EOS IMAGING

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PARIS TRADE AND COMPANIES REGISTER NO. 349 694 893

Summary half-year consolidated financial statements

for the period from 1 January to 30 June 2016

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I. SUMMARY HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(in thousands of euros)

ASSETS	Note	30 June 2016	31 December 2015
Goodwill	3.3	5 131	5 131
Non-current intangible assets	3.4	2 882	2 454
Property, plant and equipments	3.5	1 292	1 404
Financial assets		123	107
Total non-current assets		**9 428**	**9 097**
Inventory and work in process	3.6	3 610	4 684
Accounts receivable	3.7	23 448	19 313
Other current assets	3.8	4 948	4 980
Cash and cash equivalents	3.9	14 431	14 091
Total current assets		**46 437**	**43 068**
TOTAL ASSETS		**55 866**	**52 164**

EQUITY AN LIABILITIES	Note	30 June 2016	31 December 2015
Share Capital		202	202
Treasury shares		(363)	(317)
Share-based bonuses		70 603	70 571
Reserves		(43 119)	(36 173)
Translation reserves		624	665
Consolidated income attributable to the parent		(2 399)	(7 181)
Total equity	3.10	**25 549**	**27 768**
Provisions	3.11	331	295
Financial liabilities	3.12	17 413	12 837
Total non-current liabilities		**17 744**	**13 132**
Financial liabilities	3.12	90	
Accounts payable - trade	3.13	4 611	5 389
Other current liabilities	3.14	7 872	5 876
Total current liabilities		**12 572**	**11 265**
TOTAL LIABILITIES		**55 866**	**52 164**

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)

	Note	Six-month period ended on	
		30 June 2016	30 June 2015
Revenue from ordinary activities			
Sales	*3.15*	14 141	10 195
Other revenue	*3.15*	1 172	962
Total revenue from ordinary activities		**15 312**	**11 156**
Operating expenses			
Direct costs of sales		(7 635)	(5 192)
Indirect costs of production and services	*3.16*	(1 713)	(1 474)
Research and development	*3.16*	(1 783)	(1 710)
Sales and marketing	*3.16*	(3 626)	(3 078)
Regulatory	*3.16*	(352)	(362)
Administration	*3.16*	(1 697)	(1 741)
Share-based payments	*3.17*	(235)	(106)
Total operating expenses		**(17 042)**	**(13 663)**
OPERATING INCOME	*3.18*	**(1 730)**	**(2 506)**
Financial expenses	*3.19*	(686)	(181)
Financial revenue	*3.19*	17	73
INCOME FROM ORDINARY ACTIVITIES BEFORE INCOME TAXES		**(2 399)**	**(2 615)**
Income tax expense			
NET INCOME FOR THE PERIOD - Attributable to the parent		**(2 399)**	**(2 615)**
Items that will subsequentely by reclassified in net profit or loss			
Translation adjustment on foreign entities		(41)	362
Items that will not be reclassified in net profit or loss			
Actuarial difference on pension commitments			
COMPREHENSIVE INCOME FOR THE PERIOD		**(2 440)**	**(2 253)**
Basic and diluted net income per share (in €)		(0,12)	(0,14)

STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)

Equity EOS IMAGING	Capital	Share premium	Treasury share	Consolidated reserves	Translation differences	Consolidated result	Total
31 December 2014	**184**	**62 037**	**(249)**	**(31 481)**	**218**	**(5 245)**	**25 464**
Appropriation of the result N-1				(5 245)		5 245	
Capital increase resulting from the exercice of option	1	300		(50)			250
Change in translation differences					362		362
Change in actuarial differences							
Result for the period N						(2 615)	(2 615)
Payments in share				106			106
Treasury shares			(14)				(14)
30 June 2015	**184**	**62 337**	**(263)**	**(36 670)**	**580**	**(2 615)**	**23 552**
31 December 2015	**202**	**70 571**	**(317)**	**(36 173)**	**665**	**(7 181)**	**27 768**
Appropriation of the result N-1				(7 181)		7 181	
Capital increase resulting from the exercice of option							
BSA award		32					32
Change in translation differences					(41)		(41)
Change in actuarial differences							
Result for the period N						(2 399)	(2 399)
Payments in share				235			235
Treasury shares			(46)				(46)
30 June 2016	**202**	**70 603**	**(363)**	**(43 119)**	**624**	**(2 399)**	**25 549**

STATEMENT OF CASH FLOWS
(in thousands of euros)

