EOS IMAGING

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PARIS TRADE AND COMPANIES REGISTER NO. 349 694 893

Half-year Financial Report

for the period from 1 January to 30 June 2018

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I. SUMMARY HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

1.1 STATEMENT OF FINANCIAL POSITION

(in thousands of euros)

ASSETS	*Note*	30 June 2018	31 December 2017
Goodwill	*3.3*	5,131	5,131
Non-current intangible assets	*3.4*	5,428	4,488
Property, plant and equipments	*3.5*	2,217	2,003
Financial assets		245	113
Total non-current assets		**13,022**	**11,735**
Inventory and work in process	*3.6*	7,257	4,377
Accounts receivable	*3.7*	33,244	30,148
Other current assets	*3.8*	6,423	5,132
Cash and cash equivalents	*3.9*	8,865	6,930
Total current assets		**55,789**	**46,587**
TOTAL ASSETS		**68,811**	**58,322**

EQUITY AND LIABILITIES	*Note*	30 June 2018	31 December 2017
Share Capital	*3.10*	227	226
Treasury shares		(437)	(322)
Share-based bonuses		6,718	79,145
Reserves		20,043	(48,172)
Translation reserves		407	112
Consolidated income attributable to the parent		(5,842)	(7,786)
Total equity		**21,116**	**23,203**
Provisions	*3.11*	861	776
Financial liabilities *non current*	*3.12*	25,986	14,733
Total non-current liabilities		**26,846**	**15,509**
Financial liabilities current - *short term*	*3.12*	1,821	1,050
Accounts payable - trade	*3.13*	6,476	7,852
Other current liabilities	*3.14*	12,553	10,708
Total current liabilities		**20,849**	**19,610**
TOTAL LIABILITIES		**68,811**	**58,322**

1.2 STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)

	Note	Six-month period ended on	
		30 June 2018	30 June 2017
Revenue from ordinary activities			
Sales		17,544	16,464
Other revenue		766	820
Total revenue from ordinary activities	*4.1*	**18,310**	**17,284**
Operating expenses	*4.2*		
Direct costs of production and services	*4.2*	(8,726)	(9,032)
Indirect costs of production and services	*4.2*	(1,801)	(2,188)
Research and development	*4.2*	(1,913)	(1,995)
Sales, Clinical and Marketing	*4.2*	(4,785)	(3,780)
Regulatory	*4.2*	(323)	(347)
Administration costs	*4.2*	(2,975)	(2,127)
Share-based payments	*3.7 & 4*	(579)	(477)
Total operating expenses		**(21,102)**	**(19,946)**
OPERATING INCOME	***4.3***	**(2,793)**	**(2,662)**
Financial expenses	*4.4*	(3,727)	(1,075)
Financial revenue		677	20
INCOME FROM ORDINARY ACTIVITIES BEFORE INCOME TAXES		**(5,842)**	**(3,717)**
Income tax expenses			
NET INCOME FOR THE PERIOD - Attributable to the parent		**(5,842)**	**(3,717)**
Items that will subsequently be reclassified in net profit or loss			
Translation adjustment on foreign entities		295	(742)
Items that will not be reclassified in net profit or loss		(37)	
Actuarial difference on pension commitments			
COMPREHENSIVE INCOME FOR THE PERIOD		**(5,584)**	**(4,459)**
Basic and diluted net income per share (in €)		(0,26)	(0,18)

1.3 STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)

EOS IMAGING Equity	Capital	Share base bonuses	Treasury share	Consolidated reserves	Translation reserves	Consolidated earnings	Total
31/12/2016	**203**	**70,649**	**(339)**	**(42,850)**	**1,276**	**(6,172)**	**22,768**
Allocation of the result N-1				(6,172)		6,172	
Capital increase	22	8,495					8,517
Change in translation adjustments					(742)		(742)
Change in actuarial adjustments							
Result for the period N						(3,717)	(3,758)
Share-based payments				477			477
Treasury shares			1				1
30/06/2017	**225**	**79,144**	**(337)**	**(48,545)**	**534**	**(3,717)**	**27,304**
31/12/2017	**226**	**79,145**	**(322)**	**(48,172)**	**112**	**(7,786)**	**23,203**
Allocation of the result N-1				(7,786)		7,786	
Capital increase resulting from the exercice of option		69					69
Allocation carry forward into issue premium		(72,495)		72,495			
Change in translation adjustments					295		295
Change in actuarial adjustments				(37)			(37)
Result for the period N						(5,842)	(5,842)
Share-based payments				3,544			3,544
Treasury shares			(115)				(115)
30/06/2018	**227**	**6,718**	**(437)**	**20,043**	**407**	**(5,842)**	**21,116**

1.4 STATEMENT OF CASH FLOWS

(in thousands of euros)

	2018 *6 months*	2017 *6 months*
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	(5,842)	(3,717)
Elimination of depreciation, amortisation and provisions	568	432
Calculated revenue and expenditure related to share-based payments	579	477
Financial interests	2,916	327
Internally generated funds from operation	(1,779)	(2,481)
Inventory and work in process	(2,880)	(1,765)
Accounts receivable	(2,738)	(1,155)
Other current assets	(1,286)	335
Accounts payable - trade	(1,379)	1,307
Other current liabilities	1,743	(319)
Change in working capital requirements related to operations	(6,541)	(1,597)
Net cash flow related to operating activities	**(8,320)**	**(4,078)**
CASH FLOW FROM FINANCE ACTIVITIES		
Acquisitions of property, plant and equipment and non-current intangible assets	(1,621)	(1,169)
Change in financial assets	(132)	3
Net cash flow from investing activities	**(1,753)**	**(1,166)**
CASH FLOW FROM FINANCING ACTIVITIES		
Capital increase	69	8,517
Cash flow due to OCEANE's	28,184	
Cash flow due to bound financing - IPF	(16,658)	(500)
Reimbusable advances and other loans	(312)	(421)
Acquisition / disposals of treasury shares	(115)	1
Receivables mobilized	859	118
Net cash flow related to financing activities	**12,025**	**7,715**
Impact of current rate fluctuations	(17)	193
Change in cash	**1,935**	**2,664**
Cash and cash equivalent at beginning of period	6,930	14,909
Cash and cash equivalent at close of period	8,865	17,572
CHANGE IN CASH	**1,935**	**2,663**

1.5 NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

The Company

Formed in 1989, EOS imaging SA develops innovative medical imaging devices dedicated to osteo-articular conditions and orthopaedics, as well as associated applications.

The Company has established four subsidiaries as part of its international expansion:

- EOS imaging Inc. in the United States in June 2006,
- EOS Image Inc. in Canada in August 2000,
- EOS imaging GmbH in Germany in May 2008,
- EOS imaging Pte Ltd in Singapore in May 2015.

