



Financing agreement of a total par value of €8.4 million and subvention of €800 000 received as part of the Recovery plan and the « Industrial Investment Support to the Territories » Program

- ▶ Conclusion of an agreement for a bond financing line (OCEANE) over 24 months with a maximum total par value of €8.4 million
- ▶ Subvention of 800,000 euros received as part of the Recovery Plan and the « Industrial Investment Support to the Territories » Program

Éragny-sur-Oise, France, December 17th, 2020, 8h30 CET – Safe Orthopaedics (FR0013467123 – ALSAF), a company specializing in the design, manufacturing and marketing of single-use technologies for spinal surgeries, delivering the safest treatment for spinal fractures urgently treated, announces the grant of a €0.8M€ subvention as part of the “Industrial Investment Support to the Territories”, a €150M fund to support the most structuring industrial projects for the territories set up by the Government in the context of the Recovery Plan, and the signing of a financing agreement with the Luxembourg investment fund European High Growth Opportunities Securitization Fund (the “Investor”) for the set up of a flexible bond financing line by issuance of 1.680 Tranche Warrants for bonds convertible or exchangeable into new and / or existing shares with a par value of €5,000 each (the “OCEANE”), broken down into 24 declining tranches of OCEANEs (see schedule below). The total nominal amount of the OCEANE bonds thus issued will be equal to €8.4 million. This contract follows the end of the OCEANE program launched with the Investor in 2019 which financed the Company up to approximately €11.5 million, the drawing of the last tranche of OCEANE from this first program being scheduled for the next few days.

State support to the investment plan of the group Safe at Fleurieux-sur-Arbresle site

Further to the acquisition of the company LCI Medical, his historical supplier, dated of last July 27th, Safe Orthopaedics launched an ambitious investment plan on the industrial site of LCI Medical in Fleurieux-sur-Arbresle (69). This plan includes an extension of the existing buildings in order to increase them to more than 1.500 m². This plan also includes the construction of 3 clean rooms with an area of 175 m² which will host the Integrated Manufacturing Factory of Safe group. This center will be dedicated to the development of new technologies, namely in spinal orthopaedics. The workforce of the site of Fleurieux-sur-Arbresle will increase to 30 people by mid-2021, and then several dozen jobs will be created in the next 36 months.

This program has been chosen to receive a subvention of 0.8 M€, as part of a regional selection process, based on a consensus between the Prefecture of the Region and the Regional Council of Auvergne-Rhone-Alpes, with support from Bpifrance.



Pierre Dumouchel, Chief Executive Officer of Safe Orthopaedics, declares:

“The Group Safe would like to thank all the stakeholders in the selection and funding process of the “Industrial Investment Support to the Territories” plan. The acquisition and the integration of LCI Medical, our historical supplier and industrial partner, marks a turning point in the strategy of the group Safe. More than ever, it does consist in building an integrated and dynamic company internally controlling all the key steps value creation: innovation and R&D, manufacturing, quality control, and worldwide commercialization. This ambition widely meets the goals defined by the Government and the Recovery Plan: enhancing the production capacities and the employment in the territories and controlling, at a national level, the strategic industries supply chains, including advanced medical devices”.

Signature of a bond financing line paid in degressive installments

It is recalled that the market capitalization of the Company is approximately €6.50 million and that the establishment of this financing line by issuing OCEANE bonds, allowing a potential fundraising of a maximum amount of €7.98 million for the subscription of 1,680 OCEANES is intended to enable Safe Orthopaedics to finance, notably:

- innovation through new surgical assistance solutions;
- new deposits in mainly European and American healthcare establishments under a framework of privileged partnerships;
- clinical marketing studies following the new European directives relating to CE marking;
- set up of virtual training for surgeons for the the surgical practice of Safe Orthopaedics products; and
- industrial development, notably with the extension of the Fleurieux-sur-Arbresle industrial site.