	Six-month period ended on	
	30 June 2016	30 June 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	(2 399)	(2 615)
Elimination of depreciation, amortization and provisions	639	581
Calculated revenue and expenditure related to share-based payments	235	106
Internally generated funds from operation	**(1 525)**	**(1 929)**
Change in working capital requirements related to operations	**(2 066)**	**(6 244)**
Inventory and work in process	1 073	(331)
Accounts receivable	(4 239)	(3 410)
Other current assets	463	(885)
Accounts payable - trade	(950)	(820)
Other current liabilities	1 587	(798)
Net cash flow related to operating activities	**(3 592)**	**(8 173)**
CASH FLOW FROM FINANCE ACTIVITIES		
Acquisitions of property, plant and equipment and non-current intangible assets	(849)	(739)
Disposals of property, plant and equipement and non-current intangibles assets	26	1
Change in financial assets	(16)	74
Net cash flow from investing activities	**(839)**	**(664)**
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Warrants	32	
Reimbursable advances and financial interest	(265)	117
Reimbursable advances - reimbursement	(78)	(30)
Acquisition of treasury shares	(86)	(129)
Disposals of treasury shares	40	115
Bound financing	5 000	5 000
Bound financing - interest and issues costs	57	
Net cash flow related to financing activities	**4 700**	**5 072**
Impact of current rate fluctuations	70	(45)
Change in cash	**339**	**(3 810)**
Cash and cash equivalent at beginning of period	14 091	10 154
Cash and cash equivalent at beginning of period	**14 091**	**10 154**
Cash and cash equivalent at close of period	14 431	6 345
Cash and cash equivalent at close of period	**14 431**	**6 345**
Change in cash	**340**	**(3 810)**

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

Note 1 : Significant events

Bond issue

On 29 June 2016, the company issued a third tranche of 5,000,000 vanilla bonds at €1 each for a total of €5,000,000 (redeemable on the same terms and conditions as the two previous tranches).

As for the first two tranches, an investment fund committed to subscribe the full amount of the issue.

BPIfrance repayable advance and waiver of receivable:

At a meeting of its collaborative projects monitoring committee on 27 January 2016, BPIfrance formally recognised a partial commercial success for EOS imaging and the waiver of a €268,928 receivable.

Resignation of a director:

NBGI Private Equity resigned as a director of the company on 23 February 2016.

Authorisation to market the EOS system in China:

In March 2016, the Group obtained authorisation from the CFDA (China Food and Drug Administration) to market the EOS system in China.

Acquisition of licence rights:

In February 2016, the Group acquired exclusive rights to market a spinal biomechanical simulation technology from the Canadian company Spinologics, subject to obtaining the relevant authorisations.

Partnership agreement with Stryker:

In March 2016, the Group signed a co-marketing agreement in the United Kingdom with Stryker.

Partnership agreement with Medtronic:

In April 2016, the Group signed a co-marketing agreement with Medtronic Japan.

Note 2 : Accounting principles and methods

2.1. Basis of preparation of the financial statements

The summary consolidated financial statements for the first half of 2016 were approved by the board of directors on 8 September 2016 and have been prepared in accordance with the international financial reporting standard IAS 34 “Interim Financial Reporting”.

As summary statements, the half-year consolidated financial statements do not include all of the financial information required to be disclosed in the full-year financial statements and must be read in conjunction with the group's financial statements for the year ended 31 December 2015, subject to the provisions specific to the preparation of interim financial statements as described below.

2.2. Principal accounting methods

The accounting principles used in preparation of the 2016 half-year financial statements comply with the international financial reporting standards and interpretations as adopted by the European Union at 30 June 2016. These are available on the European Commission's website at:
http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

The accounting principles used are identical to those used in preparation of the annual consolidated financial statements for the year ended 31 December 2015.

Changes in accounting rules and methods

The standards and amendments published in the Official Journal of the European Union as at the date of closing the half-year accounts have been applied for the first time with effect from 1 January 2016:

The new standards, amendments and interpretations of standards adopted by the European Union and for which application by the company with effect from 1 January 2016 is mandatory are as follows:

- Amendments to IAS 1 "Presentation of financial statements – disclosure initiative";
- Amendments to IAS 16 and IAS 38 "Acceptable methods of depreciation and amortisation";
- IFRS annual improvements (2012-2014);
- Amendments to IFRS 11 "Acquisition of an interest in a joint operation";
- Amendments to IAS 27 "Equity method in separate financial statements".

The first-time application of these standards did not have a material effect on the consolidated financial statements at 30 June 2016.

The group has, moreover, chosen not to apply in advance those standards and interpretations for which application is not mandatory at 30 June 2016.

2.3. Method of preparation of the half-year financial statements

2.3.1. Information on the seasonal nature of the group's business

Up to and including 2014 the Group's sales revenue was highly seasonal. This resulted in a material difference between revenue for the two halves of the calendar year, with a significant portion of total revenue being generated in the last three months of the year. Seasonality reduced significantly in 2015 and was reflected in a more balanced breakdown of annual revenue between the first and second halves of the year, which represented 47% and 53%, respectively, of total annual revenue

2.3.2. Impairment tests

Pursuant to the provisions of IAS 36, the group performed impairment tests on all its consolidated assets at 30 June 2016. No impairment provisions were recognised at 30 June 2016.

Note 3 : Comments on the statement of financial position, statement of comprehensive income and statement of cash flows

3.1. Changes in consolidation scope

The consolidation scope at 30 June 2016 is identical to that of the year ended 31 December 2015.

3.2. Impact of acquisitions (acquisition of controlling interests)

The group made no acquisitions in the first half of 2016.

