Medicrea Reports First Half 2017 Sales and Operating Highlights

First half 2017 sales of €14.7 million

1,700 UNID™ patient-specific surgeries performed to date

Received FDA 510(k) Clearance for UNiD™ HUB software platform

Commercial launch of PASS® TULIP top-loading system

Lyon and New York, October 3, 2017 - The Medicrea Group (Euronext Growth Paris: FR0004178572 - ALMED), pioneering the convergence of healthcare IT and next-generation, outcome-centered device design and manufacturing with UNiD™ ASI (Adaptive Spine Intelligence) technology, today announced their first half 2017 sales and operating highlights.

(€ millions)	H1 2016	H1 2017
Sales	14.8	14.7
Gross margin (% of sales)	81%	73%
Operating income / (loss) before amortization and provision (EBITDA)	0.6	(1.0)
Operating income / (loss) before non-recurring expense	(1.5)	(3.6)
Other non-recurring expense	(1.2)	(0.2)
Cost of net financial debt	(0.2)	(1.4)
Income / (loss) before tax	(2.9)	(5.5)
Net income / (loss)	(2.7)	(5.1)

Changes in exchange rates had no material impact on year-to-year comparison

Operating Highlights

First half 2017 sales were €14.7 million, flat compared to the prior year. Geographically, the U.S. performed well in June, closing the month up 10% versus 2016. France grew as compared to the prior year due to strong direct sales performance. In Brazil, typically the Company's largest distributor-led region, sales fell 63% compared to the prior year related to economic and regulatory factors, however the Company expects sales activity to return to previous level as from early 2018.

Gross margins for the first half of 2017 were 73%. Structurally high, gross margins were negatively impacted during the period due to the use of outsourcing as well as the temporary increase in costs associated with the relocation of the La Rochelle production site to Lyon. These impacts were primarily seen in the first quarter of 2017, with gross margins increasing during the second quarter. Gross margin levels should continue to improve during the second half of 2017 and return to normal in 2018.

Operating costs increased €0.8 million in comparison with the first half of 2016, linked to new building infrastructures coming into service in Lyon and New York, as well as the resources mobilized by the Group to develop its UNiD™ ASI products and services, notably the digital UNiD™ HUB accessible to surgeons for the planning of their patient-specific spinal surgeries.

Against this backdrop, the operating loss over the first half-year was €3.6 million affected by the temporary decline in the gross margin rate and the increase in certain structure costs.

The cost of financial debt increased by €1.2 million in comparison with the first half of 2016 primarily as a result of interest on the €15 million convertible bond loan issued in August 2016 and IFRS rules used to account for those financial instruments.

Under the combined effect of these factors, loss before tax amounted to €5.5 million, versus a loss of €2.9 million for the period ended June 30, 2016.

The Group had available cash of €14.1 million at June 30, 2017.

UNiD Progression

Patient-specific UNiD™ Rods implanted during the first-half of 2017 increased by 30% compared to the same period in 2016. In the U.S., this growth amounted to 42% for the same period. 1,700 surgeries have been performed so far since the launch of that technology.

"I am pleased with the increasing surgeon adoption of our services with preoperative planning expertise that support UNiD™ ASI technology, particularly in the U.S., where the market opportunity is large in volume and margin," said Denys Sournac, President and Chief Executive Officer of Medicrea. "In addition, the PASS® TULIP has been used in more than 10 centers since its initial launch. The commercialization of the PASS® TULIP fixation system will open new doors for Medicrea to gain market share for our patient-specific UNiD™ Rod, by lowering the barrier to entry for the large number of surgeons trained on and accustomed to using this type of 'top-loading' instrumentation, which was not previously part of Medicrea's fixation portfolio."

In June, the Company received FDA 510(k) clearance for surgical planning with UNiD™ HUB, its data-driven digital portal for the Company's Adaptive Spine Intelligence which provide surgeons with surgical strategy and predictive modeling functionality.

