level of stock in connection with:
. a depth of ranges and the need to offer sterile and non-sterile products,
. the essential stocks on deposit and on consignment in hospitals (these stocks are intended to allow hospitals to have stocks available at all times to secure the performance of operations),
. the management of separate references linked to approval dates and customer requirements in terms of very short supply times due to lack of anticipation on their part (orders placed are generally to be honored in less than 15 days);

- long customer payment terms (particularly in the context of its export markets outside Europe). These customer payment delays have a direct impact on Spineway's cash flow and can significantly lengthen the lag between the disbursements required for purchases and the collection of sales (this period can

reach 6/8 months). Despite the Covid-19 crisis, the Company managed to improve the average payment term (3.4 months at the end of the 2021 financial year, i.e. at a stable level since 2020 versus an average historical rate closer to 4 to 4.5 months over previous years) by strengthening its procedures and internal control, using short-term cash lines and thanks to the deployment of a new commercial policy (cash payments imposed for large orders, sale of instruments instead of and place of provision etc.).

- the risk of customer default, particularly in view of the significant activity carried out in Latin America and the recurring geopolitical and economic hazards in this region. The shortfalls in cash related to this subject are however low on the basis of payment defaults in recent years and taking into account the fact that all new customers are now subject to more restrictive payment conditions validated contractually;

- the impact of a potential unfavorable change in reimbursement policies for medical devices corresponding to a global trend and thus present in all the markets addressed by Spineway due to the efforts of governments and other third-party payers aimed at containing healthcare costs by limiting both the coverage and the reimbursement rate applicable to new therapeutic developments. The adoption of these proposals or reforms could have a direct impact on cash requirements, which could impact sales mainly in Europe and the United States. In the short term, these sales are not significant, but the development of sales in these areas is part of Spineway's strategy, especially since current margin rates are higher there than in other areas. Such a change would require finding levers to save production costs, a more complex situation for Spineway due to the significant use of subcontracting and therefore potentially requiring investment needs before regaining sufficient margin levels; and,

- the necessary anticipation of a resumption of activity at a level prior to the Covid-19 crisis (responsiveness to customer needs). Eager not to lose market share, the Company is effectively anticipating short-term stock replenishment needs, especially since its distributors have limited their stock coverage in order to absorb the effects of the Covid-19 crisis.

The financing of the Company was mainly carried out by strengthening its equity through capital increases but also by bank debt in connection with government support measures.

For this, the Company has:

- subscribed to 4 PGE (Loan guaranteed by the State) for a total amount of 1 270 K€ over 12 months at the rate of 0% with 3 historical partner establishments and a new banking partner;

- use of dilutive instruments issued in the context of financing provided by equity line type funds whose purpose is not to remain long-term shareholders. In this respect, the company continued the financing contract (bond loan with a maximum potential nominal amount of €40 million) signed in October 2019 with Negma Group Ltd (OCABSA issue contract). As such, Spineway launched 5 OC subscription tranches between the end of 2019 and October 2021 (for a total amount of 18 588 K€ per contribution in cash, including 13 200 K€ paid in 2021, 3 388 K€ paid in 2020 and 2 000 K€ in 2019) and managed to keep this funding in place despite the health crisis and the difficulties of the financial markets.

Spineway makes a precise and regular update on its cash position (at least once a month) and has set up short-term and medium-term cash forecasting tools as well as monthly budget monitoring in order to gain in agility and responsiveness to this issue.

As of December 31, 2021, the Group's cash flow thanks to all of these measures reached 13 693 000€.

Repayment maturities of less than one year essentially correspond to short-term loans and more specifically to financial notes and the mobilization of claims originating abroad which, in practice, are renewed as the needs of the business.

Schedule of financial debts as of December 31, 2021:

Debt statements	Gross amount	Under 1 year	Between 1 and 5 years	Over 5 years
Loans	1 623	460	1 163	
Accrued interest is loans	2	2		
Bond issue	500	500		
Overdrafts - bank	-	-		
promissory notes	1	1		
Factoring of receivablesr abroad	134	134		
FEDER advance	-	-		
COFACE guarantee	137	137		
Financial lease debts	-			
TOTAL	**2 398**	**1 235**	**1 163**	**-**

Certain borrowings taken out include non-financial banking covenants which were complied with as of December 31, 2021. The company does not anticipate, at 12 months, any non-compliance with covenants.