3.3. Goodwill

Goodwill (in thousands of euros)	31 December 2015	Acquisitions	Decreases	Change in exchange rate	30 June 2016
Goodwill ONEFIT Médical	5 131				5 131
Total gross value Goodwill	**5 131**				**5 131**
Goodwill amortization and depreciation					
Total net net value Goodwill	**5 131**				**5 131**

3.4. Intangible assets

Non-current intangible assets (in thousands of euros)	31 December 2015	Acquisitions	Reallocation	Decreases	Change in exchange rate	30 June 2016
Development costs	3 532	624	53			4 210
Software	1 321	85	(31)		(1)	1 374
Patents	477	9				485
Total gross value non-current intangible assets	**5 330**	**718**	**22**		**(1)**	**6 070**
Development costs	1 912	231				2 143
Software	903	72				975
Patents	61	8				70
Total depreciation, amortization and impairment	**2 876**	**311**				**3 187**
Total net value non-current intangible assets	**2 454**	**407**	**22**		**(1)**	**2 882**

The company continued to develop new functionalities for the imaging workstation, EOS, for the 3D reconstruction workstation, sterEOS, and for the associated software applications during the period under review.

In addition to internal development costs, research and development costs include the cost of licences related to partnership agreements entered into, in particular with Spinologics and Anatoscope.

3.5. Property, plant and equipment

Property, plant and equipments (in thousands of euros)	31 December 2015	Acquisitions	Reallocation	Decreases	Change in exchange rate	30 June 2016
Fixtures and fittings	902	32	22		(4)	952
Fittings and technical equipments	1 812	61	29			1 903
Office and computer equipments	687	21			(2)	706
Furniture	4					4
PPE in progress	126	17	(74)	(26)		44
Total gross value Property, plant and equipments	**3 531**	**131**	**(22)**	**(26)**	**(5)**	**3 609**
Fixtures and fittings	531	43			(2)	571
Fittings and technical equipments	1 035	114				1 149
Office and computer equipments	561	39			(2)	597
Furniture						
Total depreciation, amortization and impairment	**2 127**	**195**			**(5)**	**2 317**
Total net value property, plant and equipments	**1 404**	**(64)**	**(22)**	**(26)**		**1 292**

The €112 thousand reduction in carrying amount is essentially due to the measured pace of investment during the period under review.

3.6. Inventories and work in progress

Inventory and work in process (in thousands of euros)	30 June 2016	31 December 2015
Componants	3 128	2 145
Finished products	503	2 539
Depreciation	(21)	
Total net value - inventory and work in process	**3 610**	**4 684**

The €1 million reduction in carrying amount is due to a decline in finished goods inventories, which were particularly high at 31 December 2015.

3.7. Trade receivables

Accounts receivable (in thousands of euros)	30 June 2016	31 December 2015
Accounts receivable	23 566	19 432
Depreciation of accounts receivable	(117)	(118)
Total net value - accounts receivable	**23 448**	**19 313**

Trade receivables increased by 21% during the period under review.

The average settlement period for trade receivables remains high due to some delayed equipment installations, particularly in the case of sales through distributors in Asia or Europe. None of the installations, however, are the subject of claims and there is no risk of non-recovery. Measures have been taken to reduce installation periods and the average settlement period for sales in the first half of the year has reduced.
During the period ended 30 June 2016, no individual customer represented more than 10% of consolidated revenue.

3.8. Other current assets

Other current assets (in thousands of euros)	30 June 2016	31 December 2015
Research tax credit / CICE / CII	2 225	1 614
Credits from suppliers	410	742
Value added tax	899	1 107
Prepaid expenses	254	424
Subsidies to be received	1 080	993
Other receivable	80	100
Total other current assets	**4 948**	**4 980**

The "Research tax credit / CICE /CII" line includes:

- Research tax credits recognised in respect of expenditure during the period by EOS imaging and OneFit for a total of €673 thousand together with the research tax credit in respect of 2015 for both companies in an amount of €1,366 thousand and for Canada in an amount of €34 thousand.
- The competitiveness and employment tax credit (CICE) for EOS imaging and OneFit in an amount of €50 thousand, corresponding to expenditure during the period together with the CICE in respect of 2015 for €71 thousand. Payments in respect of the CICE for 2014 for EOS (€78 thousand) and 2015 for OneFit (€35 thousand) were received during the period;
- The innovation tax credit (CII) for 2015 for OneFit in an amount of €32 thousand.

During the first half of 2016, EOS imaging recognised research tax credits in respect of 2015 in an amount of €1.1 million, representing 95% of the definitive receivable claimed. In accordance with IFRS standards, this has no impact on the balance sheet.

The reduction in the VAT receivable was due mainly to receipt of the VAT credit for the last three months of 2015, in an amount of €795 thousand.

Deferred charges correspondent mainly to rent, insurance premiums and commitments in respect of conferences.

Subsidies receivable represent amounts recognised in respect of expenses to 30 June 2016 not reimbursed as of that date.

3.9. Cash and cash equivalents

Cash and cash equivalent (in thousands of euros)	30 June 2016	31 December 2015
Short-term bank deposits	14 293	13 907
Money market funds (SICAV)	138	184
Total	**14 431**	**14 091**

Short-term deposits with banks represent current account balances and term deposits.