In November 2013, the Company acquired 100% of the shares in OneFIT Médical, a developer of knee and hip surgery planning software and a manufacturer of patient-specific cutting guides for orthopaedic surgeries.

The Company was listed on the NYSE Euronext regulated market in Paris on 15 February 2012.

Note 1 : SIGNIFICANT EVENTS

Financing of business activity

In the first half of 2018, EOS imaging successfully carried out a number of financing transactions in order to sustain the growth of its business activity.

In January 2018, EOS imaging issued a new tranche of bonds for €5 million to IPF. The original repayment terms provided for a partial repayment between December 2021 and December 2022 as well as a 60% bullet repayment, without a supplementary issue of warrants (BSAs) and on terms that were comparable to those of the previous tranche (refer to notes 3.9 and 4.2).

In May 2018, EOS imaging also issued bonds convertible into and/or exchangeable for new and/or existing shares (OCEANEs) to institutional investors under a private placement, without any preferential subscription rights, in the amount of €29,543,626.80. All the bonds offered were subscribed for. This transaction allowed the Company to fully refinance the IPF financial debt as it stood at the end of May, i.e. €19,257,282, including €1,132,282 of interest. The early redemption of the bonds also led to the payment of early redemption fees of €2,018,634, fully recognised as financial expenses at 30 June 2018.

In the first half of 2018, EOS imaging also entered into a factoring agreement to improve financing of the operating cycle. At 30 June 2018, two trade receivables were assigned, for a total gross amount of €1,051k. The agreement and the accounting treatment applied are specifically analysed in note 2 (Accounting principles and methods).

Note 2 : ACCOUNTING PRINCIPLES AND METHODS

Basis of preparation of the financial statements

The summary consolidated financial statements for the first half of 2018 were approved by the board of directors on 12 September 2018 and were 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 2017, subject to the provisions specific to the preparation of interim financial statements as described below.

Principal accounting methods

The accounting principles used in preparation of the 2018 half-year financial statements comply with the international financial reporting standards and interpretations as adopted by the European Union at 30 June 2018. 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 2017.

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 financial statements have been applied for the first time with effect from 1 January 2018.

The new standards, amendments and interpretations of standards adopted by the European Union and which must be mandatorily applied by the Company from 1 January 2018 are as follows:

- IFRS 9 (Financial Instruments);
- IFRS 15 (Revenue from contracts with customers);
- Clarification of IFRS 15 (Revenue from contracts with customers);
- IFRIC 22 (Foreign Currency Transactions and Advance Consideration);
- Amendments to IFRS 2 (Classification and measurement of share-based payment transactions);
- IFRS annual improvements (2014-2016).

The company has, in particular, applied IFRS 9 on financial instruments and IFRS 15 on the recognition of revenue from 1 January 2018.

The provisions of IFRS 9 on the classification, measurement and impairment of financial instruments have been applied by the Group since 1 January 2018. These provisions did not have a material impact on the statement of financial position, income statement and the Group's consolidated equity as at 30 June 2018.

IFRS 15 (Revenue from contracts with customers), which replaces IAS 11 (Construction contracts) and IAS 18 (Revenue), provides that revenue should be recognised at the amount that reflects the amounts that the company expects to receive in exchange for the supply of goods or services.

This new standard identifies 5 steps in recognising revenue:

- identifying the contract(s) with a customer;
- identifying the various distinct performance obligations in the contract;
- determining the transaction price;
- allocating the transaction price to each performance obligation;
- recognising revenue when a performance obligation is satisfied.

EOS imaging has analysed its main transactions and contracts in light of the five steps set out in the new standard in order to identify any changes required as a result of applying the standard.

The conclusions of this analysis are as follows:

The commercial proposals prepared by EOS imaging in connection with the sale of equipment comprise a number of elements, principally:

- the delivery of the EOS equipment, including the supply of a number of accessories, the principal accessory being the sterEOS workstation, which is considered to be inseparable from the sale of the equipment;
- the installation of the equipment by specialist teams;
- the training of users, also carried out by specialist teams;
- warranties for, and maintenance of, the equipment.

The analysis carried out on the impact of these performance obligations on the Group's recognition of revenue has led to the conclusion that these performance obligations are not material.

The sales agreements systematically include a minimum warranty period of one year. This warranty covers equipment defects as well as compliance of the products delivered with technical descriptions and characteristics. This initial warranty is not optional and, as far as the standard is concerned, offers no specific service to the customer. The associated warranty costs are recognised in accordance with IAS 37. Where the warranty period is longer than one year, the revenue attributable to the period exceeding one year is deferred. If, on expiry of the warranty period, a maintenance agreement is taken out, the corresponding revenue is recorded separately from the initial sale of the equipment.

The group may enter into specific distribution agreements with distributors in order to grow its international sales. After analysing the associated contractual conditions, EOS imaging considers that it acts as principal and not as agent under these contracts.

The Group has been applying IFRS 15 since 1st January 2018 and has made the transition using the simplified retrospective method, without restatement of comparative information. The application of IFRS 15 has no material impact on the Group's income statement, the statement of comprehensive income, the statement of financial position or cash flows.

The other standards and IFRS amendments, applicable in the first half of 2018, have had no impact on the consolidated financial statements as at 30 June 2018.

The group has, moreover, chosen not to apply those standards and interpretations for which application is not mandatory at 30 June 2018.

In January 2016, the IASB published IFRS 16, Leases, which aligns the accounting for operating leases with finance leases (by the recognition in the balance sheet of a liability for future rent and an asset under the right of use). The implementation of this standard will also result in a change of presentation:

- In the income statement: the rent expense currently recognized in operating income will, under IFRS 16, be partially recognized as amortization in operating income and partly as a financial expense.
- In the cash flow statement: lease payments currently presented in Cash Flows from Operating Activities will be presented, under IFRS 16, in Cash Flows from Financing Activities for the amount allocated to the repayment of the debt.

The standard is applicable for fiscal years beginning on or after 1 January 2019.

Most of leases entered by EOS imaging are operating leases in which the Company is a lessee. Leased assets are mainly buildings, passenger vehicles and computer equipment. The impact analysis is underway.

Concerning the modalities of first application of the standard, the Company should opt for an application as of 1 January 2019 without restatement of the comparative periods, using the simplified retrospective method.

The principal texts published by the IASB that have not yet been adopted by the European Union are as follows:

- Amendments to IFRS 9 (Prepayment Features with Negative Compensation);
- Amendments to IFRS 10 and IAS 28 (Sales or contributions of assets between the Group and associates);
- Amendments to IFRS 28 (Long-term Interests in Associates and Joint Ventures);
- Amendments to IFRS 19 (Plan Amendment, Curtailment or Settlement);
- IFRS annual improvements (2015-2017 cycle);
- IFRIC 23 (Uncertainty over Income Tax Treatments).