In July, the Company performed the world's first personalized minimally-invasive spine surgery in the U.S., utilizing its FDA-cleared patient-specific UNiD™ MIS Rod designed specifically for minimally-invasive spine surgery.

In September, the Company announced the world's first 360-degree personalized spine surgery in London, U.K., which was completed utilizing a bespoke combination of patient-specific interbody cages and rods, manufactured in-house at the Company's new united production and headquarters campus in Lyon and generated by its proprietary UNiD ASI systems technology.

In October, the Company published a major scientific white paper which shows that, relative to manually bent rods, patient-specific rods generated using Medicrea's UNiD™ ASI technology greatly reduce the incidence of postoperative rod breakage in adult complex spine surgical cases.

In the fourth quarter of 2017, the Company should receive FDA clearance for several ranges of interbody cages 3D-printed in-house from powdered Titanium and expects to launch a customized screw planning capability within the UNiD™ HUB software platform.

Equity Financing

On June 19, 2017, the Company completed a €13 million equity financing. The intended use of proceeds include supporting the accelerated development of the UNiD™ platform and preparing for the commercialization of a new range of 3D-printed titanium interbody cages in both the U.S. and Europe.

Next publication: Sales for the 3rd quarter of 2017: October 12, 2017, after market

About Medicrea (www.Medicrea.com)

Through the lens of predictive medicine, Medicrea leads the design, integrated manufacture, and distribution of 30+ FDA approved spinal implant technologies that have been utilized in over 150,000 spinal surgeries to date. By leveraging its proprietary software analysis tools with big data and machine learning technologies and supported by an expansive collection of clinical and scientific data, Medicrea is well-placed to streamline the efficiency of spinal care, reduce procedural complications and limit time spent in the operating room.

Operating in a $10 billion marketplace, Medicrea is a Small and Medium sized Enterprise (SME) with 175 employees worldwide, which includes 50 who are based in the U.S. The Company has an ultra-modern manufacturing facility in Lyon, France housing the development and production of 3D-printed titanium patient-specific implants.

For further information, please visit: Medicrea.com.

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Medicrea is listed on
EURONEXT Growth Paris
ISIN: FR 0004178572
Ticker: ALMED
LEI: 969500BR1CPTYMTJBA37

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH IFRS
FOR THE SIX MONTHS ENDED JUNE 30, 2017

CONSOLIDATED INCOME STATEMENT

(€)	Total IFRS 06.30.2016	Total IFRS 06.30.2017
Sales	**14,843,675**	**14,696,429**
Cost of sales	(2,865,111)	(3,946,442)
Gross margin	**11,978,564**	**10,749,987**
Research & development costs	(523,647)	(789,442)
Sales & marketing expenses	(8,145,353)	(7,892,180)
Sales commissions	(1,812,970)	(1,752,432)
General and administrative expenses	(2,988,936)	(3,869,545)
Operating income / (loss) before non-recurring expenses	**(1,492,342)**	**(3,553,612)**
Other operating income and expenses	(1,168,551)	(247,452)
Operating income before share-based payments	**(2,660,893)**	**(3,801,064)**
Share-based payments	(14,076)	(330,000)
Operating income after share-based payments	**(2,674,969)**	**(4,131,564)**
Cost of net financial debt	(186,216)	(1,114,374)
Other financial (expenses) / income	(63,272)	(302,979)
Income / (loss) before tax	**(2,924,457)**	**(5,548,417)**
Tax (charge) / income	253,464	427,900
Consolidated net income/(loss)	**(2,670,993)**	**(5,120,517)**