3.10. Equity

3.10.1. Issued capital

Changes in the company's capital during the period were as follows:

Date	Operation	Capital in euros	Issue premium in euros	Number of shares constituting the share capital
	Total as at 31 december 2015	**202 420**	**70 570 752**	**20 241 974**
05/02/2016	Issue of warrants		25 500	
30/03/2016	Issue of warrants		6 800	
	Total as at 30 June 2016	**202 420**	**70 603 052**	**20 241 974**

On 25 January 2016, the board of directors approved the issuance of 190,000 stand-alone stock warrants to directors, 150,000 of which were subscribed on 5 February 2016 and the remaining 40,000 on 30 March 2016.

At 30 June 2016, the company's share capital was €202,420, represented by 20,241,974 fully-paid-up ordinary shares with a par value of €0.01 each.

3.10.2. Treasury stock

At 30 June 2016, the company held 49,631 of its own shares in the context of a liquidity agreement. These shares have been deducted from consolidated equity in an amount of €363 thousand.

3.10.3. Stock subscription options

The company has issued the following plans:

Type	Option fair value	Number of shares granted	Plan fair value (in thousand of euros)
SO 2007	5.26 €	255 900	1 345
SO 2009 (a)	0.47 €	395 845	487
SO 2009 (b)	1.49 €	200 657	299
SO 2010 (a)	1.04 €	413 500	429
SO 2010 (b)	1.09 €	53 000	58
Free shares	5.15 €	360 000	1 854
SO 2012 (a)	between 1,61€ et 1,84€	376 916	651
SO 2012 (b)	between 2,02€ et 2,18€	40 000	84
SO 2014	between 1,97€ et 2,26€	223 000	380
Free shares	between 4,33€ et 3,92€	181 500	593
Warrants 2015	2,25€	120 000	270
Warrants 2016	2,98€	190 000	566
Total			**7 016**

The impact on the statement of comprehensive income of share-based payments is described in note 3.18.

3.11. Provisions

Changes in this account represent provisions for retirement benefits.

(in thousands of euros)	31 December 2015	Acquisitions	Decrease	30 June 2016
Retirement benefits	295	36		331
Total	**295**	**36**		**331**

3.12. Financial liabilities

Financial liabilities (in thousands of euros)	30 June 2016	31 December 2015
Bond financing	14 867	9 642
BPIfrance advances	1 135	1 695
Zero-rate loan	1 500	1 500
Total	**17 503**	**12 837**

The increase of €4.7 million in non-current financial liabilities corresponds to:

- Increase of €5.2 million: issuance of the third tranche of bonds, as described in note 1, and recognition of interest accrued on the first two tranches;
- Decrease of €0.6 million in repayable advances, of which €0.3 million represents the waiver of the receivable held by BPI at the beginning of the period.

Current financial liabilities represent repayment of the BPIfrance advance to EOS imaging of €90 thousand.

BPIfrance advances

- In the context of its participation in the Industrial Strategic Innovation project, EOS imaging received a reimbursable advance from BPIfrance (formerly known as OSEO) in July 2009, for a maximum amount of €1,275 thousand, and the payments under which amounted to €822 thousand, corresponding to the contractually financed portion of expenditure committed by the company, which was lower than the amount forecast on signature of the agreement.

  On 2 February 2016, BPIfrance recognised that the project had been partially commercially successful, and €268,928 of its receivable was waived. New terms and conditions were agreed for repayment of the advance, under which the company will repay €553,423 over a six-year period. The first repayment of the advance was made in June 2015 in an amount of €45,289.

- As part of its development of bespoke instrumentation for orthopaedic knee surgery, OneFit Medical received a reimbursable advance of €250 thousand. The project was deemed successful in 2015 and, as such, reimbursement of the advance granted will be made over a 45-month period. The company made a first repayment of €30 thousand in the first half of 2016, reducing the outstanding balance of the advance to €220 thousand.
- OneFit Medical also received an innovation partnership loan of €150 thousand for eight years including a three-year deferred amortisation period and granted at the rate of three-month Euribor plus 5.6%, reduced to three-month Euribor plus 3.8% during the deferred amortisation period. This loan is repayable over five years starting 31 May 2015. Repayments of €15 thousand were made in the first half of 2016, reducing the balance of the loan to €112.5 thousand.

- As part of its development of bespoke knee instrumentation, OneFit Medical also received a zero-interest reimbursable advance of €250 thousand granted in June 2014. In the event the project is technically or commercially successful, reimbursement of the advance granted will be made over a 96-month period starting September 2017. Should it fail, these repayments will be capped at €100 thousand and made over a 33-month period, starting September 2017.

Other advances

OneFit Medical received a reimbursable advance granted in February 2014 by the ARDEA (Regional small business development grant-giving body) regional authority for €100 thousand. For a term of five years, including a six-month deferred amortisation period, this loan is repayable in 17 equal quarterly payments. At 30 June 2016, the balance of this advance stood at €56 thousand.

OneFit Medical also received a reimbursable advance of €75.6 thousand granted in 2013 as a recruitment subsidy. At 30 June 2016, the balance of this advance stood at €32.4 thousand.