The Company considers that the application of these standards will not have a material impact on the consolidated financial statements.

Going concern

During the first half of 2018, EOS imaging refinanced its debt with IPF and successfully raised €29.5 million through the issue of OCEANEs, allowing it to fully repay the IPF debt and terminate all associated commitments.

This allowed the Group to enter into a first factoring agreement over a proportion of its receivables, which is to be extended in the second half of 2018. At 30 June 2018, the Group held cash of €8.9 million, covering its financing needs for the next 12 months.

Factoring:

EOS imaging entered into a factoring agreement that took effect at the end of the first half of 2018. The factor's positions at 30 June 2018 and the impact on the Group's financial statements are as follows:

- Customer receivables assigned to the factor: €1,051k
- Withholdings and security deposit: €129k

Cash received: €922k

The factoring agreement entered into by EOS imaging provides for title to the receivables and the associated rights to be transferred. It also provides that the factor shall fully bear the associated credit risk. In light, however, of the other contractual conditions, the Group considers that it cannot be said that all risks and benefits associated with these receivables are transferred. The Group therefore retains the receivables in question on its statement of financial position and records a factoring liability for same amount.

The refinancing of the existing debt with IPF enabled the Group to free itself from the associated securities and to assign some of its receivables.

Methods of preparing the half-year financial statements

Information on the seasonal nature of the Group's business
Historically characterized by a significant seasonality, the annual turnover is distributed in a relatively homogeneous way between the first and second semester during the last 3 financial years.

Impairment tests
Pursuant to the provisions of IAS 36, the group performed impairment tests on all its consolidated assets at 30 June 2018. No impairment provisions were considered necessary.

Changes in consolidation scope
The consolidation scope at 30 June 2018 is identical to that of the year ended 31 December 2017.

Impact of acquisitions (acquisition of controlling interests)
The group made no acquisitions in the first half of 2018.

Goodwill

Goodwill	31 December 2017	Acquisitions	Reallocation	Decreases	Change in scope of consolidation	Change in exchange rate	30 June 2018
Goodwill ONEFIT Médical	5,131						5,131
Total gross value Goodwill	**5,131**						**5,131**
Goodwill amortization and depreciation							
Total net value Goodwill	**5,131**						**5,131**

Goodwill was tested for impairment at 30 June 2018 and no indication of impairment was identified.

Note 3 : STATEMENT OF FINANCIAL POSITION

Note 3.1 : Intangible assets

In addition to internal development costs, research and development costs include the cost of licences related to partnership agreements.

Non-current intangible assets	31 December 2017	Acquisitions	Reallocation	Decreases	Change in scope of consolidation	Change in exchange rate	30 June 2018
Development costs	6,474	945	67				7,486
Software	1,618	209	(67)			1	1,761
Patents	590	35					624
Total gross value - non-current intangible assets	**8,682**	**1,188**				**1**	**9,871**
Development costs	2,976	244					3,220
Software	1,149	34				1	1,185
Patents	70			(31)			38
Total depreciation, amortisation and impairment	**4,195**	**278**		**(31)**		**1**	**4,443**
Total net value - non-current intangible assets	**4,488**	**910**					**5,428**

Note 3.2 : Property, plant, and equipment

Property, plant and equipment	31 December 2017	Acquisitions	Reallocation	Decreases	Change in scope of consolidation	Change in exchange rate	30 June 2018
Fixture and fittings	1,019					6	1,026
Fittings and technical equipment	2,056	34					2,090
Office and computer equipment	871	97	36			5	1,009
Furniture	7						7
PPE in progress	957	301	(36)				1,222
Total gross value - property, plant and equipment	**4,910**	**432**				**11**	**5,354**
Fixture and fittings	676	36				5	717
Fittings and technical equipment	1,541	119					1,659
Office and computer equipment	685	66				4	755
Furniture	5	1					6
Total depreciation, amortisation and impairment	**2,907**	**222**				**9**	**3,137**
Total net value - property, plant and equipment	**2,003**	**211**				**2**	**2,217**

The increase in the carrying amount is principally attributable to property, plant and equipment in progress, including the cost of the main items associated with the development of prototypes.

Note 3.3 : Inventories and work in progress

Inventory and work in process (in thousands of euros)	**30 June 2018**	**31 December 2017**
Componants	4,982	3,741
Finished products	2,315	677
Depreciation	(40)	(40)
Total net value - inventory and work in process	**7,257**	**4,377**

The €2.9 million increase in the carrying amount is principally due to the inventory levels of components and produced and stored equipment, in anticipation of the production schedule and sales in the second half of the year.

Inventories of low-turnover components are subject to an impairment review. The impairment charge is updated once a year at the end of the financial year i.e. on 31 December.

Note 3.4 : Trade receivables

Accounts receivable (in thousands of euros)	**30 June 2018**	**31 December 2017**
Trade receivables	34,219	30,899
Depreciation of trade receivables	(975)	(751)
Total net value - trade receivables	**33,244**	**30,148**

As stated in Notes 1 & 2 (Factoring), customer receivables comprise the balance of the two receivables assigned to a factor for a total amount of €1 million.

The impaired receivables relate mainly to sales of EOS equipment, with settlement terms sometimes extended contractually until installation at the final user’s site by specialist teams. The Group individually monitors each of these receivables over the year and assesses, at the closing date and on a case-by-case basis, in relation to each of its customers, the risk of non-recovery and therefore any provision for impairment that is to be recognised. In the period to 30 June 2018, three receivables were the subject of increases to the provision for impairment. Total cumulative impairment provisions stood at €975k, i.e. 2.9% of the gross amount of total customer receivables.

In the context of the application of IFRS 9, management has not identified any impact on the impairment method of accounts receivable insofar as, since the loss history is nil, no “expected loss” is to be recognized from the sale of the equipment or the maintenance service.

During the period ended 30 June 2018, no customer individually accounted for more than 10% of consolidated revenue.

Note 3.5 : Other current assets

Other current assets (in thousands of euros)	30 June 2018	31 December 2017
Research tax credit / CICE / CII	2,263	1,476
Credits from suppliers	677	926
Value added tax	966	656
Prepaid expenses	742	684
Subsidies to be received and other receivables	1,775	1,390
Total other current ssets	**6,423**	**5,132**

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 €769k, together with the research tax credit in respect of 2017 for both companies in the amount of €1,320k and for EOS image Inc. in the amount of €28k.
- The competitiveness and employment tax credit (CICE) for both companies in the amount of €63k, corresponding to the expenses for the period. Reimbursement of OneFIT’s CICE asset for 2017 (€45k) was obtained during the year. EOS’s CICE asset, in the amount of €82k, has not yet been reimbursed.

