A French Public Limited Company (*Société Anonyme*), with share capital of €265,899.46
Registered office: 10 rue Mercœur 75011 Paris
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2019 ANNUAL FINANCIAL REPORT

Translation from the original French version published on April 30, 2020
For readers convenience

This document is an extract from the Annual Financial Report, published on 30 April 2020, from which the following have been removed:

- the Corporate Governance Report (section 8), and
- the Agenda and text of the resolutions put to the General Meeting of 10 June 2020 (section 10)

Readers are invited to refer to the following documents, which are also available on the Company's website:

- Corporate Governance Report (9 June 2020)
- Agenda and text of the resolutions put to the Combined General Meeting of 30 June 2020 (9 June 2020)

Table of contents

I- STATEMENT BY THE PERSON RESPONSIBLE

PERSON RESPONSIBLE FOR THE INFORMATION CONTAINED HEREIN

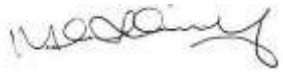
Mike Lobinsky, Chief Executive Officer of EOS imaging (hereinafter "**EOS imaging**" or the "**Company**").

STATEMENT BY THE PERSON RESPONSIBLE

I declare that, to the best of my knowledge, the financial statements 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 of all the companies of the consolidated Group, and that the management report faithfully presents the business performance, results and financial position of the Company and of all the companies of the consolidated Group, and that it describes the main risks and uncertainties faced by the Group.

Paris, 30 April 2020

Mike Lobinsky
Chief Executive Officer



II- MANAGEMENT REPORT

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS ON THE COMPANY'S FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

To the Shareholders,

We are pleased to present the Management Report drawn up by your Board of Directors in accordance with the provisions of Article L 232-1 of the French Commercial Code.

The Board of Directors has called this General Meeting of Shareholders in order to inform you of the progress of the Company's business during the financial year that ended on 31 December 2019, to present the financial statements to you and to ask you to approve them.

The reports of the Statutory Auditors, the report of the Board of Directors, the inventory and the financial statements for the year and, more generally, all the documents and information listed in Articles L.225-115 and R.225-82 of the French Commercial Code have been made available to you by the legal deadlines.

The Board of Directors, at its 27 April 2020 meeting, reviewed and approved the consolidated financial statements for the year that ended on 31 December 2019. These consolidated financial statements were drawn up in accordance with IFRS.

1. SITUATION OF THE GROUP DURING THE PAST FINANCIAL YEAR

1.1 Report on activity and significant events during 2019

The Group develops and sells EOS, an innovative medical imaging device for osteo-articular pathologies and orthopaedics, as well as associated applications.

1.1.1 Highlights of the year

Change of Management

Mike Lobinsky took up his position as Chief Executive Officer on 1 January 2019, replacing Marie Meynadier. Mr Lobinsky joined the company in August 2017 as President North America, a position he continues to hold.

Change in the business cycle

In order to better meet its customers' expectations and reduce its working capital requirements, EOS imaging changed its sales cycle in the first quarter of 2019 by arranging for its equipment to be delivered at the start of the installation phase, and no longer on receipt of the order. This change has led to a transitional period in which (i) new orders received are gradually building up an order book, (ii) revenue is recorded as and when equipment is delivered, with deliveries, on average, occurring 3 to 12 months after orders are placed.

2019 revenue was therefore significantly impacted by this transition phase. Revenue from equipment was almost nil in the first half of the year, as installations in the first half of the year related to 2018 deliveries. Sales started to recover in the second half of the year, while deliveries for the installation of equipment ordered since the beginning of 2019 have started.

However, this change in business model led to a significant improvement in production and logistics management and a significant reduction in accounts receivable.