Pierre Dumouchel, Chairman and CEO of Safe Orthopaedics, comments: *“Alpha Blue Ocean has been supporting us since 2018, and enabled us with the initial funding to commercially deploy Safe Orthopaedics, and to get through the Covid-19 health crisis while carrying out strategic transformations such as the acquisition of LCI Medical. Today, we are delighted to announce continued funding with ABO, organized in monthly installments aligned with our declining liquidity needs over the next 24 months.”*

Pierre Vannineuse, CEO of Alpha Blue Ocean Inc., manager of the Luxembourg fund European High Growth Opportunities Securitization Fund, comments: *“Alpha Blue Ocean is delighted to renew its confidence in Safe Orthopaedics by arranging this new financing agreement. We have been very happy with the development of the company so far and following the financing of Erytech (ERYP : FP) and AB Science (AB : FP) Alpha Blue Ocean continues to bias it's portfolio toward leading healthcare solutions.”*

Terms and legal framework of the issuance

Main characteristics of Tranche Warrants

The OCEANE tranches will be issued upon exercise of warrants issued free of charge (the "**Tranche Warrants**").

The Tranche Warrants will not be listed or admitted to trading on the Euronext Growth market in Paris or on any other financial market.

The Tranche Warrants will be freely transferable to any other fund or company controlling or controlled by the Investor, but may only be transferred to a third party with the prior consent of the Company.



The Tranche Warrants oblige their holder, at the request of the Company (subject to satisfaction of certain conditions detailed in Note 1) or at the option of the Investor (subject to the suspension of the program by the Company), to subscribe to one OCEANE tranche, at the rate of one OCEANE per Tranche Warrant.

It is expected that the drawdown of each tranche of OCEANE will be done automatically at the end of a period of 20 trading days from the drawing of the previous tranche (subject to the satisfaction of certain conditions detailed in Note 1), according to the following provisional schedule:

January 2021 to June 2021	6 monthly tranches with a nominal value of € 450,000 (90 OCEANES)
July 2021 to December 2021	6 monthly tranches with a nominal value of € 400,000 (80 OCEANES)
January 2022 to March 2022	3 monthly tranches with a nominal value of € 350,000 (70 OCEANES)
April 2022 to June 2022	3 monthly tranches with a nominal value of € 300,000 (60 OCEANES)
July 2022 to September 2022	3 monthly tranches with a nominal value of € 250,000 (50 OCEANES)
October 2022 to December 2022	3 monthly tranches with a nominal value of € 200,000 (40 OCEANES)

It is specified that the Company controls the pace of the financial support offered by the Investor since it may at any time, subject to a notice period of 15 trading days, suspend (then resume, if necessary) the drawdowns.

1,680 Tranche Warrants will be issued for the benefit of the Investor on the basis of the fourteenth resolution of the combined general meeting of August 4, 2020.

Main characteristics of OCEANE bonds

The par value of each OCEANE bond is equal to €5,000. The subscription price of each OCEANE bond will be equal to 95% of its par value.

The OCEANE bonds are freely assignable or transferable by the Investor.

The OCEANE bonds will not be listed or admitted to trading on the Euronext Paris regulated market or on any other financial market

In accordance with Article L225-132 of the French Commercial Code, the issuance of Tranche Warrants and the issuance of new shares resulting from the conversion of OCEANE bonds is issued without preferential subscription rights.

Each OCEANE bonds will mature twelve (12) months after it is issued (the "Maturity Date"). If an OCEANE bond is not converted before Maturity, the OCEANE bonds will be automatically converted into shares of the Company on this date.

The OCEANE bonds do not bear interest. However, in the event of a fault, outstanding OCEANE bonds will be redeemed to the Investor at 120% of their par value.