During the first half of 2018, EOS imaging recognised research tax credits in respect of 2017 in an amount of €0.9 million, representing 80% of the definitive receivable claimed.

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

Subsidies receivable and other receivables principally represent amounts recognised in respect of expenses incurred up to 30 June 2018 not reimbursed as at that date.

Note 3.6 : Cash and cash equivalents

Cash and cash equivalents (in thousands of euros)	30 June 2018	31 December 2017
Short-term bank deposits	8,802	6,751
Money market funds (SICAV)	63	178
Total Cash and cash equivalents	**8,865**	**6,930**

Short-term bank deposits can be broken down as follows:

- Current accounts in the amount of €8.8 million, €2.3 million of which is held by the American, Canadian, Singaporean and German subsidiaries;
- Liquid assets in the amount of €63k. These amounts comprise funds committed under a liquidity agreement that had not been invested in treasury shares at 30 June 2018.

Note 3.7 : Equity

Share capital issued

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 2016	**202,888**	**70,649,374**	**20,288,764**
26/01/2017	Capital increase resulting from exercise of options	200	19,800	20,000
27/01/2017	Capital increase resulting from exercise of options	1	74	75
30/01/2017	Capital increase resulting from exercise of options	7	705	712
31/01/2017	Capital increase resulting from exercise of options	34	3,352	3,386
01/02/2017	Capital increase resulting from exercise of options	184	18,193	18,377
02/02/2017	Capital increase resulting from exercise of options	192	19,021	19,213
03/02/2017	Capital increase resulting from exercise of options	15	1,485	1,500
03/02/2017	Capital increase resulting from exercise of options	20	8,120	2,000
06/02/2017	Capital increase resulting from exercise of options	33	3,259	3,292
07/02/2017	Capital increase resulting from exercise of options	9	865	874
27/02/2017	Capital increase resulting from exercise of options	27	2,704	2,731
28/02/2017	Capital increase resulting from exercise of options		32	32
06/03/2017	Capital increase resulting from exercise of options	9	854	863
07/03/2017	Capital increase resulting from exercise of options	24	2,400	2,424
08/03/2017	Capital increase resulting from exercise of options	98	9,686	9,784
22/03/2017	Capital increase resulting from exercise of options	190	18,810	19,000
20/04/2017	Capital increase	18,680	7,826,920	1,868,000
20/04/2017	Fees charged on the issue premium		(444,892)	
08/05/2017	Capital increase resulting from exercise of options		32	32
09/05/2017	Capital increase resulting from exercise of options	158	15,641	15,799
25/05/2017	Capital increase resulting from exercise of options	190	18,810	19,000
31/05/2017	Capital increase resulting from exercise of options	60	5,940	6,000
31/05/2017	Capital increase resulting from exercise of options	5	495	500
31/05/2017	Capital increase resulting from exercise of options	5	2,030	500
31/05/2017	Capital increase resulting from exercise of options	8	743	750
25/05/2017	Capital increase resulting from exercise of options	20	8,120	2,000
01/06/2017	Capital increase resulting from exercise of options	15	1,485	1,500
13/06/2017	Capital increase resulting from exercise of options	15	1,485	1,500
15/06/2017	Capital increase	222,610		
15/06/2017	Capital decrease	(222,610)		
16/06/2017	Capital increase	1,850	948,926	185,000
04/09/2017	Capital increase resulting from exercise of options	4	371	375
05/12/2017	Capital increase resulting from exercise of options	15	1,485	1,500
08/12/2017	Capital increase resulting from the allocation of free shares	1,460	(1,460)	146,000
	Total as at 31 december 2017	**226,415**	**79,144,865**	**22,641,483**
05/03/2018	Capital increase resulting from the exercice of option	68	17,069	6,775
04/04/2018	Capital increase resulting from the exercice of option	135	45,600	13,500
28/05/2018	Allocation carry forward into issue premium		(72,495,182)	
04/06/2018	Capital increase resulting from the exercice of option	60	5,940	6,000
	Total as at 30 June 2018	**226,678**	**6,718,292**	**22,667,758**

Capital increases result from the following transactions:

- The exercise of 26,275 options, leading to the issue of 26,275 new shares;

At 30 June 2018, the Company's share capital was €226,678. It was divided into 22,667,758 ordinary shares, fully subscribed and paid up, each with a par value of €0.01.

Treasury shares

Under the liquidity agreement, the Company held 58,489 of its own shares at 30 June 2018. These shares have been deducted from consolidated equity in an amount of €437k.

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€ and 1,84€	376,916	651
Warrants Board members	between 2,02€ and 2,18€	40,000	84
SO 2014	between 3,92€ and 4,33€	223,000	380
Free shares	between 1,97€ and 2,26€	181,500	593
Warrants IPF	2.25 €	120,000	270
Warrants Board members	between 0,68€ and 0,77€	190,000	137
Free shares	between 3,86€ and 4,24€	133,000	432
Performance shares	between 0,74€ and 1,47€	280,000	353
Free shares	5.82 €	50,000	291
Performance shares	between 2,20€ and 2,37€	190,000	427
Free shares	between 4,58€ and 4,89€	208,500	794
Total			**8,884**

The impact on the statement of comprehensive income of share-based payments is described in note 4 (Share-based payments).

Note 3.8 : Provisions

Retirement bonuses

(in thousands of euros)	31 December 2017	Acquisitions	Decrease	30 June 2018
Retirment benefits	353	199		552
Total	**353**	**199**		**552**

Disputes

(in thousands of euros)	31 December 2017	Acquisitions	Decrease	30 June 2018
Disputes	308			308
Total	**308**			**308**

The provision for disputes relates to ongoing disputes with employees as at 30 June 2018.

Note 3.9 : Current and non-current financial liabilities

Financial liabilities (in thousands of euros)	30 June 2018	31 December 2017
Bond Financing	25,361	13,891
OSEO advances	711	767
Zero-rate loan	875	1,125
Receivables mobilized	859	
Total Financial liabilities	**27,806**	**15,783**

Financial liabilities	Balance sheet value	1 year at most	More than 1 year but less than 5 years	More than 5 years
Bond Financing	25,361	1,671	23,690	
OSEO advances	711	320	306	85
Zero-rate loan	875	500	375	
Receivables mobilized	859	859	-	
Total Financial liabilities	**27,806**	**3,349**	**24,372**	**85**

The increase of €12 million in financial liabilities over the period results from:
- the transaction completed in May 2018 as described in Note 1;
- the recognition of 80% of the research tax credits declared in 2017;

less the reimbursements made in the first half of 2018 on the repayable advances and the non-interest bearing loan, in accordance with payment schedules.