Creation of the Advanced Orthopedic Solutions (AOS) division and the introduction of EOSlink

In 2019, EOS imaging created a new “Advanced Orthopedic Solutions” (AOS) division which combines the 3D modelling solutions (EOS 3DServices) and surgical planning solutions (EOSapps). This division complements the company's imaging offering and has consolidated the offering of online 3D services and provides healthcare professionals with complete patient-specific 3D data throughout the care pathway, from diagnosis to surgical planning, control and post-operative monitoring.

In the third quarter of 2019, the AOS offering was supplemented by the introduction of EOSlink which integrates surgical planning results into the operating theatre via secure data transfer for seamless integration with existing intra-operative systems.

EOSapps, the 3D preoperative surgical planning software, now has intraoperative surgical solutions, such as navigation systems, robotics-based systems, and custom spinal rod solutions.

EOS Imaging therefore offers, together with AOS, a complete range of solutions for orthopaedic surgeons, that helps to optimise clinical results for patients with spinal and lower limb disorders.

Regulatory approvals and launch of EOSedge in Europe, North America and Australia

In December 2019, EOS imaging launched its new generation of imaging system, EOSedge, the result of several years of development, at the RSNA (North American Radiology Society) Congress in Chicago, the world's largest imaging event. EOSedge has received 510(k) approval from the U.S. Food and Drug Administration (“FDA”) and regulatory approvals in Europe (CE marking), Canada (Health approval), and Australia (TGA).

This system complements the EOS imaging product range alongside the first generation of EOS® systems. It combines the latest innovations in X-ray detection with a low dose of radiation and high image resolution. This system integrates the new Flex Dose™ technology that modulates and optimises the radiation dose along the patient’s scan, together with photon-counting detection technology that

delivers high-resolution musculoskeletal imaging exams. The open design and motorised elevating platform facilitate patient access and positioning. The speed of examinations also optimises the flow of patients.
This new model will enable musculoskeletal disorders to be managed more comprehensively.

1.1.2 Research and Development

EOS imaging has established a team of 56 R&D engineers based in Paris and Besançon, France, as well as in Montreal, Canada.
In 2019, the Company continued its development programmes, focusing on the development of new software functionalities and hardware associated with EOS and aimed at specific applications in osteo-articular pathologies.
2019 was marked by a strong focus on hardware and software development that led to the market launch of the new EOSedge platform. Algorithmic research activities have helped to advance the plan on removing technical risk from the use of deep learning techniques in the automation of 3D models on sterEOS.
Development also continued of the online EOSapps software suite for planning, performance and post-operative monitoring of hip, knee and spine operations, which will be gradually rolled out onto the market, and on a first version of EOSLink, a solution that transfers surgical plans into a surgical navigation solution.
At the same time, the Company is making progress with developments that aim to reduce the manufacturing and maintenance costs of its EOS equipment.

1.1.3 Production and maintenance

EOS imaging focused its investments on producing the new EOSedge system and installing it for our customers. The Company has also continued its efforts to increase productivity and to control inventories.

Alongside the Group’s business growth, the installed base of EOS equipment grew by more than 17% over the course of the year, reaching 359 installed devices at 31 December 2019, compared with 308 devices at 31 December 2018. Three-quarters of these devices are maintained directly by Group teams with maintenance on the remaining quarter being carried out with the assistance of its network of distributors.

1.1.4 Clinical

In 2019, the Company continued to support the clinical work carried out by the numerous teams of clinicians that use EOS, which generated 108 publications in peer-reviewed journals over the year. Numerous publications, on both specialist spinal surgery and hip arthroplasty, show the close interactions between the lower limbs, pelvis and spine and the major role played by the EOS full-body imaging in the management of these disorders. Other publications show EOS's interest in optimising the workflow for managing adolescent scoliosis and the precision of hip prosthesis planning using hipEOS software. These publications are based on the work of the most prestigious orthopaedic centres worldwide, in North America, Europe and Asia.