Interest-free BPIfrance loan

EOS imaging received an interest-free loan of €1.5 million from BPIfrance (formerly known as OSEO) in May 2013, paid in July 2013. This loan includes a deferred amortisation period followed by a straight-line amortisation period of 12 quarterly repayments, the first of which is due in March 2017.

3.13. Trade payables

Accounts paybale - trade (in thousands of euros)	30 June 2016	31 December 2015
Accounts payable - trade	4 611	5 389
Total	**4 611**	**5 389**

3.14. Other current liabilities

3.14.1. Provisions for amounts due within one year

(in thousands of euros)	31 December 2015	Acquisitions	Decrease	30 June 2016
Customer warranties	819	308	(211)	916
Total	**819**	**308**	**(211)**	**916**

Changes in the provision for customer warranties during the first half of 2016 are related to the number of items of equipment under warranty, taking into account equipment sales during the period.

3.14.2. Other current liabilities

Other current liabilities (in thousands of euros)	30 June 2016	31 December 2015
Tax liabilities	1 006	369
Social security liabilities	1 257	1 876
Other liabilities	2 122	965
Deferred income	2 572	1 848
Total other current liabilities	**6 956**	**5 057**

Tax liabilities represent mainly VAT and payroll-based taxes.

Social security liabilities represent social security expenses and holiday pay accruals. The decline in the first half of the year was due mainly to the payment at the beginning of the period of bonus provisions recognised at 31 December 2015. No provision for bonus payments was recognised at 30 June.

Other liabilities represent mainly provisions for royalty payments of €0.646 million and the recognition of research tax credits of €1.1 million (see note 3.8).

Deferred income represents mainly maintenance invoices.

3.15. Income from ordinary activities

3.15.1. Revenue and other income

Sales and other revenue (in thousands of euros)	Six-month period ended on 30 June 2016	30 June 2015
Sales of equipment	11 454	8 498
Maintenance revenue	2 224	1 321
Sales of consumables and services	463	376
Turnover	**14 141**	**10 195**
Grants	498	222
Research tax credit	673	740
Total revenue from ordinary activities	**15 312**	**11 157**

The group concluded the sale of 28 items of equipment in the first half of 2016, compared with 20 in the corresponding period one year earlier. The resulting revenue totalled €11.45 million, an increase of 35%.

Sales of maintenance contracts rose by 68% to reach €2.22 million, compared with €1.32 million in the six months to 30 June 2015, reflecting the significant growth of the installed base of EOS equipment under contract.

Sales of associated consumables and services reached €0.46 million in the first half of the year, an increase of 23%.

3.15.2. Sales revenue by geographic region

Sales by geographical area (in thousands of euros)	Six-month period ended on 30 June 2016	30 June 2015
EMEA	5 356	4 270
North America	7 661	5 451
Asia	1 124	474
Total sales by geographical area	**14 141**	**10 195**

3.16. Analysis of operating costs by function

3.16.1. Direct cost of sales

Direct costs of sales (in thousands of euros)	Six-month period ended on 30 June 2016	30 June 2015
Purchasing and subcontracting	6 611	4 484
Payroll	608	406
Royalties	298	211
Amortization and provisions	118	91
Total direct costs of sales	**7 635**	**5 192**

The direct cost of sales essentially comprises the costs of production, transport and installation of equipment sold over the period, together with the maintenance costs of installed equipment maintained by EOS imaging.

The equipment integration phase is outsourced. Production costs therefore largely comprise the cost of purchases and of outsourcing, changes in which are directly related to equipment production volumes over the period.

The gross margin on direct costs represented 46% of revenue in the six months to 30 June 2016 compared with 49% in the same period of 2015. This essentially reflects the decline in the average selling price of equipment, which was particularly high at 30 June 2015.

3.16.2. Indirect cost of production and service

Indirect costs of production and service (in thousands of euros)	Six-month period ended on 30 June 2016	30 June 2015
Purchasing and subcontracting	895	741
Payroll	776	700
Amortization and provisions	42	33
Total indirect costs of production and service	**1 713**	**1 474**

3.16.3. Research and development

Research and development (in thousands of euros)	Six-month period ended on 30 June 2016	30 June 2015
Purchasing and subcontracting	265	557
Payroll	1 154	826
Amortization and provisions	364	327
Total research and development costs	**1 783**	**1 710**

3.16.4. Sales, clinical and marketing

Sales, clinical and marketing (in thousands of euros)	Six-month period ended on 30 June 2016	30 June 2015
Purchasing and subcontracting	1 197	1 136
Clinical studies	96	91
Trade shows	288	228
Payroll	2 045	1 623
Total sales, clinical and marketing costs	**3 626**	**3 078**

3.16.5. Regulatory

Regulatory (in thousands of euros)	Six-month period ended on 30 June 2016	30 June 2015
Purchasing and subcontracting	121	125
Payroll	231	237
Total regulatory	**352**	**362**

3.16.6. Administrative costs

Administration (in thousands of euros)	Six-month period ended on 30 June 2016	30 June 2015
Purchasing and subcontracting	761	848
Income and other taxes	380	416
Payroll	454	386
Amortization and provisions	102	91
Total administration costs	**1 697**	**1 741**

3.17. Share-based payments

The plans issued by the company and in force at 30 June 2016 are described in note 3.10.3.