Business continuity 2022 is based on:

- collection assumptions linked to the turnover and operating expenditure budget, WCR financing lines granted by the banking pool. As of December 31, 2021, only 14% of lines had been renewed (non-renewal of financial notes for a total of €1,190,000, the banks following the granting of PGEs seeking to limit their exposure as much as possible to the detriment of accompanying their clients on WCR financing). These lines of financing will be renegotiated again following the approval of the annual accounts according to an annual process in line with the strategic development axes and the progress of the projects in progress;

- guaranteed financing within the framework of the Negma Group Ltd contract dedicated to the cash needs linked to the activity and to organic growth which secures the cash needs at least for the coming year;

- Spineway anticipates maintaining the confidence of its main banking partners and more particularly of new players. In this context, Spineway does not anticipate any break in these relationships. As a reminder, negotiations took place in 2020 which resulted in the entry of a new bank, which made it possible to obtain 100% of the possible amount of PGE. Similarly, the entry of Distimp into the Group has allowed the arrival of a new banking partner committed to supporting the growth of this entity.

Finally, Spineway has secured its current cash needs and the financing of any external growth projects for the coming months thanks to the Negma Group Ltd financing envelope, the balance of which is €5.45 million at the date of the universal registration, it being specified that tranches are exercised at the Company's initiative.

The Company assigns liquidity risk a **high** level.

1.2 Risks related to external growth operations

1.2.1 A risk related to the implementation by Spineway of its external growth strategy which could turn out to be slower or more difficult than expected

Spineway wishes to carry out external growth or consolidation operations in order to position itself as a European spine platform. These projects can be of several types and will facilitate the return to profitability by making it possible to reach a critical size which will make it possible to achieve synergies in turnover and cost savings.

On June 25, 2021, the Spineway Group acquired 100% of the capital of the company Distimp, which has a range of products dedicated to spinal fusions and which has strong development potential in the current competitive context, particularly on the European market. This acquisition is financed in cash and saw the integration into the Group of the manager with solid commercial and operational experience in the spine and with referring surgeons in France.

Spineway is also studying other opportunities for external growth.

If these external growth projects are successfully carried out, their operational implementation could be accompanied by difficulty in integrating one or more targets. These projects may also involve legal and governance constraints to be anticipated.

Specifically, expected revenue synergies may be slower than expected and cost synergies less than expected.

In the same way, the integration of men could pose difficulties. Spineway pays particular attention to the complementarity of people and makes every effort to secure not only its operational aspect but also, and more upstream, the support of people in the project.

The external growth projects envisaged by the Company may not succeed. However, the sustainability of the Company is not based on the achievement of these growth projects which are only accelerators of growth and a return to profitability by the integrated achievement of a critical size. Indeed, the Company is also working on other projects, in particular actions promoting organic growth, product innovation and the conclusion of commercial partnerships.

The Company assigns external growth risk a **medium** level.

1.3 Risks relating to the activity and the market in which the Company operates

1.3.1 An economic risk of the impact of the global pandemic linked to Covid-19

In the context of the global health crisis linked to Covid-19, the Group immediately mobilized to ensure the continuity of its activities while preserving the health of its employees, by putting in place the appropriate conditions to work with the maximum security or by setting up teleworking when activities allow.

This pandemic, which became global in early 2020, led to the cessation of a good number of non-life-saving surgeries around the world and therefore impacted the Group's turnover. This impact on Spineway's consolidated revenue is amplified by the Group's export presence in heavily affected countries. In particular, very substantial impacts were noted in 2020 on the whole of the Latin America zone excluding Brazil and Chile with overall less 42% of turnover, in France with less 38%, in Lithuania

with less 35% and in United States with around minus 70%. Asia was affected in a very variable way depending on the country (good performance in Japan, Thailand, China) and rather on small markets with an overall drop of around 20% in the area. Overall, all the other export countries were impacted except in Europe Spain and Germany, in the Middle East Jordan and Egypt but for less significant turnover. In 2021, the situation is not entirely resolved and deprogramming still takes place frequently in connection with national confinements and successive waves of covid. Thus, despite an overall increase in turnover in 2021 of 27% compared to 2020, turnover has not returned to its pre-pandemic level despite the start of new customer partnerships (compared to 2019 - 16% in 2021 against – 33% in 2020). Nevertheless, all geographic areas saw an increase in their turnover (Latin America + 33%, Asia + 19%, Europe + 38%, Middle East Africa + 5%).

The situation remains complicated at the beginning of 2022, particularly in France with new white plans slowing down the Group's development in this market.