1.1.5 Sales and Marketing

The new generation of imaging system, EOSedge, was launched at the end of 2019 and was very well received by the market with nine systems ordered in several countries from the very first month of launch.
In 2019, EOS imaging also created the Advanced Orthopedic Solutions (AOS) division and, in the third quarter, introduced its new EOSlink solution enabling the secure transfer of data from the 3D EOSapps surgical planning solution to the operating theatre via preoperative execution systems. AOS services were purchased with most orders in 2019 and will go live when the equipment is installed.

1.1.6 Human resources

To support its growth, the Group carried out targeted recruitment during the 2019 financial year.
EOS imaging's consolidated workforce at 31 December 2019 totalled 181 people, compared with 174 at 31 December 2018. The year-on-year increase of seven people is due to changes made throughout the group with, in particular, an increase of four employees in France.
The average consolidated workforce rose from 167 in 2018 to 180 in 2019. The annual increase of 13 in the average workforce is explained on the one hand by the full year effect of the recruitments of 2018, and on the other by all the changes during 2019.

1.1.7 Progress made / difficulties encountered

EOS continues to be adopted by new high-profile hospitals and imaging institutions, strengthening the Group's strategic positioning worldwide. In 2019, EOS was present in seven of the top ten hospitals worldwide according to Newsweek's rankings[1]. The top ten hospitals in the United States and 88% of the top 25 US paediatric orthopaedic hospitals also use EOS®. (US News & World Report rankings)

The choices made by these leading institutions have helped to establish EOS as a healthcare standard in orthopaedic imaging.

In 2019, equipment orders grew by 4% in the EMEA region, mainly underpinned by France and Switzerland, which continued to grow year after year, and new installations were also carried out in Sweden and in the Netherlands at Rotterdam's prestigious Erasmus hospital.

The Asia-Pacific region saw an expected slowdown due to a change of distributor in China and installation delays in some countries. Australia and South Korea, on the other hand, maintained good momentum.

North America also saw a fall in orders of equipment, mainly in the fourth quarter, due to the launch of EOSedge, as customers delayed their purchases to consider this new system.

For the group as a whole, recurring revenues, mainly from maintenance activities, increased by 30% due to growth in the installed base and new advanced orthopaedic services.

1.2 Result of activities

1.2.1 Revenue

In 2019, EOS imaging generated annual revenue of €20.1 million, a fall of 43% from 2018. This revenue consists of revenue for the year of €21,228k and a provision for trade receivables of €978k recognised as a reduction in revenue in order to hedge the risk on receivables from previous years and an

[1] https://www.newsweek.com/2019/04/05/10-best-hospitals-world-1368512.html

adjustment to the financing component of €163k. Revenue from equipment sales amounted to €9.6 million, compared with €26.5 million in 2018, a fall of 64%.

This revenue was derived from the sale of 24 devices, including 4 EOSedge® devices, compared with 64 devices in 2018. This significant fall is the result of the transition to a new sales model launched in 2019, which consists of delivering the equipment as close as possible to the installation phase rather than just after receipt of the customer's order, as was the case in previous financial years.
EOS imaging received 56 orders for devices, for a total value of €24.0 million in 2019, compared with €26.5 million in 2018 for 64 devices.

EOS imaging has therefore built an equipment order book totalling €14.4 million, corresponding to the orders for equipment received in 2019 (€24.0 million) from which the equipment delivered since the beginning of the financial year (€9.6 million) is deducted. This order book was €0 as at 31 December 2018.
The average selling price per device sold was €400k, as against €414k in 2018. This difference is due to a geographical mix effect, as the North America region (where prices are highest) has a longer lead time between order and installation than the other regions.
The average selling price per device ordered was €429k, versus €414k in 2018. This increase can be explained by the 9 EOSedge orders, the price of which is on average 26% higher than the price for EOS, and also by the increase in the price of EOS equipment in North America.

Recurring revenues amounted to €11.64 million, compared with €8.92 million in 2018, up 30%. It represents 55% of revenue, compared with 25% in 2018. They consist of:

- €10.4 million in maintenance revenues, up 32%, driven by growth in the installed base; and
- €1.2 million in sales of consumables and services, up 20%, driven by the offering of the Advanced Orthopedic Solutions range of services.