Outstanding amounts on the various plans issued by the company were as follows at 30 June 2016:

Type	Granted date	Prix d'exercice	Outstanding as of 30.06.2016
SO 2009	07/07/2009	1.00 €	470 389
SO 2010	06/07/2010	1.00 €	308 415
SO 2010	20/05/2011	1.00 €	44 625
SO 2012	21/09/2012	4.07 €	273 432
Warrants	31/12/2012	4.24 €	40 000
SO 2014	23/05/2014	6.14 €	211 500
Warrants	31/03/2015	4.71 €	120 000
Free shares	08/12/2015	- €	181 500
Warrants	25/01/2016	3.42 €	190 000
			1 839 861

3.18. Operating loss

Operating costs totalled €17.042 million in the first half of 2016, compared with €13.663 million in the corresponding period of 2015, representing a limited increase of 25% given that operating income increased by 37%.

The operating loss in the first half of 2016 was €1.730 million, a reduction of 31% from the €2.506 million operating loss in the corresponding period of 2015.

As indicated in note 2.3.1 to the financial statements, up to and including 2014 the Group's sales revenue was highly seasonal. This resulted in a material difference between revenue for the two halves of the calendar year, with a significant portion of total revenue being generated in the last three months of the year. The half-yearly results, which were closely correlated to the seasonality of sales, therefore only partially reflected the Group's annual performance until that date.

Seasonality reduced significantly in 2015 and was reflected in a more balanced breakdown of annual revenue between the first and second halves of the year. Its impact on the half-yearly operating results was, accordingly, much lower.

3.19. Net financial expense

The net financial expense for the six months to 30 June 2016 totalled €669 thousand, comprised mainly of interest on the €10 million bond issues in 2015 and the €5 million bond issue in 2016.

3.20. Statement of cash flows

The net cash outflow from operating activities in the first half of 2016 was €3.592 million.
This comprised the loss of €2.399 million, less the share-based payments expense pursuant to IFRS2 and amortisation, depreciation and impairment charges recognised in the period for a total of €874 thousand, plus the net cash outflow associated with working capital requirements, which was €2.066 million in the period, compared with €6.244 million in the corresponding period of 2015.

The significant reduction in working capital requirements was due mainly to the reduction in inventories in the first half of 2016 (see note 3.7), a slight reduction in average settlement times for trade receivables and a reduction in other current assets (see note 3.8).

The net cash outflow from investing activities totalled €0.839 million in the first-half 2016, comprising mainly development expenses capitalised during the period.

Net cash inflows from financing activities were €4.700 million in the first-half 2016 comprising mainly the proceeds of bonds issued in June 2016 for €5 million (see note 1), less the repayment of certain subsidies.

As a result of the above, cash and cash equivalents increased by €0.340 million over the half year.

Note 4 : OFF-BALANCE SHEET COMMITMENTS

There were no material changes in off-balance sheet commitments between 31 December 2015 and 30 June 2016.

Note 5 : INFORMATION ON RELATED PARTIES

There were no material changes in relations between the group and related parties between 31 December 2015 and 30 June 2016.

Note 6 : EVENTS AFTER THE REPORTING DATE

None.

II. HALF-YEAR ACTIVITY REPORT

1. HIGHLIGHTS OF THE FIRST HALF 2016

1.1. CHANGES IN CONSOLIDATION SCOPE

The consolidation scope is identical to that of the previous financial year end.

1.2. PRODUCT DEVELOPMENT

The Group continued with its product development plan, spending €1.8 million on R&D in the period. Developments focused on EOS equipment, the sterEOS 3D review and reconstruction workstation and the EOSapps online solutions for spinal, knee and hip surgery.

The work on EOS equipment related to continuing improvements in industrial performance and on ancillary developments such as a radiolucent chair for the examination of infirm patients, which was launched on the market in the summer of 2016.

The work on sterEOS related to interoperability, connectivity and the management capabilities of the station's database. This enabled sterEOS version 1.8 to be deployed in the EMEA region and the United States during the second quarter. This version facilitates, in particular, the transfer of data associated with the EOS 3D Service online 3D modelling offer, which enables hospitals to outsource 3D modelling based on EOS stereo-radiographic images.

Lastly, work continued on the EOSapps online applications and focused in part on the papEOS collaborative programme, approved by the Medicen business cluster and supported by the FUI20 - a fund set up by the French Ministry of Finance to support applied research – for which EOS imaging is the lead manager. The programme was launched in January 2016.

The three hipEOS, kneeEOS and spineEOS software packages have received FDA (Food and Drug Administration) authorisation and the CE mark in their current versions, which are deployed on opinion-leaders' sites. The group has also concluded licence and collaboration agreements with two companies, Spinologics (Montreal, Canada) and Anatoscope (Montpellier, France) to enrich these versions, by 2017, with advanced modules to exploit 3D anatomical images and data derived from EOS examinations.

1.3. REGULATORY

In February 2016, the Group received the CE mark for spineEOS, its online 3D planning solution for spinal surgery and, in April 2016, the same product was authorised by the FDA.

In February 2016, the Group was awarded Innovative Technology status by the South Korean national healthcare research agency NECA (National Evidence-based Collaborating Agency), which will enable it to obtain a higher repayment code than for conventional radiography.