Bond issue/OCEANEs

The issue of OCEANEs in May 2018 for a nominal amount of €29,543k allowed the Company to fully refinance the IPF debt, which stood at €19,257k at 31 May 2018, including €1,132k of interest.
The OCEANEs bear interest at a nominal annual rate of 6%, payable six-monthly, the first interest payment date being 30 November 2018. If these bonds are not converted, they will be redeemed at par on 31 May 2023.

The substance of these convertible bonds has been analysed and their “debt” and “equity” components have been valued. The “debt” component was valued by determining the fair value of a similar debt through discounting future cash flows. On conclusion of this analysis, 89.5% of the nominal value was determined to be “debt”.

The issue costs directly attributable to this transaction were €1,360k and were split between the two components in proportion to their respective values.

BPI advances

- In the context of its participation in the Industrial Strategic Innovation project, EOS imaging received a reimbursable advance from BPI’s subsidiary OSEO in July 2009, for a maximum amount of €1,275k, the payments under which have amounted to €822k, 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, BPI recognised that the project had been partially commercially successful: €269k of its receivable was waived and the reimbursement conditions were re-defined. The company is required to repay €553k over a six-year period, with the first repayments, of €135k in total, made in 2015 and 2016. In June 2017, it made the third repayment of €105k. The discounting of this debt under IFRS reduced its balance to €299k at 30 June 2018.

- As part of its development of bespoke instrumentation for orthopaedic knee surgery, OneFIT Medical received a repayable advance of €250k. As the project was deemed successful in 2015, the initial repayments were made in 2016 and 2017, in the amount of €116k. Repayments of €36k were made during the first half of this year. At 30 June 2018, the balance of this advance had consequently been reduced to €98k.

- OneFIT Medical also received an innovation partnership loan of €150k for eight years including a three-year deferred amortisation period granted at the rate of three-month Euribor plus 5.6%, reduced to three-month Euribor plus 3.80% during the deferred amortisation period. This loan is repayable over five years beginning on 31 May 2015. The first repayments were made in 2017, in the amount of €30k. Repayments of €15k were made during the first half of this year, reducing the balance of this loan to €52.5k at 30 June 2018.

- As part of its development of a new generation of knee instrumentation, OneFIT Medical also received an interest-free repayable advance of €250k granted in June 2014. The agreement associated with this advance was amended in January 2017, so that it was switched to a grant-funded project focused on the shoulder. Repayments under the amended advance agreement were deferred for 2 years and should restart in September 2019, over 58 months. In the event that the project is not successful, repayments are to be made over a period of 34 months beginning in September 2019.

Other advances

OneFIT Medical received a reimbursable advance granted in February 2014 by the ARDEA (regional small business development grant-issuing body) for €100k. 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 2018, the balance of this advance stood at €11k.

Interest-free OSEO loan

EOS imaging received an interest-free loan of €1.5 million from 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 was made in April 2017 in the amount of €250k. At 30 June 2018, the balance of this liability had reduced to €875k.

Recognition of receivables

As stated in note 3.5 (Other current assets), EOS imaging recognised research tax credit receivables in respect of 2017 representing 80% of the definitive receivable claimed.

Note 3.10 : Trade payables

Accounts payable - trade (in thousands of euros)	**30 June 2018**	**31 December 2017**
Accounts payable - trade	6,476	7,852
Total Accounts payable	**6,476**	**7,852**

The fall in the carrying amount of approximately 17% from the end of the previous financial year reflects the particular attention that has been paid to settling certain accounts payable.

Note 3.11 : Other current liabilities

Provisions for amounts due within one year

(in thousands of euros)	**31 December 2017**	**Acquisitions**	**Decrease**	**30 June 2018**
Tax provision	91			91
Customer warranties	1,133	340	(288)	1,185
Total	**1,224**	**340**	**(288)**	**1,276**

Changes in the provision for customer warranties during the first half of 2018 are related to the number of items of equipment under warranty, taking into account equipment sales during the period.

Other current liabilities

Other current liabilities (in thousands of euros)	30 June 2018	31 December 2017
Tax liabilities	705	792
Social security liabilities	2,520	3,180
Assigned receivables	1,051	
Other liabilities	1,688	1,452
Deferred revenue	5,313	4,060
Total other current liabilities	**11,276**	**9,484**

Tax liabilities principally comprise VAT and payroll-based taxes.

Payroll-based liabilities represent salaries, social security expenses and holiday pay accruals. The fall 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 2017. No provision for bonus payments was recognised at 30 June.

Assigned receivables comprise the consideration for two receivables assigned to a factor, which is also recorded in customer receivables, as described in note 2 (Accounting principles and methods).

Other liabilities principally comprise royalty fees of €1,510k.

Deferred income represents mainly maintenance invoices. The change in the carrying amount is principally due to the recognition of revenue invoiced in advance under equipment sales agreements that include a warranty of longer than one year.

Note 4 : INCOME STATEMENT (COMMENTED ON IN 2.3.1)

Note 4.1 : Revenue from ordinary activities

Sales and other income

Revenue from ordinary activities (in thousands of euros)	Six-month period ended on 30 June 2018	30 June 2017
Sales of equipment	13,608	13,145
Maintenance revenue	3,461	2,828
Sales of consumable and other services	475	491
Turnover	**17,544**	**16,464**
Grants	(3)	243
Research tax credit	769	577
Total revenue from ordinary activities	**18,310**	**17,284**

The Group's recurring revenue consists of maintenance revenue and sales of consumable and related services.

Note 4.2 : Analysis of operating costs by type

Direct cost of sales

Direct costs of production and services (in thousands of euros)	Six-month period ended on 30 June 2018	30 June 2017
Purchasing and subcontracting	7,527	7,982
Payroll	810	659
Royalties	338	323
Amortization and provision	52	68
Total costs of production and services	**8,726**	**9,032**

Direct costs of production and services consist primarily of costs of production, transportation, and installation of equipment sold during the period, as well as maintenance costs for equipment installed and maintained by EOS imaging.
As the equipment integration phase is sub-contracted, production costs comprise mainly purchasing and sub-contracting costs, the increase in which is directly related to production volumes over the period.