CONSOLIDATED BALANCE SHEET

(€)	Total IFRS 12.31.2016	Total IFRS 06.30.2017
Goodwill	2,628,424	2,627,067
Intangible assets	6,071,368	6,611,538
Property, plant and equipment	10,099,217	10,993,720
Non-current financial assets	938,408	759,869
Deferred tax assets	2,454,025	2,552,445
Total non-current assets	**22,191,442**	**23,544,639**
Inventories	8,726,493	9,013,808
Trade receivables	5,158,818	4,858,809
Other current assets	3,511,477	2,230,322
Cash and cash equivalents	8,063,140	14,118,327
Total current assets	**25,459,928**	**30,221,266**
Total assets	**47,651,370**	**53,765,905**

(€)	Total IFRS 12.31.2016	Total IFRS 06.30.2017
Share capital	1,605,307	2,034,173
Issue, merger and contribution premiums	42,448,276	54,239,413
Consolidated reserves	(22,403,157)	(30,103,722)
Net income/(loss) for the year	(7,569,225)	(5,120,517)
Total shareholders' equity	**14,081,201**	**21,049,347**
Conditional advances	317,500	258,750
Non-current provisions	513,842	561,225
Deferred tax assets	1,407,986	1,358,900
Long-term financial debt	18,308,727	17,292,974
Total non-current liabilities	**20,548,055**	**19,471,849**
Current provisions	1,124,676	360,717
Short-term financial debt	3,602,301	4,936,516
Other current financial liabilities	6,000,976	5,615,771
Trade payables	2,294,161	2,331,705
Other current liabilities	**13,022,114**	**13,244,709**
Total current liabilities	**47,651,370**	**53,765,905**

CONSOLIDATED CASH FLOW STATEMENT

(€)	Total IFRS 12.31.2016	Total IFRS 06.30.2017
Consolidated net income/(loss)	**(7,569,225)**	**(5,120,517)**
Property, plant and equipment depreciation and intangible asset amortization	4,238,236	2,344,833
Provisions for impairment	1,768,380	(237,854)
Proceeds from sale of non-current assets	340,732	37,249
Share-based payments	283,434	330,000
Change in deferred taxes	(348,465)	(147,507)
Corporate tax	(990,327)	(440,000)
Cost of net financial debt	1,085,382	1,114,374
Self-financing capacity	**(1,191,853)**	**(2,119,422)**
Change in inventories and work in progress	(2,362,449)	(775,484)
Change in trade receivables	(416,004)	309,453
Change in trade payables and liabilities relating to non-current assets	1,945,005	(385,204)
Change in other receivables and payables	612,344	1,771,045
Cash flow from working capital requirement	**(221,104)**	**919,810**
Taxes paid / refunded	(45,309)	(12,343)
Net cash flow from operating activities	**(1,458,266)**	**(1,211,955)**
Acquisition of non-current assets	(9,094,944)	(4,747,318)
Disposal of non-current assets	-	543,790
Subventions reçues / (reversées)	(86,250)	(58,750)
Net cash flow from investment activities	**(9,181,194)**	**(4,262,278)**
Share capital increase	5,104,354	13,000,003
Proceeds from new borrowings	16,504,287	1,085,626
Repayment of borrowings	(2,849,794)	(1,270,455)
Interest paid	(750,257)	(666,890)
Other movements	(1,783,239	(768,301)
Net cash flow from financing activities	**16,225,351**	**11,379,983**
Translation effect on cash and cash equivalents	349	30,469
Other movements	(124,373)	79,840
Change in cash and cash equivalents	**5,461,867**	**6,016,059**
Cash and cash equivalents - beginning of year	**1,791,515**	**7,253,382**
Cash and cash equivalents - end of year	**7,253,382**	**13,269,441**

Positive cash balances - beginning of year	2,168,215	8,063,140
Positive cash balances - end of year	8,063,140	14,118,327
Change in positive cash balances	**5,894,925**	**6,055,187**
Negative cash balances - beginning of year	(376,700)	(809,758)
Negative cash balances - end of year	(809,758)	(848,886)
Change in negative cash balances	**(433,058)**	**(39,128)**
Change in cash and cash equivalents	**5,461,867**	**6,016,059**