Given the drop in turnover, the Company also continued its actions to rationalize stocks and seek to improve working capital requirements.

The impact of the pandemic is slightly mitigated in terms of income and cash by:

- cost savings, particularly in connection with:
. the non-resumption of trade fairs and congresses as well as the travel of sales representatives and surgeons in 2021;
. less marketing actions

- essential specific expenses related to the implementation of health protocols at Group level and the securing of sites and the work of employees, in particular: revised signage, purchase of gel, purchase of masks and purchase of disinfectant.

Financially, the Group has activated all the possible measures proposed by the government in order to ensure its continuity of operation and to deal with this global health crisis. Thus, Spineway obtained from 2020 the agreement of its banks for the granting of a PGE in the amount of €1,270,000, the maximum possible amount. This loan strengthened the Group's cash flow and enabled it to maintain its activities until the resumption of surgeries in all of its areas of operation.

Various potential additional impacts could affect the Group in the medium term, including:

- solvency problems for some customers or at least an increase in payment terms even though at the end of 2021 the Company has, on the contrary, succeeded in maintaining its payment terms;

- a delay in expected revenue growth;

- delays and difficulties in the collection of clinical data which could lead to a slowdown in the regulatory aspect necessary for the transition to the new European Regulation 2017/745 relating to Medical Devices. Indeed, these collections are based on the volume of surgical interventions and the availability of surgeons on the analysis and transmission of information. However, the pandemic has seen a refocusing of surgical activity on urgent and priority surgeries to the detriment of less vital interventions such as corrections of spinal pathologies. Reinforcements in skills are also necessary (recruitments not yet fully completed on 31/12/21) to be able to ensure this crucial component for obtaining certificates under the new CE system (MDR).

At this stage of the pandemic, it is nevertheless impossible to assess the duration of the crisis, as well as its exact impact on the Group's revenue and expenses. Repercussions are also to be expected for 2022.

Spineway teams are now agile to ensure business continuity and adjust action plans in real time so as to be able to anticipate a real recovery and manage its inevitable bumps.

The Company assigns this risk a **high** level.

1.3.2 Risks related to the competitive environment based on market characteristics

The market for products related to spinal surgery is competitive and dominated by major American players (in particular: Medtronic, Johnson & Johnson, Stryker or Zimmer) which cover between 60 and 80% of the global spinal implant market (source: Spineway).

These leading companies are solidly established and have considerable resources, far superior to those of Spineway.

Alongside these leaders, there are historically medium-sized players who can directly compete with Spineway products. A number of competitors focus on a specific product or part of the market, potentially making it more difficult for the Company to improve its overall competitive position in the market.

Furthermore, the innovation demonstrated by competing companies (development of less expensive and/or more efficient and/or higher quality technologies or products, or faster time to market than Spineway products) could affect the future growth of spineway. The new regulatory requirements, however, restrict the possibilities of major innovation, particularly in terms of implants. Given these significant barriers to entry, many players are developing through external growth by targeting companies with innovative technologies or market worthy of interest.

Under these conditions, Spineway estimates:

- that competition will further intensify;

- that the phenomenon of concentration on a specific product or part of the market which characterizes the market will also increase;

- that competition could lead to a drop in the price of its products, a reduction in its profit margins, and could therefore affect its ability to invest and develop its business.

A player on a human scale, Spineway has, faced with this competition, deployed a new marketing plan as well as a new commercial policy and:

- now emphasizes a dual positioning of its product ranges: Premium for mature markets and high-potential customers, and Gold standard in markets for which Premium may remain inaccessible. Thus, Spineway stands out and responds to a desire to have top-of-the-range products expressed by many countries/regions of the globe (in particular: Japan, United States and Europe), while maintaining its anchorage in territories with very varied economic situations;

- relies on the creation of a stronger partnership with customers through better listening and the consolidation of its presence in the field. Reporting for customers has already been put in place, as well as numerous digital projects (webinars, training, product presentations, etc.) in order to strengthen this link and provide real support that benefits all parties;

- constantly seeks to develop innovative technologies, new products, to improve its existing products and to complete its ranges. Several developments are also underway, according to a schedule defined by the Company for at least the next three years;

- has initiated an action plan aimed at strengthening its links with the referral surgeons in its markets;

- conducts projects aimed at creating value and guaranteeing its market share via, in particular, product/innovation partnerships.