Indirect costs of production and service

Indirect costs of production and services (in thousands of euros)	**Six-month period ended on** 30 June 2018	30 June 2017
Purchasing and subcontracting	1,156	1,278
Payroll	587	853
Amortization and provision	58	57
Total indirect costs of production and services	**1,802**	**2,188**

Research and development costs

Research and development (in thousands of euros)	**Six-month period ended on** 30 June 2018	30 June 2017
Purchasing and subcontracting	595	581
Payroll	946	998
Amortization and provision	373	415
Total research and development	**1,913**	**1,995**

Sales, clinical and marketing costs

Sales, Clinical and Marketing (in thousands of euros)	**Six-month period ended on** 30 June 2018	30 June 2017
Purchasing and subcontracting	1,926	1,595
Payroll	2,859	2,186
Total sales, clinical and marketing	**4,785**	**3,780**

Regulatory Affairs costs

Regulatory (in thousands of euros)	**Six-month period ended on** 30 June 2018	30 June 2017
Purchasing and subcontracting	116	187
Payroll	207	160
Total regulatory	**323**	**347**

Administrative costs

Administration costs (in thousands of euros)	Six-month period ended on 30 June 2018	30 June 2017
Purchasing and subcontracting	1,323	887
Income and other taxes	943	590
Payroll	593	549
Amortization and provision	117	100
Total administration costs	**2,975**	**2,127**

Share-based payments

The plans issued by the company and in force at 30 June 2018 are described in note 3.7.
Outstanding amounts on the various plans issued by the company were as follows at 30 June 2018:

Type	Granted date	Outstanding as of 30/06/2018
SO 2009	07/07/2009	375,895
SO 2010	06/07/2010	231,625
SO 2010	20/05/2011	7,500
SO 2012	21/09/2012	253,307
Warrants Board members	31/12/2012	40,000
SO 2014	23/05/2014	201,875
Free shares	08/12/2015	-
Warrants IPF	31/03/2015	120,000
Warrants Board members	01/03/2016	190,000
Free shares	15/12/2016	108,500
Performance shares	15/12/2016	216,000
Free shares	07/09/2017	50,000
Performance shares	07/09/2017	190,000
Free shares	12/12/2017	192,500
		2,177,202

Terms governing the exercise of:

<u>Stock options (S.O.) 2009 and 2010:</u>

- 25% of the S.O. can be exercised beginning on the award date;
- a further 25% of the S.O. can be exercised on each anniversary of the date they were awarded.
- Corporate officers are required to keep at least 80% of their shares resulting from the exercise of the options until their duties are terminated.
- If they leave the Company or the affiliated company in question before the exercise date, the options that may be exercised on the departure date remain in the possession of the beneficiary without any exercise deadline other than their expiry date. The options that are not yet exercisable as of the date of the departure are automatically null and void on the date of the latter in any event.

<u>Stock options (S.O.) 2012 and 2014:</u>

- 25% of the S.O. can be exercised beginning on the award date;
- a further 25% of the S.O. can be exercised on each anniversary of the date they were awarded;
- no later than ten years from the grant date.
- Corporate officers are required to keep at least 80% of their shares resulting from the exercise of the options until their duties are terminated.
- If they leave the Company or the affiliated company in question before the exercise date, the options that may be exercised on the departure date remain in the possession of the beneficiary without any exercise deadline other than their expiry date. The options that are not yet exercisable as of the date of the departure are automatically null and void on the date of the latter in any event.

<u>Free share:</u>

- The acquisition period for awarded shares is 2 years for all beneficiaries.

<u>Performance shares 2016:</u>

The performance shares will vest at the end of a two-year vesting period, and if the average weighted share price for the 20 trading sessions preceding the vesting date is:

- greater than or equal to €8, 100% of the shares awarded by the Board of Directors shall vest at the end of the vesting period,
- less than €4, no shares will vest at the end of the vesting period,
- between €4 and €8, the number of awarded shares that will vest at the end of the vesting period shall be calculated on a straight-line basis between 0% and 100%

<u>Performance shares 2017:</u>

The performance shares will vest at the end of a two-year vesting period, and if the average weighted share price for the 20 trading sessions preceding the vesting date is:

- greater than or equal to €9, 100% of the shares awarded by the Board of Directors shall vest at the end of the vesting period,
- less than €5, no shares will vest at the end of the vesting period,
- between €5 and €9, the number of awarded shares that will vest at the end of the vesting period shall be calculated on a straight-line basis between 0% and 100%

Share warrants allocated to members of the Company's Board of Directors:

Warrants 2012:

- 33% of the share warrants can be exercised beginning on 31 December 2013;
- a further 33% may be exercised beginning on 31 December 2014;
- The balance can be exercised beginning on 31 December 2015.

Warrants 2016:

- 33% of the share warrants can be exercised beginning on 24 January 2017;
- a further 33% can be exercised beginning on 24 January 2018;
- The balance can be exercised beginning on 24 January 2019.

Share warrants allocated to third parties:

Warrants 2015: IPF

- Exercise parity of the BSA: one BSA gives the holder the right to subscribe to one of the Company's shares;
- Number of shares liable to be issued on the exercising of BSA stock warrants: excluding changes in the Company's capital, 180,000 BSA stock warrants would give rise to the issuance of the same number of shares representing 0.83% of the Company's share capital;
- Exercise price of the BSA stock warrants: €4.71;
- Exercise period: the stock warrants may be exercised in whole or in part, one or more times within 7 years after their date of purchase. BSA optional tranches will become void if the bonds tranches are not subscribed;
- BSA to be listed or not: no.

In 2015, the Company issued 60,000 OBSAs for € 540,000 and issued three tranches of single bonds (A, B and C) for a total principal amount of 14,460,000 euros. The OBSAs were subscribed in January 2015 by IPF Partners.
For each OBSA, 3 BSAs are attached, ie a total of 180,000 BSA, of which 120,000 were canceled if the optional bond tranches were not subscribed (Tranches B and C). The warrants are attached to the three simple bond tranches, with 60,000 warrants per tranche. They become exercisable from the issue of bonds. If the bonds are not issued, then the BSA are void.

Tranche A of simple bonds, amounting to € 4,460,000, was subscribed in March 2015, giving rise to the issue of 60,000 warrants.
Tranche B of simple, optional and € 5 million bonds was subscribed in December 2015, resulting in the issue of 60,000 warrants.
As of December 31, 2015, the Company had issued 120,000 warrants following the subscription of Tranches A and B.
As Tranche C was not exercised, the remaining 60,000 BSAs became obsolete.
In June 2016, the company issued a Tranche D of single bonds for € 5 million. No BSA is attached to this tranche.
Thus, the number of warrants outstanding in this bond issue amounts to 120,000.
The table below summarises the costs shown in the income statement under "share-based payments" over the period.

(in thousands of euros)	SO 2012	Warrants	SO 2014	Free shares 2015	Warranrs	Free shares 2016	Performance shares 2016	Free shares 09/2017	Performance shares 2017	Free shares 2017	Total
30/06/17	4		22	148	20	116	167				477
30/06/18			5		9	104	91	73	77	221	579

Note 4.3 : Operating profit (loss)

Operating expenses, including the direct cost of sales, were €20,953k, compared with €19,946k at 30 June 2017, representing growth of approximately 5%, linked to the 7% growth in sales.