The sales performance[1], an indicator comparable to the business model in previous years, achieved during the financial year was €35.7 million (including an order book of €14.4 million) compared with €35.4 million in 2018, an increase of 0.9%.

1.2.2 Other income

Other income comprised government funding received as part of research programs (Research Tax Credit and subsidies). It amounted to €2.129 million, up 49% relative to the previous year.

The Research Tax Credit amounted to €1.879 million, up by 31%, in line with the research costs incurred during the year.

Subsidies amounted to €250k compared with €66k in 2018. They reflect expenses incurred in respect of French and European programmes currently under way.

The amounts of subsidies and Research Tax Credit included in profit and loss for the period are restated for the proportional part of funding of research costs capitalised for the financial year. The gross amount of public funding recognised over the year was €2.434 million.

[1] *Sales performance: Indicator comparable to the business model of past years and corresponding to the sum of recurring revenues and equipment orders generated over a period (also corresponding to the sum of total sales achieved and the change in the order book over a period)*

1.2.3 Direct cost of sales and gross margin

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

As the system integration phase is sub-contracted, production costs consist mainly of the purchase costs of components and sub-contracting costs.

In value terms, the gross margin as a percentage of revenue fell by 472 basis points (bps) to €9.3 million compared with €17.8 million in the previous financial year.

The change in the gross profit margin was due to business factors and non-recurring accounting adjustments.

1) Excluding exceptional items and restatements, the margin on operating activities fell by 32 bps from 50.15% to 49.83%, due to the following factors:

- A 3% fall in the average selling price of equipment linked to the geographical mix was offset by an increase in the margin generated by other revenue and also by a positive exchange rate impact. This impact had a positive impact of 40 bps.
- Controlling the consumption of spare parts used for maintenance purposes offset the increase in equipment production costs, thereby generating a positive impact of 120 bps on the gross margin.
- This was partly offset by the increase in the direct workforce to cater to the increased level of activity, which shaved about 192 bps off the gross margin rate. This calculation of the change in margin is based on revenue recognised and not on production for the financial year. It should be noted that due to the change in the sales cycle, the generation of revenue has been postponed, but the level of installations for the 2019 financial year remains almost constant.

These three main components of the margin described above account for, in total, a fall of 32 basis points in the gross margin.

2) In 2019, two exceptional accounting impacts had a significant impact on the gross margin, resulting in a 440 bps fall in the margin in the consolidated financial statements.

- A provision for installation costs was recognised to cover future services relating to sites invoiced before 2019. This exceptional impact was €312k and represented 160 bps.
- The provision for impairment of trade receivables recognised in 2019 corresponds to 280 bps.

1.2.4 Indirect costs of production and services

Indirect costs of production and services increased by 14% from €3,865k in 2018 to €4,402k in 2019. The change may be principally explained by the increase in the production headcount in the financial year resulting from the full year effect of the recruitments of 2018, and on the other by all the changes in headcount made in 2019.

1.2.5 Research and development expenses

As described in section 1.1.1, in 2019 the Company continued its programmes aimed at boosting its efficiency in production and maintenance, developing new EOS functionalities and the software applications. The resulting R&D costs increased by 8% over the financial year, from €4.427 million in 2018 to €4.799 million in 2019.

For the most part, R&D costs recognised for the period consist of the R&D team's salaries, the development costs component being capitalised, and sub-contracting costs. They also include the amortisation charge for capitalised development costs, the net amount of which in the balance sheet at 31 December 2019 was €7.691 million compared with €5.458 million at the end of the previous year.

If IFRS restatements, as detailed hereunder, are excluded, costs incurred over the course of the year amounted to €7.6 million in 2019 compared with €5.8 million in 2018.