Despite the deployment of this new commercial policy, increased competition could significantly affect the marketing by the Group of its products and in particular its new innovative products. Indeed, the lengthy development, manufacturing and marketing process does not fully guarantee efficacy, acceptance by surgeons or obtaining approvals from regulatory authorities (regulatory bodies issuing sales authorization certificates) and the paying bodies (social security or equivalent bodies for the reimbursement of medical expenses) despite the tests carried out upstream. The additional delays in the event of rejection of the first application for approval of new products are dependent on the points raised (minor or major) and may result in several months before approval, leaving more time for the competition to position itself. The shortfall in terms of turnover depends on the market prospects specific to each product, countries in which delays in approval or reimbursement could occur. The competitive risk on innovations is, however, mitigated insofar as the new regulatory requirements restrict the possibilities for all players of major innovations, particularly in terms of implants, insofar as Spineway, like its competitors, must first integrate in its process of validating new constraints, particularly clinical ones, which slow down the obtaining of authorizations. Compliance with these new, more demanding regulations therefore penalizes the release of innovations (more complex and longer process) for all players. More generally, competition could thus harm the activities, results, financial situation, development, and prospects of the Group.

The Company assigns this risk a **high** level.

1.4 Risks related to third parties

1.4.1 Spineway's close dependence on its international distribution network

Abroad (83% of consolidated revenue as of December 31, 2021), Spineway distributes its products exclusively through independent distributors (indirect sales).

As of December 31, 2021, the weight of the main customers in the Group's consolidated revenue was quantified as follows:

. Spineway's main customer (distributor): 12% of consolidated revenue;
. the top 5 customers: 48% of consolidated revenue;
. the top 10 customers: 71% of consolidated turnover.

Spineway has in fact set up an indirect sales network through distribution agreements concluded with local distributors mainly located abroad without full guarantee of real power of control. Such a distribution network therefore presents a major risk for the Company but guarantees that it can be established throughout the world. This risk has, for example, already been experienced during the liquidation in 2018 of the Company's main distributor on the American market, which led to a loss of turnover of more than €2 million, the need to rebuild relations on American soil and setting up a new distribution network (which takes several years). This process of rebuilding market share in the United States is still in progress as of the date of this report.

This indirect sales network has its own constraints linked to its international and heterogeneous nature, and in particular:

- the existence of more or less restrictive and multiplied laws and regulations applicable to the products and services offered by the Group;
- possibilities of unanticipated changes in the laws or market conditions of these countries (the unfavorable development of reimbursement policies for medical devices corresponds to a global trend);
- limited protection in terms of intellectual property in certain countries;
- political and/or economic instability in certain countries in which the Group operates (particularly in Latin America);
- greater exposure in certain territories to financial risks.

Regarding this specific constraint, Spineway prioritizes its actions according to 4 main criteria:

- optimization of its product ranges, in particular in connection with the acquisition of the Distimp ranges, in order to improve the adequacy of its offer to customer expectations;

- improvement in the quality of instrumentation kits in line with the policy of migration to the Premium segment;

- prospection of markets with higher added value (Europe, Japan, Australia, United States).

- In connection with the development of sales in France, the risk of dependence on international sales will decrease accordingly.

The success of the international marketing of Spineway products is therefore closely linked to its ability to forge links with its distributors and to retain them, but also to their financial health, expertise and ability to secure and develop their own clientele. Financial difficulties, non-payment and disagreements that could arise with these distributors or one of them would have an adverse effect on the Group. The occurrence of payment defaults generally follows a termination of contractual relations with a distributor but may also result from endogenous factors specific to the distributor (financial situation) or even from the economic, geopolitical or regulatory context of the country.

Also, Spineway cannot guarantee that it will be able to retain these distributors or that they will continue to devote the resources necessary for the commercial success of its products, success which depends in particular on the marketing efforts and customer service deployed by the distributors.

In general, this indirect sales system places Spineway in a situation of commercial dependence with regard to the partners on which it relies.

In order to limit this risk, the Company:

- is working on action plans aimed at securing its main historical customers, in particular through a new commercial policy and better marketing support;

- makes special efforts to develop the client portfolio so as to dilute the risk of dependency. 2020 thus saw the creation of new customer accounts;

- is constantly looking for new distributors both in its historical areas and in new territories with a more favorable geopolitical and economic situation;

- implements individualized financial support solutions in collaboration with organizations that will secure outstandings. The Group pays particular attention to these financial issues when signing new contracts;

- works on the regulatory autonomy of privileged export territories so as not to depend on distributors in terms of homologations.