The OCEANE bonds can be converted into new ordinary shares (or exchanged for existing shares) at the request of their holder, at any time from their issuance and until Maturity (included), or in the event of default of payment of the OCEANE bonds at Maturity, according to the conversion parity determined by the formula below:

$$N = Pv / P, \text{ in which:}$$

"N" is the number of shares resulting from the conversion of an OCEANE bond attributable to the OCEANE bond holder;

"Pv" is the par value of an OCEANE bond, i.e. €5,000;

"P" is the Conversion Price of an OCEANE bond, i.e. 95% of the lowest average daily share price weighted by share volumes (as published by Bloomberg) during a period of ten (10) trading days immediately preceding the date of notification of conversion of an OCEANE bond by the Investor, it being specified that P cannot be lower than (i) the par value of a share of the Company and (ii) 80% of the volume-weighted average price of the share during a period of twenty (20) trading days, in accordance with the fourteenth resolution of the combined general meeting of the Company on August 4, 2020.

If P is lower than the par value of one of the Company's shares, the Company is contractually obliged to compensate European High Growth Opportunities Securitization Fund for the amount of damages resulting from the conversion of the OCEANE bonds in said tranche at the par value of the Safe Orthopaedics shares if the theoretical conversion price calculated on the basis of the share price is lower than the share's par value (the "Compensation"). Compensation shall be paid, at the Company's discretion, in cash or in new shares within five (5) trading days of the conversion of the last OCEANE bond issued in respect of the tranche concerned.

Events of default include in particular:

- the Company's failure to fulfill its obligations towards the Investor that has not been remedied for a period of 15 days from the earliest of the following dates: (i) the date on which the Company becomes aware of the breach and (ii) the date on which the Investor notifies the said breach to the Company;
- failure by the Company to deliver the shares due to the Investor within 3 trading days following the date of conversion of the OCEANES;
- failure to pay by Safe Orthopedics (i) the acquisition price of the OCEANE bonds that it is required to acquire as a result of its possible inability to issue the shares to be issued upon conversion of, and (ii) any sum due to the Investor under the OCEANE issue contract;
- the removal from listing on Euronext Paris (regulated market or organized Euronext Growth market) of the Safe Orthopedics shares or suspension of their listing;
- the refusal of certification of the Company's accounts by its statutory auditors, not resolved within sixty (60) days of the request for certification;
- a significant unfavorable change (as this term is contractually defined) or change of control (within the meaning of Article L. 233-3 1° and 2° of the Commercial Code) of the Company has occurred;
- the default of payment, other than in good faith, of any financial debt or guarantee of financial debt of Safe Orthopedics of more than 250,000 euros or the non-compliance or non-performance by Safe Orthopedics of any commitment it has made under these debts or guarantees, not contested in good faith, which would result in their early payment;
- the suspension or voluntary cessation by Safe Orthopedics of all its activities, or the disposal of all its assets, or the commencement of Safe Orthopedics' insolvency proceedings; and
- the non-payment by Safe Orthopedics of an amount exceeding 450,000 euros, in the context of a court conviction.



The Company undertakes (i) not to draw any tranches if the Company's stock market price becomes equal to or lower than its par value (€ 0.10) and (ii) to convene a general meeting accordingly in order to proceed to a reduction in its share capital by reducing the par value of the shares.

Indeed, if these commitments were not respected, the amount of the Indemnity could be substantial and make the aforementioned bond financing very expensive and unattractive for the Company.

Commissions and Entry Fees

In consideration for the Investor's commitment to subscribe for the tranches of OCEANEs issued in connection with the financing, the Company will pay the Investor commitment costs in an amount equal to approximately 4% of the maximum nominal amount of the financing, i.e. a commission of 335,000 euros. This commission will be paid (i) for an amount of 170,000 euros per issue of 34 additional OCEANEs upon the drawdown of the first OCEANE tranche and (ii) for an amount of 165,000 euros per issue of 33 additional OCEANEs upon the drawdown of the eleventh tranche of OCEANE.

In addition, each OCEANE being subscribed at a subscription price equal to 95% of its unit par value, in the event of exercise of all the OCEANEs, the Investor will have benefited from a reduction in the subscription price up to a total amount of 420,000 euros.

New shares resulting from the conversion of OCEANE bonds

The new shares issued, where applicable, on conversion of the OCEANE bonds will bear current dividend rights. They will have the same rights as those attached to the existing ordinary shares of the Company and will be admitted to the Euronext Growth market in Paris on the same listing line (FR0012452746).