The operating loss remained stable over the period at €2,644k, compared with €2,660k at 30 June 2017.

Note 4.4 : Financial income

At the end of the first half of 2018, the Company recorded a financial loss of €3,050k, compared with a loss of €1,055k at 30 June 2017, principally due to the early repayment of the IPF debt, as described in Notes 1 and 3.9.

Note 5 : STATEMENT OF CASH FLOWS (COMMENTED ON IN 2.3.2)

Net cash outflows from operating activities were €8,320k in the first half of 2018, compared with €4,078k in the first half of 2017. They included cash consumption of €6,451 over the period, compared with €1,597k in 2017, corresponding to the change in working capital requirements.

Net cash outflows from investing activities were €1,753k in the first half of 2018, compared with €1,166k in the first half of 2017, principally comprising development expenses capitalised during the period.

Net cash inflows from financing activities were €12,025k in the first half of 2018, compared with €7,715k in the first half of 2017. They principally comprised the amounts obtained from financing transactions carried out in the first half of 2018 (see Notes 1 and 3.9) less the repayments under the IPF debt and the various repayable advances.

As a result of the above, cash and cash equivalents increased by €1.935 million over the six-month period.

Note 6 : COMMENTS ON OFF-BALANCE SHEET COMMITMENTS

The off-balance sheet commitments are identical to those included in the financial statements as at 31 December 2017.

Note 7 : INFORMATION ON RELATED PARTIES

There were no material changes in relations between the group and related parties between 31 December 2017 and 30 June 2018.

Note 8 : FEES PAID TO THE STATUTORY AUDITORS AS AT 30 JUNE 2018

The statutory auditors' fees included in the income statement for the period were €74k.

II. HALF-YEAR ACTIVITY REPORT

2.1 HIGHLIGHTS OF THE FIRST HALF OF 2018

Business development

The Group continued to strengthen its sales structure, a process that it began in the second half of 2017.

In North America, a Vice President Sales and a Regional Sales Manager were added to the team established by Mike Lobinsky, President, North America, at the end of 2017. The Group has developed a product for clinics and private practices, EOSone, which combines the sale of the equipment, maintenance services, online software services and tools to communicate with patients. This product has led a number of private practices opting for EOS solutions in the first half of 2018. The installed base of EOS equipment in North America (United States, Canada and Mexico) exceeded 100 units at the end of the first half of the year.

In Europe-Middle East-Africa, the Group strengthened its direct presence in the United Kingdom, where it continued its strategic partnership with Stryker, and in Germany, with a first installation in a new private hospital group. In France, EOS solutions continued to be sold to the hospital sector, with the 20th item of equipment being installed at the end of the first half of the year, and to the private sector.

In the Asia-Pacific region, the Group established a regional management team to supervise its distribution network and strengthen its business development, which was particularly successful in Australia where EOS has to date installed more than 15 items of equipment. The Group also renewed its medical communications partnership with Medtronic.

Product development and regulatory agreements

The Group continued with its product development plan, spending €2.5 million on R&D in the period. Developments focused on EOS equipment, the sterEOS 3D review and reconstruction workstation and the associated online 3D services, and the EOSapps online solutions for spinal, knee and hip surgery.

The Group began the roll-out of stereoVIEW, its online sharing solution for 2D and 3D images, clinical parameters and patient reports. The software facilitates the sharing between radiologists and orthopaedic prescribing doctors or rheumatologists, either within the hospital or between an imaging centre and its referring partners.

The Group also received FDA authorisation to sell its hipEOS 3.0 3D planning software for total hip arthroplasty, which takes account of the patient’s hip range of motion in standing and seated positions, with a view to minimising post-operative complications associated with the dislocation or impingement of the prosthetic joint.

2.2 EVENTS AFTER 30 JUNE 2018

Entry into a binding agreement for an equity investment

On 17 July 2018, EOS imaging announced that it had signed a binding agreement with Fosun Pharmaceutical AG, a subsidiary of Shanghai Fosun Pharmaceutical (Group) Co. Ltd, under which Fosun Pharmaceutical AG agreed to take a stake in EOS imaging through the issue of new company shares.

The agreement provides for the issue of 3,446,649 new shares to Fosun Pharmaceutical AG to be subscribed for at a price per share of €4.30, including issue premium, giving a total subscription price of some €15.1 million. Fosun Pharma, via Fosun Pharmaceutical AG, will hold, once the investment is completed, approximately 13.2% of the company's share capital and voting rights.

Completion of this investment is subject to obtaining Chinese regulatory authorisation and the approval by the AMF of a prospectus containing the Registration Document filed with the AMF on 27 April 2018 under number D.18-0439 and a transaction memorandum that will include a summary of the prospectus.

2.3 ANALYSIS OF THE HALF-YEAR FINANCIAL STATEMENTS

2.3.1 ANALYSIS OF THE STATEMENT OF COMPREHENSIVE INCOME

Revenue analysis

Revenue by category

Turnover	Six-month period ended on	
(in thousands of euros)	30 June 2018	30 June 2017
Sales of equipment	13,608	13,145
Maintenance revenue	3,461	2,828
Sales of consumable and other services	475	491
Total turnover	**17,544**	**16,464**

In the first half of 2018, the Group generated revenue of €17.5 million, up 7% on the first half of 2017, including exchange rate effects, or €18.3 million, up 11%, excluding exchange rate effects.

The Group sold 34 EOS® systems over the period, in line with the sales made in the first half of 2017.

Recurring revenue rose 19% to €3.9 million, including €3.5 million from sales of maintenance contracts and €0.5 million from sales of consumables and services. The revenue from maintenance contracts increased by 22% in the first half of 2018, reflecting the continued increase in the installed base of EOS® systems under contract.

Revenue by geographical area

Sales by geographical area	Six-month period ended on	
(in thousands of euros)	30 June 2018	30 June 2017
EMEA	6,281	7,389
North America	6,828	5,738
Asia - APAC	4,435	3,337
Total sales by geographical area	**17,544**	**16,464**

Growth in revenue in the first half of 2018 was underpinned by strong sales in Asia-Pacific and North America, partially offset by deferred sales in Europe-Middle East-Africa (EMEA).

Revenue fell by 16% in the EMEA zone due to the postponement to the second half of 2018 of a number of sales decisions in the Group's three major European markets (France, the United Kingdom and Germany).

In North America, sales grew by 19%, despite a negative exchange rate effect (+33% excluding exchange rate effects). In the second quarter of 2018, EOS imaging launched a programme dedicated to private establishments, EOSone, the full impact of which should be visible over the course of the next few months.

Sales grew by 36% in Asia-Pacific, reflecting the rapid uptake of the EOS® system in that region, particularly in Korea and Australia.