Despite these measures, this situation of the Group's dependence on distributors and/or the potential deterioration of payment terms, or even the failure of distributors, could have consequences that would significantly affect the business depending on the customer(s) concerned, the Group's results, financial situation, development, and short-term outlook.

In addition, the growth in sales in France (17% of consolidated turnover as of December 31, 2021 compared to 12% in 2020, reflecting the initiation of the strategic plan to strengthen this territory), carried out directly with healthcare establishments (direct sales) but which can also be carried out through distributors within the framework of privileged partnerships or by using commercial agents having privileged links with the end customers (hospitals) of Spineway, makes it possible to limit this risk.

The Company assigns this risk a **medium** level.

1.4.2 A risk of dependence on production suppliers for specific supplies and processes

For the manufacture of its products, the Spineway group needs to source materials and, in particular, PEEK. With regard to this specific supply, the Company relies on a main supplier which accounts for 9% of production purchases in 2021.

Similarly, the Spineway group depends on 2 main subcontractors for the manufacture of its products (implants). These represent 69% of production purchases in 2021.

Spineway has set up a process of referencing and quality approval of several suppliers in order to temporize this risk but considers that the postponement of production in the event of failure of a preferred supplier, in particular of PEEK raw material, to a secondary supplier could involve implementation delays inducing short-term supply delays while secondary suppliers organize themselves to absorb additional volume. This risk is also mitigated by the desire to diversify products, towards titanium products, which will reduce the share of dependence on one material and one supplier and will make it possible to have new alternatives of approved suppliers of quality and CE certified.

The Company assigns this risk a **medium** level.

1.5 Legal risks

1.5.1 Increased risks related to regulatory constraints, particularly European ones

The process of obtaining and maintaining the approvals, legal and regulatory authorizations as well as the certifications necessary for the marketing of medical devices can be long depending on the country in question. In addition, there is no guarantee that these authorizations, if granted, will be consistent with commercial development plans. If Spineway does not obtain authorizations or certifications (in particular CE, FDA - Food & Drug Administration - or equivalent marking) for its future products or improvements made to its existing products, it could be prohibited, until it obtains them, the marketing

of its products in its various markets. The same would apply if the Company were to lose the authorizations or certifications it holds. These regulatory obligations and processes are valid in most of the countries in which Spineway markets or plans to market its products, with sometimes different constraints. Depending on the nature of the agreements, these obligations are either directly the responsibility of Spineway or the responsibility of its local distributor who may, if necessary, hold the approvals in its territory.

Rejections or delays in the certification process would necessarily involve forcing the Company to carry out costly additional tests and having to collect additional clinical data, which is often long and tedious to obtain. This could have a negative impact on the Company's financial results, on its competitive position and on its ability to market its products in the countries concerned.

Changes in regulations or standards applicable in one of the countries where Spineway operates may likewise, where applicable, affect the development of its products or cause the withdrawal or suspension of marketing authorizations, it being noted that the Company has never been confronted with a problem of non-conformity of its products.

Indeed, the global regulatory context is constantly changing and tends to reinforce its constraints (evolution of techniques and harmonization of legislation throughout the world). Spineway has ensured that it has the appropriate means for effective regulatory monitoring, in France and internationally, in order to anticipate changes:

- member of SNITEM;
- network of international consultants (formerly RADAR review published by Emergo);
- dedicated staff (quality monitoring and regulatory affairs);
- information sent by US FDA to registered companies.

Given the issues related to marketing certificates, Spineway constantly monitors the evolution of regulatory and legislative constraints in the areas in which it markets its products. Similarly, Spineway carefully studies the existing regulatory and legislative constraints in the countries it plans to market its products before initiating any commercial approach.

The Company has put in place an organization and support enabling it to address the specific risk arising from the evolution of the European regulatory environment: European Regulation 2017/745 relating to Medical Devices (hereinafter "MDR") in force since May 25, 2017 which specifies the basic provisions of the legislation applicable to the countries of the European community and in particular the essential requirements in terms of safety as well as the methods of conformity assessment. Its application results in the affixing of the CE Marking, a more complete labeling (the labeling must include in particular: batch or serial number of the product, warnings, name of a European representative for manufacturers outside the EU, etc.). In addition, a review by a third-party body, called a notified body, is imperative and results in the issuance of a CE certificate. This RMD will not fully come into force until May 26, 2021 in order to allow manufacturers, authorities and notified bodies to adapt, this new CE standard requiring a complicated and costly homologation process.