IFRS restatements may be summarised as follows:

Consolidated data In €K	2019 financial year 12 months	2018 financial year 12 months
Expense base	6 493	4 623
Proportion of public financing	2 211	1 454
o/w financing for capitalisable expenses	798	545
Portion of R&D costs capitalised during the financial year	41%	30%
Portion recognised under Unearned Income	305	162
Portion of amortisation of R&D costs capitalised during the financial year	6.9%	15.3%
Proportion of corresponding public financing	45	88

1.2.6 Sales, marketing and clinical expenses

Sales, marketing and clinical expenses increased by 3% over the course of the year. The trend in marketing costs was controlled on the launch of EOSedge. The costs of outsourced clinical studies have fallen.

1.2.7 Regulatory costs

Regulatory costs were up by 21% relative to the previous year. This increase was mainly due to a 17% increase in payroll costs and associated travel expenditure, as result of the new hires made during the period. In 2019, the Eos Imaging Group launched its new EOS Edge^{TM} system. The expenses incurred in the United States enabled the Group to obtain FDA 520(K) approval, thereby allowing examinations to be carried out.

1.2.8 Administrative expenses

Administrative expenses fell by 12% during the year. This change was mainly due to non-recurring costs in 2018 including a provision in respect of the departure of the Chief Executive Officer and costs related to the financial restructuring. In 2019, it should be noted that the fall in activity resulted in a fall in taxes.

1.2.9 Share-based payments

In 2012, the Board of Directors granted free shares, stock options and warrants. At its 23 May 2014 meeting, the Board of Directors also issued 223,000 stock options to employees of the Company and its subsidiaries.

On 8 December 2015, the Board of Directors of the EOS Imaging Group decided to award 181,500 free shares to its employees.

On 25 January 2016, the Board of Directors issued 190,000 stock warrants to two company directors. The two beneficiaries subscribed to the scheme on 3 February 2016 and 29 March 2016, respectively.

On 15 December 2016, the Group's Board of Directors decided to issue 134,500 free shares and to allocate 280,000 performance shares.

On 7 September 2017, the Group's Board of Directors decided to issue 50,000 free shares and to allocate 190,000 performance shares.

On 12 December 2017, the Group's Board of Directors decided to issue 208,500 free shares.

On 5 February 2018, the Group's Board of Directors decided to issue 25,000 free shares and 40,000 performance shares.

On 30 January 2019 the Group's Board of Directors issued 1,362,000 stock options to employees of the Company and its subsidiaries.

The charge resulting from these allocations was determined by applying the Black-Scholes model, in accordance with the assumptions set out in Note 19 to the consolidated financial statements, included in section 4 of the Annual Financial Report. It amounted to €743k in 2019 as against €770k in 2018.

1.2.10 Operating profit (loss)

The Group made an operating loss of €16.693 million, compared with a loss of €8.244 million in 2018. It represents 83% of revenue, compared with 23% in 2018. This is explained by:

- A 43% decrease in Group revenue, explained by the change in the sales cycle, leading to a delay in the invoicing of the order book in the coming quarters.
- A provision for trade receivables of €978k was recognised, thereby reducing revenue, in order to cover the risk associated with receivables from previous years.
- Excluding exceptional items and restatements, the margin on operating activities fell from 50.15% in 2018 to 49.83% in 2019. The main factors underlying this fall are:
    i. A 3% fall in the average selling price of equipment linked to the geographical mix was offset by an increase in the margin generated by other revenue and also by a positive exchange rate impact. This impact had a positive impact of 40 bps.
    ii. Controlling the consumption of spare parts used for maintenance purposes offset the increase in equipment production costs, thereby generating a positive impact of 120 bps on the gross margin.
    iii. This was partly offset by the increase in the direct workforce to cater to the increased level of activity, which shaved about 192 bps off the gross margin rate. This calculation of the change in margin is based on revenue recognised and not on production for the financial year. It should be noted that due to the change in the sales cycle, the generation of revenue has been postponed, but the level of installations for the 2019 financial year remains almost constant.
- a 49% rise in other income, consisting of the amounts of research tax credit and subsidies;
- a fall of 14% in operating expenses.