Analysis of the gross margin

Gross margin	**Six-month period ended on**	
(in thousands of euros)	**30 June 2018**	**30 June 2017**
Turnover	17,544	16,464
Direct costs of production and services	(8,726)	(9,032)
Direct Gross margin	**8,818**	**7,432**

The gross margin on direct costs increased by 18.7% for revenue growth of 7%, and represented 50.3% of revenue at 30 June 2017, compared with 45.1% at 30 June 2017, i.e. an increase of 520 basis points. This increase principally reflects the rise in the average sale price of equipment and the significant reduction in maintenance costs for installed equipment. It was reduced by a negative exchange rate effect.

Analysis of operating costs excluding direct costs of sales and share-based payments

Operating expenses (*)	Six-month period ended on	
(in thousands of euros)	30 June 2018	30 June 2017
Indirect costs of production and services	1,801	2,188
Research and development	1,913	1,995
Sales, Clinical and Marketing	4,785	3,780
Regulatory	323	347
Administration costs	2,975	2,127
Total operating expenses	**11,797**	**10,437**

(*): excluded direct costs of sales and share-based payments

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 were €11.8 million, up by 13% compared with the first half of 2017, for a 7% increase in sales revenue.

The €1.4 million increase was due mainly to:

- An 18% (€0.4 million) fall in indirect production and service costs, partly attributable to the use of staff who were formerly in the back office to sell maintenance contracts, and partly due to reducing transport costs associated with movements of spare parts between the various storage sites;
- A 27% (€1 million) increase in sales, clinical and marketing costs. This growth was principally due to the investments in sales made by the company in the second half of 2017 and the first half of 2018 in North America and, to a lesser extent, in Europe-Middle East-Africa and Asia-Pacific.
- A 40% (€0.8 million) increase in administrative costs, due to increases in fees, in particular in connection with financing transactions and, to a lesser extent, staff costs.

The operating loss at 30 June 2018 was €2.8 million, compared with €2.7 million at 30 June 2017, and remained stable as a percentage of revenue, at 16%.

Analysis of the consolidated net loss

After taking account of the one-off impact of the costs of financing transactions in the first half of the year, the net consolidated loss from ordinary activities was €5,842k in the first half of 2018, compared with a loss of €3,717k in the first half of 2017.

2.3.2 ANALYSIS OF CASH FLOWS

Internally generated cash flows from transactions improved by approximately €0.7 million compared with the first half of 2017, to €(1.8) million. They principally comprised the net profit (loss) for the period, restated for non-recurring items associated with the refinancing of the IPF debt.

The deterioration in working capital requirements of approximately €4 million compared with the first half of 2017 is essentially due to:

- An increase in inventory of 1 million, justified by a larger stock of equipment given the Group's increased business activity;
- An increase in outstanding customer debt of €1.6 million, consistent with higher revenue growth in the first half of 2018 than in the same period of 2017;
- A €2.6 million fall in trade payables compared with the first half of 2017;

Investments increased by €0.6 million compared with the first half of 2017, reflecting an increase in capitalised development costs in respect of ongoing projects. This variation can be explained as follows:

- Tangible investments: €1.2 million in the first half of 2018 compared to €0.8 million in the first half of 2017. They relate to the costs activated as part of the Company's developments;
- Intangible investments: stable at €0.4 million over the two periods;
- Financial assets: the increase of €0.1 million reflects holdbacks in the context of assignments of receivables from a factor as described in note 2/accounting methods and principles.

The flows associated with financing activities include the cash flows associated with the OCEANE issue for +€28.2 million, the cash outflows associated with the repayment of the IPF bonds for €(16.7) million as well as the repayment of repayable loans and advances, and amounted to €12 million at 30 June 2018, compared with €7.7 million at 30 June 2017.

2.3.3 ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

Non-current assets

Non-current assets stood at €13.02 million at 30 June 2018, up from €11.73 million at 31 December 2017.

The increase in the carrying amount reflects the investments in property, plant and equipment and intangible investments made during the six-month period, as detailed in notes 2, 3.1 and 3.2.

Current assets

Current assets stood at €55.78 million at 30 June 2018, up from €46.58 million at 31 December 2017.

This rise principally reflects the €2.9 million increase in inventory (see note 3.3), the €3.1 million rise in customer receivables (See note 3.4), the €1.3 million increase in other current assets (see note 3.5) and the cash holdings at the end of the period of €1.9 million (see note 3.6).

Equity

At 30 June 2018, equity amounted to €21.11 million, compared with €23.20 million at 31 December 2017.

This change was the result of capital increases over the period (see note 3.7) reduced by the loss for the first half of 2018.

Non-current liabilities

Non-current liabilities stood at €26.84 million, up from €15.50 million at 31 December 2017.

They principally comprised the bonds, the interest-free loans and the repayable advances, with amounts due within one year being reclassified as current liabilities. The increase in the carrying amount was essentially attributable to the financing transactions described in notes 1 and 3.9.

Current liabilities

Current liabilities stood at €20.84 million at 30 June 2018, up from €19.61 million at 31 December 2017.

The increase in the carrying amount principally reflects the €0.8 million rise in financial liabilities due within one year, as described above, receivables assigned to a factor in the amount of €1.0 million, and the €1.3 million fall in trade payables described in notes 3.9 to 3.11.

2.4 MAIN RISKS AND UNCERTAINTIES

There have been no significant changes in the first half of 2018 to the risk factors to which the Group is exposed when compared against those described in the 2017 Registration Document, other than risks associated with cash requirements, which were significantly reduced by the completed and ongoing financing transactions.

2.5 OUTLOOK

In the second half of 2018, the Group anticipates the completion of the capital increase associated with the investment by the Fosun group, which will strengthen its equity by €15m and sustain its growth. On an operational level, the Group continues to develop its business activities in the three geographical zones in which it operates and anticipates, in particular, significant growth in its business activity in North America as a result of the investments it has made in this key market since mid-2017.

III. STATUTORY AUDITORS' REPORT ON THE 2018 HALF-YEAR FINANCIAL INFORMATION AS AT 30 JUNE 2018

EOS Imaging

Société Anonyme

10, rue Mercœur

75011 Paris

Statutory auditors' report on the 2018 half-year financial information

for the period from 1 January to 30 June 2018

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders

In compliance with the assignment entrusted to us by your General Meeting and in accordance with the requirements of article L. 451-1-2-III of the French Monetary and Financial Code (*"Code monétaire et financier"*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of EOS Imaging, for the period from January 1, 2018 to June 30, 2018,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris-La Défense et Paris, le 28 septembre 2018

Les Commissaires aux comptes

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

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

“I certify that, to the best of my knowledge, the summary consolidated financial statements for the first six months of 2018 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results 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, 12 September 2018

Marie Meynadier, CEO of EOS imaging