All medical devices marketed in the European Community must receive CE RMD certification before May 26, 2024. Thus, on May 26, 2021, all manufacturers will be forced to comply only with certain “administrative” reporting and post-monitoring requirements. - marketing, in particular through the writing of specific reports. Product certifications under RMD are possible from this date but not mandatory. Indeed, for the products, it is possible to continue their marketing until the end of the certificate under the current MDD reference system, namely in the case of Spineway in theory until May 2024 thanks to obtaining a deadline validity of current CE certificates Spineway has thus secured its current product portfolio until May 2024 (procedure being finalized) while initiating the registration

process in accordance with new regulatory requirements. Thus, from 2021, reusable surgical instruments (procedure currently being reviewed by notified bodies) will be certified a priori in RMD. The Company is also working on all the other implant files with an objective of 2022/23 according to a schedule taking into account a deadline set for January 2023 for the last submission of the technical file review.

Aware of this issue, Spineway has therefore anticipated this subject and mobilized significant budgets for 2 years, efforts which will continue over the coming period and at least until 2022-2023 in accordance with the objective set in internal, in order to guarantee the transition to the new CE RMD[2] standard for all of its ranges before the final deadline set for May 2024, the date from which only CE RMD marked products can be marketed.

To secure this risk, the Company has also appointed a new notifying body (TÜV Rheinland, one of the first RMD accredited bodies) by transferring to it the CE certificate for its product portfolio under MDD[2] marking and has thus been able to request an extension of the of validity for all of its branded ranges. This extension process is currently being finalized and will secure approvals until May 2024.

In this sense, efforts have been maintained, in particular through the use of external stakeholders (fixed-term contracts, freelancers, service providers), particularly for the collection of clinical data. These reinforcements make it possible to secure the entire RMD process, which has made it possible to obtain a 1st file (instruments) which will be approved for RMD in 2021. The Company can effectively rely on a structured and competent team to limit the risk of loss of authorizations, certifications or non-renewal.

In addition, Spineway's quality system enabled it to obtain ISO 13485 certification in 2006. Since 2006, ISO certification has been constantly renewed with the same notified body, the Norwegian company DNV, then with TÜV Rheinland in May 2020. Work in progress to rationalize quality management at Group level following the integration of the Distimp company should eventually make it possible to reduce some of the efforts at Group level.

The Company assigns this risk a **high** level.

1.5.2 Risks related to the protection and necessary control by the Company of its intellectual property rights

The Group favors an active policy aimed at protecting the exclusive nature of its intellectual property. However, the Group may not be able to maintain or obtain adequate protection and, therefore, retain all the resulting technological and competitive advantages.

The Group's success depends in part on its ability to protect its own processes and products against the illicit uses that could be made of them by third parties. To protect its rights, Spineway relies on the protection offered by patents, trademarks, trade secrets, know-how, confidentiality agreements and other contractual restrictions. However, these means only offer limited protection and may not prevent unlawful use of the rights, products and technologies belonging to the Company. Unauthorized use of the Company's processes or products by third parties could in particular lead to the Company losing a competitive advantage or market share, as well as an inability to conquer new market shares. Such events could have an adverse effect on the Group's business, assets or financial situation.

Conversely, the Company cannot guarantee that it will not infringe the intellectual property of others, for two main reasons:

- the number and complexity of existing international patents make it difficult to understand the real freedom to operate of the many devices already on the market.

2 Directive Dispositifs Médicaux (Directive 93/42/CEE).

- the impossibility of knowing in advance the patents being applied for and not yet made public, which could interfere, when published, with all or part of the Company's products or rights.

By controlling its R&D, by carrying out its own research, by commissioning an Intellectual Property firm to ensure monitoring, and by having its R&D carried out mainly in-house or in collaboration with referring surgeons supported by contracts including specific clauses relating to the intellectual property, the Company is strengthening its control of its intellectual property rights.

On the ownership of rights

Any discovery made by an employee belongs to the employer. The employment contracts signed by Spineway with its employees nevertheless provide for the payment to the employees concerned of an inventiveness bonus.

In the event of filing, by Spineway, of patent(s) co-developed with surgeons (in the context of scientific and/or technological cooperation), a contract is signed and provides for the payment of royalties calculated on the basis of gross sales. These patents co-developed with the surgeons are the property of Spineway (the contracts include a waiver by the surgeons of intellectual property rights).

However, and in the event of persistent disagreement between the partners on the ownership of rights, there is a risk that the partner concerned will claim the intellectual property rights on the results to which it has contributed and may prevent or hinder the Company in the exploitation of the technology developed under these agreements. This is why Spineway has also set up a new procedure aimed at formalizing, in parallel with the payment of royalties, the transfer to Spineway of all the intellectual property rights of the co-developers attached to the patents filed by spineway.