In March 2016, the Group obtained authorisation to market the EOS system in China. This authorisation from the CFDA (China Food and Drug Administration) enables the Group to enter a significant and fast-growing market and means that EOS technology may now be marketed in 51 countries.

1.4. COMMERCIAL

As indicated in the notes to the financial statements, the Group has grown rapidly in all geographic regions in which it is present and particularly in North America. In addition to a highly significant volume of sales being made to new institutions, the period was marked by the growing adoption of the Group's technology by hospital networks in North America and Germany.

Lastly, during the half-year, the Group entered into strategic partnerships with two major players in orthopaedics, Stryker in the United Kingdom and Medtronic in Japan, with a view to their co-marketing the Group's solutions. Sales personnel were trained during the period and several joint conferences were held in the two geographic regions.

1.5. OTHER

Bond issue

On 29 June 2016, the company issued a third tranche of 5,000,000 vanilla bonds at €1 each for a total of €5,000,000 (redeemable on the same terms and conditions as the two previous tranches).

As for the first two tranches, an investment fund committed to subscribe the full amount of the issue.

BPIfrance repayable advance and waiver of receivable:

At a meeting of its collaborative projects monitoring committee on 27 January 2016, BPIfrance formally recognised a partial commercial success and the waiver of a €268,928 receivable.

Resignation of a director:

NBGI Private Equity resigned as a director of the company on 23 February 2016.

1.6. EVENTS SUBSEQUENT TO 30 JUNE 2016

On 21 July 2016, the Group announced an exclusive partnership with Anatoscope (Montpellier, France).

2. REVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2016

2.1. STATEMENT OF COMPREHENSIVE INCOME

REVENUE

Sales and other revenue (in thousands of euros)	Six-month period ended on 30 June 2016	30 June 2015
Sales of equipment	11 454	8 498
Maintenance revenue	2 224	1 321
Sales of consumables and services	463	376
Turnover	**14 141**	**10 195**

During the first six months of the year, the Group sold 28 machines, up from 20 machines in the same period last year. The resulting sales revenue totalled €11.45 million, up 35%.

Sales of maintenance contracts rose by 68% to €2.22 million from €1.32 million in the same period last year, reflecting the significant and continuing growth in the installed base of EOS equipment under contract.

Sales of associated consumables and services increased by 23% to €0.46 million in the six months to 30 June 2016.

OTHER OPERATING INCOME

Other operating income (in thousands of euros)	Six-month period ended on 30 June 2016	30 June 2015
Grants	498	222
Research tax credit	673	740
Total other revenue from ordinary activities	**1 172**	**962**

Other operating income represents government funding in the form of subsidies and the Research Tax Credit.

GROSS MARGIN

Gross margin (in thousands of euros)	Six-month period ended on 30 June 2016	30 June 2015
Total sales	14 141	10 195
Direct costs of sales	(7 635)	(5 192)
Direct gross margin	**6 506**	**5 002**

The direct cost of sales essentially comprises the costs of production, transport and installation of equipment sold over the period, together with the maintenance costs of installed equipment maintained by EOS imaging.

The equipment integration phase is outsourced. Production costs therefore largely comprise the cost of purchases and of outsourcing, changes in which are directly related to equipment production volumes over the period.

The gross margin on direct costs represented 46% of revenue in the six months to 30 June 2016 compared with 49% in the same period of 2015. This essentially reflects the decline in the average selling price of equipment, which was particularly high at 30 June 2015.

OPERATING COSTS

Operating expenses (in thousands of euros)	Six-month period ended on 30 June 2016	30 June 2015
Direct costs of sales	7 635	5 192
Indirect costs of production and services	1 713	1 474
Research and development	1 783	1 710
Sales, clinical and marketing	3 626	3 078
Regulatiry	352	362
Administration	1 697	1 741
Share-based payments	235	106
Total operating expenses	**17 041**	**13 663**
Total operating expenses (excluded direct costs of sales and share-based payments)	**9 172**	**8 365**

Excluding the direct cost of sales and the impact of share-based payments (award of bonus shares, stock options and stand-alone stock warrants), operating costs totalled €9.2 million, up by 10% compared with the first half of 2015, for a 39% increase in sales revenue.

The €0.8 million increase was due mainly to:

- An 18% (€0.6 million) increase in sales, clinical and marketing costs, due largely to higher personnel costs and the associated travel expenses as a result of the Group's expansion across all its markets;
- A 16% (€0.2 million) increase in indirect production and service costs, due mainly to higher personnel costs and related expenses in support functions.

Tight control by the Group of its operating expenditure during the first half of 2016 resulted in a 31% reduction in the operating loss relative to 30 June 2015, to €1.7 million at 30 June 2016.
As indicated in note 2.3.1 to the financial statements, up to and including 2014 the Group's sales revenue was highly seasonal. This resulted in a material difference between revenue for the two halves of the calendar year, with a significant portion of total revenue being generated in the last three months of the year. The half-yearly results, which were closely correlated to the seasonality of sales, therefore only partially reflected the Group's annual performance until that date.