The Company will keep an update on its website (www.safeorthopaedics.com) (Investor section > Documentation) a monitoring table of OCEANE bonds and the number of shares in circulation.

Impacts of the operation in terms of liquidity risk management and funding horizon

As of September 30, 2020, and before the second confinement imposed by the French authorities in the context of the health crisis, the half-year financial report confirmed the Company's going concern based on the available cash and the anticipation of a possible renewal of a bond financing line up to €4 million.

The renewal of this financing line, up to €8.4M, combined with the investment grant of € 0.8M from the plan announced today, ensure operating continuity of around 24 months.

As of December 2020, and after a second pandemic wave that impacted the Company's customer surgical services since October 2020, the group's funding horizon without the new funding program, would be March 2021.



Main risks associated with the Company

The main risks associated with the Company and its sector of activity were presented in the annual financial report for the year ended December 31, 2019, published on April 30, 2020 and the half-year financial report as of June 30, 2020, published on 30 September 2020, available on the Safe Orthopedics website (www.safeorthopedics.com).

The main risk factors related to new shares issued upon conversion of OCEANE bonds are listed below:

- in the event of the issuance of new shares resulting from the conversion of OCEANEs, shareholders will see their participation in the share capital of Safe Orthopedics diluted;
- the total amount of OCEANE bonds subscriptions by the Investor is not guaranteed in the event of failure to meet the conditions imposed by the Investor;
- the volatility and liquidity of the shares of Safe Orthopedics could fluctuate significantly;
- the withdrawal of tranches and the related financing is subject to the satisfaction of certain conditions, some of which are detailed in Note 1;
- the sale of Safe Orthopedics shares by OCEANE holders on the market could have an unfavorable impact on the share price;
- the number of shares resulting from the conversion of OCEANE bonds could fluctuate significantly; and
- in the event of a new call to the market, this would result in additional dilution for the shareholders; and
- Risk related to the Indemnity: as the amount of the Indemnity is not capped, if the latter were due and paid in cash, it could lead the Company to have to return to the Investor a substantial part of the financing granted, notwithstanding the Commissions and Commitment Costs referred to in the above paragraph. In the event of payment of the Compensation in new shares, the number of securities to be issued by the Company could be significant and induce a significant additional dilution of the existing shareholders.

Theoretical impact of the issuing of OCEANE bonds (on the basis of the Company's closing share price on December 15, 2020, i.e. € 0.27)

As the price of the Company has an impact on the number of shares resulting from the conversion of OCEANE bonds, depending on changes in the Company's price, the number of shares resulting from the conversion of OCEANEs could change significantly during the duration of the funding program.

This will result, at most, in the event that all the OCEANE bonds are converted on the basis of a Safe Orthopedics price of € 0.10 (current nominal amount), a dilution of 78.3% of the capital on a non-diluted basis and a dilution of 73.4% of the capital on a diluted basis (see below).

For illustrative purposes, the impact of the OCEANE issuance would be as follows:



- Impact of the issue on the investment of a shareholder currently holding 1% of the Company's capital (on the basis of the number of shares making up the Company's capital as at December 15, 2020, i.e. 24,252,355 shares):

	Shareholder stake	
	Non-diluted basis	Diluted basis ⁽¹⁾
Pre-issue	1,00%	0,77%
After issuing of 33.352.425 new shares resulting from the conversion of OCEANE ⁽²⁾	0,42%	0,37%
After issuing of 87.350.000 new shares resulting from the conversion of OCEANE ⁽³⁾	0,22%	0,20%

(1) The diluted basis takes into account the exercise of all dilutive instruments existing to date which could give rise to the creation of an indicative maximum of 7,412,164 new shares.

(2) Theoretical calculations made on the basis of the closing price of the Company's share on December 15, 2020, i.e. € 0.27, and a conversion price for the OCEANE bonds corresponding to 97% of this value, i.e. approximately 0.26 euro. This dilution does not prejudice either the final number of shares to be issued or their issue price, which will be set according to the stock market price, according to the terms described above.