On patents

Spineway holds several patents.

The advisability of filing patents abroad is measured according to the degree of inventiveness of said patent and the ability of the Company to act against possible infringers. Legislative disparities between countries could prevent the Company from adequately protecting its products, in one or more countries, or from ensuring an equivalent level of protection in the different countries.

Moreover, even when patents are filed abroad, the means and knowledge available to the Company do not allow it, in any event, to act systematically against offenders in the event of infringement. Spineway also believes that the risk of counterfeiting is real, and that this risk is reinforced with its development on the Asian markets and in countries that are more focused on *Gold Standard*.

In addition, the means and knowledge available to the Company do not allow it, in an exhaustive manner, to verify that a technique marketed is not itself infringing with regard to a registered patent or rights held by a third party. in a given territory and could see its liability sought and/or engaged in this respect. Any dispute could result in a judgment or decision unfavorable to the Company being rendered, which could affect its ability to protect its products. However, even if such a dispute had an outcome favorable to the Company, the fact remains that involvement in an administrative, legal or arbitration procedure of this type could be time-consuming and incur substantial costs for the Company.

On the know-how

The products developed by the Company also implement know-how.

The Company cannot guarantee that Spineway and its products, which are closely linked to its know-how and trade secrets, are adequately protected against competitors and cannot be usurped or circumvented by them.

The Group seeks to limit the communication of key elements of its know-how (in particular in terms of R&D), to third parties, to the only information strictly necessary for the collaboration that it maintains with them and it contractually ensures that these third parties undertake not to divert, use or communicate this information, in particular by means of confidentiality clauses. However, the Group cannot guarantee that these third parties or that former employees respect these agreements, that the Group will be informed of a violation of these clauses, or that the compensation that it could possibly obtain would be sufficient with regard to the damage suffered.

About brands

The Company holds several trademarks, both European and registered in different countries of the world on all continents. Here again, the material means available to the Company limit its field of action in the event of possible infringement.

Indeed, third parties could still use or attempt to use this brand or other brands of the Group.

Similarly, if a third party were to use an identical or similar mark in the classes referred to in the registration certificates, any qualification of infringement could be held in check if the mark were considered to be invalid in that it is insufficiently distinctive and/or too descriptive in relation to the products it identifies.

If this risk were to materialize, it could compromise the protection of the names allowing the identification of the Company's products by customers, prospects and, in general, the public.

Infringement actions

It is important, for the success of its business, that the Group be able to freely exploit its products and technology.

Despite its efforts, the Company cannot fully guarantee that there are no patents or other intellectual property rights of third parties likely to cover certain activities, products or technologies of the Group allowing these third parties to act for infringement, or on a similar basis, against the Group with a view to obtaining damages or the cessation of use of the incriminated product.

If these actions were carried out and recognized, in whole or in part, as justified, the Group could be forced to stop or delay the research, development, manufacture or marketing of the products covered by these actions, which would significantly affect its activities in the sector of activity concerned.

In particular, the Group could be required, in addition to the payment of financial compensation, to:

- stop manufacturing, selling or using the products in question, in a given geographical area;

- obtain, under conditions unfavorable to the Group, a license on the intellectual property rights of third parties;

- find alternative solutions so as not to infringe on the intellectual property rights of third parties, which could, in some cases, prove impossible or be costly in terms of time and financial resources, and could therefore hinder its efforts of marketing.

A procedure brought against the Group, whatever the outcome, could lead to substantial costs, disrupt its operations, compromise all or part of its business, its image and its reputation.

The Spineway group does not have to deplore any dispute relating to intellectual property rights.

The Group cannot therefore guarantee that the illicit use of its intellectual property rights will not have the effect of affecting the marketing of its products and, more generally, of harming the activities, the results, the financial situation, the development, and the outlook for the Group. Similarly, the Group cannot guarantee that it will not infringe, directly or indirectly, the intellectual property rights of third parties and that this unlawful use will not seriously affect the marketing of its products and, more generally, harming the activities, results, financial situation, development, and prospects of the Group.

The Company assigns this risk a **medium** level.