Seasonality reduced significantly in 2015 and was reflected in a more balanced breakdown of annual revenue between the first and second halves of the year. Its impact on the half-yearly operating results was, accordingly, much lower.

CONSOLIDATED NET LOSS

After taking financial income and expenses into account, the loss from ordinary activities was €2.399 million in the first half of 2016 compared with a loss of €2.615 million in the first half of 2015.

2.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NON-CURRENT ASSETS

Non-current assets totalled €9.428 million at 30 June 2016, up from €9.097 million at 31 December 2015. Their relative stability reflects the limited investments made during the six-month period, as detailed in notes 3.3, 3.4 and 3.5 to the financial statements.

CURRENT ASSETS

Current assets totalled €44.437 million at 30 June 2016, up from €43.068 million at 31 December 2015.
This increase was due mainly to a €4.1 million increase in trade receivables (see note 3.7) partially offset by a €1 million reduction in inventories and work in progress (see note 3.6).

EQUITY

At 30 June 2016, equity amounted to €25.549 million, compared with €27.768 million at 31 December 2015.
The decline is attributable mainly to the net loss in the first half of 2016.

NON-CURRENT LIABILITIES

Non-current liabilities totalled €17.744 million, up from €13.132 million at 31 December 2015. The increase corresponds to the proceeds of the third tranche of the bond issue for €5 million, described in section 1, less the waiver of a €0.3 million receivable held by BPIfrance on a repayable advance and the repayment of loans and advances during the first half of the year.

CURRENT LIABILITIES

Current liabilities totalled €12.572 million at 30 June 2016, up from €11.265 million at 31 December 2015. The increase was due mainly to a rise of €1.9 million in other current liabilities, as described in note 3.14.2, offset in part by a €0.8 million decrease in trade payables.

MAIN RISKS AND UNCERTAINTIES

There have been no significant changes in the first half of 2016 to the risk factors to which the Group is exposed compared with those described in the 2015 Registration Document.

3. OUTLOOK

The Group expects to continue the development of its business during the second half of 2016. This outlook is based largely on the dynamism of the North American and European markets, which is expected to persist in 2016.

III. STATUTORY AUDITORS' REPORT ON THE HALF-YEAR FINANCIAL INFORMATION AT 30 JUNE 2016

EOS Imaging
Société Anonyme

10, rue Mercœur
75011 Paris

Rapport des commissaires aux comptes sur l'information financière semestrielle

Période du 1er janvier au 30 juin 2016

Fi.Solutions
8, rue Bayen
75017 Paris

Deloitte & Associés
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex

EOS imaging

Société Anonyme

10, rue Mercœur
75011 Paris

Rapport des commissaires aux comptes sur l'information financière semestrielle

Période du 1er janvier au 30 juin 2016

Aux actionnaires,

En exécution de la mission qui nous a été confiée par votre assemblée générale et en application de l'article L. 451-1-2 III du Code monétaire et financier, nous avons procédé à :

- l'examen limité des comptes semestriels consolidés résumés de la société EOS imaging, relatifs à la période du 1er janvier au 30 juin 2016, tels qu'ils sont joints au présent rapport ;
- la vérification des informations données dans le rapport semestriel d'activité.

Ces comptes semestriels consolidés résumés ont été établis sous la responsabilité du Conseil d'administration. Il nous appartient, sur la base de notre examen limité, d'exprimer notre conclusion sur ces comptes.

I- Conclusion sur les comptes

Nous avons effectué notre examen limité selon les normes d'exercice professionnel applicables en France. Un examen limité consiste essentiellement à s'entretenir avec les membres de la direction en charge des aspects comptables et financiers et à mettre en œuvre des procédures analytiques. Ces travaux sont moins étendus que ceux requis pour un audit effectué selon les normes d'exercice professionnel applicables en France. En conséquence, l'assurance que les comptes, pris dans leur ensemble, ne comportent pas d'anomalies significatives obtenue dans le cadre d'un examen limité est une assurance modérée, moins élevée que celle obtenue dans le cadre d'un audit.

Sur la base de notre examen limité, nous n'avons pas relevé d'anomalies significatives de nature à remettre en cause la conformité des comptes semestriels consolidés résumés avec la norme IAS 34 – norme du référentiel IFRS tel qu'adopté dans l'Union européenne relative à l'information financière intermédiaire.

II- Vérification spécifique

Nous avons également procédé à la vérification des informations données dans le rapport semestriel d'activité commentant les comptes semestriels consolidés résumés sur lesquels a porté notre examen limité. Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes semestriels consolidés résumés.

Paris et Neuilly-sur-Seine, le 20 septembre 2016

Les Commissaires aux comptes

Fi.Solutions	Deloitte & Associés
Jean-Marc PETIT	Géraldine SEGOND

IV. STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

"I certify that, to the best of my knowledge, the condensed consolidated financial statements at the end of the half year have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit and loss of the company and all its consolidated companies, and that the half-year activity report presents a true picture of the material events during the first six months of the year, their impact on the half-year financial statements, the main related-party transactions and a description of the main risks and uncertainties for the remaining six months of the year."

Paris, 8 September 2016

Marie Meynadier, CEO of EOS imaging