(3) Theoretical calculations made on the basis of the nominal amount of the Company's share, ie 0.10 euro.

- Impact of the issuance on equity per share (on the basis of equity as at June 30, 2020, i.e. - € 2.905 k, and the number of shares comprising the Company's capital as at December 15, 2020, i.e. 24,252. 355 actions):

	Share of equity at June 30th 2020	
	Non-diluted basis	Diluted basis ⁽¹⁾
Pre-Issue	-0,120 €	-0,092 €
After issuing of 33.352.425 new shares resulting from the conversion of OCEANE ⁽²⁾	-0,050 €	-0,045 €
After issuing of 87.350.000 new shares resulting from the conversion of OCEANE ⁽³⁾	-0,026 €	-0,024 €

(1) The diluted basis takes into account the exercise of all dilutive instruments existing to date which could give rise to the creation of an indicative maximum of 7,412,164 new shares.

(2) Theoretical calculations made on the basis of the closing price of the Company's share on December 15, 2020, i.e. € 0.27, and a conversion price for the OCEANE bonds corresponding to 97% of this value, i.e. approximately 0.26 euro. This dilution does not prejudice either the final number of shares to be issued or their issue price, which will be set according to the stock market price, according to the terms described above.

(3) Theoretical calculations made on the basis of the nominal amount of the Company's share, ie 0.10 euro.



Note 1: Main conditions for the subscription of OCEANE bonds by the Investor:

- No significant adverse change ("material adverse change") has occurred;
- No firm commitment constituting a change of control of the Company has been entered into;
- No authority (including the AMF) has opposed or is opposed to the issuance of OCEANE bonds (or their conversion);
- No event of default exists on the day of the draw;
- The shares of the Company are still listed and the listing of the shares of the Company has not been suspended (and there is no identified risk of such a suspension);
- The Company has a sufficient number of authorized shares to serve the conversions of the OCEANE bonds to be issued in the context of the drawdown (and, where applicable, the still outstanding OCEANES), namely at least a number of shares corresponding to at least 200% of the nominal amount of this bond debt divided by the volume-weighted average price of the Safe Orthopaedics share at closing on the day of the drawdown.

About European High Growth Opportunities Securitization Fund

European High Growth Opportunities Securitization Fund is a Luxembourg institutional investment vehicle whose activity focuses on the financing of highly innovative companies at pan-European level, which it considers to be extremely undervalued. European High Growth Opportunities Securitization Fund is funded by the shareholders of Alpha Blue Ocean and is exclusively advised by Alpha Blue Ocean Inc. Its mandate is to invest in highly innovative European companies by supporting their growth capital, by offering them a credible European financing alternative. More information on www.alphablueocean.com.

About Safe Orthopaedics

Founded in 2010, Safe Orthopaedics is a French medical technology company, a pioneer of the design and marketing of innovative ready-to-use technologies (single-use implants and instruments) for spinal fractures treatments. The company develops and manufactures kits combining sterile implants and single-use instruments, available at any time for the surgeon. These technologies enable minimally invasive approach, reducing the risk of cross contamination and infection, in the interest of the patient with a positive impact on hospitalization durations and costs. Protected by 17 patent families, the SteriSpine™ PS are CE marked and FDA approved. Safe Orthopaedics has its headquarters close to Paris (95610 Eragny-sur-Oise – France) has subsidiaries in the UK, Germany, United States and in the Lyon area where the manufacturing company is located. The Group employs around 150 employees.

For more information: www.SafeOrthopaedics.com

Contacts

Safe Orthopaedics

François-Henri Reynaud
Directeur Administratif & Financier
Tél. : +33 (0)1 34 21 50 00
investors@safeorthopaedics.com

Press Relations

Ulysse Communication

Pierre-Louis Germain / +33 (0)6 64 79 97 61 / plgermain@ulyse-communication.com
Bruno Arabian / +33 (0)6 87 88 47 26 / barabian@ulyse-communication.com