1.5.3 The risks related to a possible questioning of the Company's liability for defective products reinforced by the sector of activity

In addition to the legal warranties, the Group could be exposed to risks of its liability being called into play when using its products, in particular based on liability for defective products. In fact, spinal surgery involves significant risks of serious complications that can lead to paralysis or have fatal consequences. The tests and marketing of medical devices intended for the spine therefore carry a risk of the manufacturer's liability being called into question. Criminal complaints or legal proceedings could be filed or initiated against the Group by users (surgeons and/or hospitals), patients or regulatory authorities.

Beyond any proven defect, spine medical device players may also be involved, justified or unjustified, in litigation concerning suspected product defects. Spineway's liability could also be heavily incurred in this respect if it were proven that the implant or the instrumentation was the direct cause of the damage and that the latter did not come from the surgical act or from the healthcare establishment, nor of the distribution chain, nor of the patient himself, or, more generally, if Spineway were unable to successfully defend himself.

A claim filed under liability for defective products could force Spineway, regardless of the follow-up given to this claim, to limit the marketing of its products. Its reputation could be affected, it being understood all the same that in such a case, Spineway could turn against its subcontractors and/or suppliers of raw materials if it turns out that they are responsible for the said defect. Finally, an unfounded or unsuccessful claim could:
- prove to be long and costly for the Company ;
- permanently affect Spineway's reputation on the market ;
- divert the efforts of the management of the Company from its main activity.

To date, Spineway's liability for defective products has never been sought.

The Company has always paid particular attention to the risks related to the control and control of defective products as well as to the audits necessary to maintain this quality. In 2017, Spineway spontaneously chose to recall an instrument for exchange after having identified a potential risk linked to this instrument (which is not an implant but an instrument for locking the screw of an implant). The Company therefore favors the application of a principle of prudence and is particularly attentive to the quality of its products, in accordance with the regulations and compliance with the quality standards that it has imposed on itself.

Spineway has also taken out civil liability insurance covering its liability in the event of defective products up to a maximum compensation envelope of €5 million, if necessary, reduced by the use already made of this annual cover at the time recourse In the event of a major failure in a flagship range, this insurance could prove to be insufficient to cover all of the pecuniary judgments liable to be pronounced against Spineway. The latter could therefore have to pay the supplement itself by drawing on its resources and thereby weaken its financial situation.

The Company cannot therefore guarantee that its current insurance coverage is sufficient to respond to any liability actions that may be brought against it. If its liability were so implicated, and if it were unable to obtain and maintain appropriate insurance coverage at an acceptable cost, or to insure itself in any way against liability actions of the of the products, this would have the consequence of seriously affecting the marketing of its products and, more generally, of harming the activities, the results, the financial situation, the development, and the prospects of the Group.

The Company assigns this risk a **low** level.

APPENDIX 2

Financial results table for the last five years

TABLEAU DES RESULTATS FINANCIERS	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
Capital social	429 863,00	1 684 407,00	4 545 710,79	463 275,94	1 576 029,77
Nombre d'actions ordinaires	4 298 630	16 844 070	454 571 079	4 632 759 445	15 760 297 542
Nombre d'actions à dividende prioritaire	0	0	0	0	0
Nombre maximal d'actions futures à créer	523 133	87 500 000	673 377 878	6 230 016 123	3 309 139 343
* par conversion d'obligations	255 754	70 000 000	492 857 142	5 632 759 446	694 444 444
* par exercice de droits de souscription	267 379	17 500 000	180 520 736	597 256 677	2 614 694 898
Chiffres d'affaires hors taxes	8 759 745	6 516 892	5 081 929	3 379 615	4 272 425
Résultat avant impôts, participation, dotations aux amort. et prov.	-914 790	-3 175 503	-1 876 090	-13 067 167	-762 837
Impôt sur les bénéfices	-448 086	-396 497	-210 362	-231 620	-172 516
Participations des salariés	0	0	0	0	0
Résultat après impôts, participations et dotations aux amort. et prov.	-419 205	-5 247 525	-3 331 938	-13 590 634	-1 512 848
Résultat distribué	0	0	0	0	0
Par action résultat après impôts avant dotations aux amort. et prov.	0,15	-0,12	0,37	-0,0028	0,0000
Par actions résultat après impôts et dotations aux amort. et prov.	-0,10	-0,31	0,73	-0,0029	-0,0001
Dividende attribué à chaque action	0,00	0,00	0,00	0,00	0,00
Effectif moyen des salariés de l'exercice	42	42	28	25	31
Montant de la masse salariale	2 072 876	2 127 123	1 524 001	1 450 645	1 711 609
Cotisations sociales et avantages sociaux	818 412	857 059	674 558	579 405	684 326