1.2.11 Financial income

Net financial income was a negative €1.737 million compared with a negative €4.794 million in 2018. This change was mainly due to a non-recurring expense in 2018 related to the financial restructuring. In 2019, the application of IFRS 15 caused the Group to recognise a financing component on contracts of €162k (financial income).

1.2.12 Profit (loss) for the year

The Group posted a net loss for financial year 2019 of €18.429 million compared with a loss of €13.038 million in 2018.

1.3 Description of the main risks and uncertainties faced by the Group

The risks faced by the Group are described in section 7 of the Annual Financial Report.

1.4 Disputes

The disputes of which the Group is currently aware have been duly provisioned in the accounts as at the date of the financial statements.

1.5 Financing the company's growth

At 31 December 2019, the Group's cash and cash equivalents stood at €8.2 million.

During the second half of 2019, the Company demonstrated its ability to limit its cash consumption (-€0.5m over the period), thanks in particular to a reduction in its working capital requirements.

The company has:

- A high level of inventory, linked to the delay in the new sales cycle being taken into account in production schedules, which allows it to limit acquisition of these supplies in 2020.
- Visibility over its installations, the stage that triggers customer payment.

At 31 December 2019, the company had customer receivables, net of provisions, of €17.7m and an order book, net of prepayments received, of €12.3m.

The impact of the COVID crisis can be principally seen in:

- delayed installations during the lockdown phase, which has resulted in a temporary delay in deliveries and in the corresponding revenue
- order-taking for equipment being hampered by sales representatives' limited access to hospitals, and by customers postponing their investment decisions due to a lack of visibility. The impact on sales is difficult to assess at this stage.

The measures put in place include:

- alterations to the production and supply programme due to delays in deliveries to customers
- continued reductions to working capital requirements
- the implementation of a major cost reduction programme.
- short-time working or leave for employees whose activity is affected,
- the use of short-term support mechanisms put in place by governments: deferred social security contributions, early repayment of research tax credits, etc.

As a result of the Covid-19 health crisis and based on the updated budget forecasts, the company believes that its cash holdings will be sufficient at least until the end of December 2020, but that it may need to structure its financing in order to meet its cash requirements after that date. In this respect, the company has several options, which may include:

- the development of factoring, for which it already has an agreement, which could represent financing of an average value of around €1 million.
- the use of borrowing, up to a limit of €2.5 million, authorised under the Océanes agreement.
- a loan from the Small Business Association in the United States, provided in connection with the health crisis.
- applying for a state-guaranteed loan in France, provided in connection with the health crisis.
- long-term refinancing which could take the form of a strategic partnership or a fund-raising round depending on market conditions.

On this basis, management has approved the financial statements in accordance with the going concern principle. The situation has, however, given rise to significant uncertainty over whether the company is a going concern as, if these assumptions were not to be met, the company may not be able to realise its assets and settle its liabilities in the normal course of its business activity. The application of French accounting rules and principles, in particular those relating to the valuation of assets and liabilities for going concerns, may then prove to be inappropriate.

1.6 Future development and outlook

The Group pursues a dynamic sales strategy aimed at expanding the installed base of EOS equipment in the three major markets where it is present (North America, Europe-Middle East and Asia-Pacific) and making the EOS platform a standard in the orthopaedic care pathway, whether surgical or non-surgical.

In 2019, the company launched the EOSedge system, which combines the latest innovations in X-ray detection with a low dose of radiation and high image resolution. The open design and elevating platform facilitate patient access and positioning. The speed of examinations optimises the flow of patients. This new model will enable musculoskeletal disorders to be managed more comprehensively and will drive the group's growth over the coming years, not only by expanding the customer base, but also by renewing equipment that was installed several years ago.

In parallel with this, the Group continues to develop its product offering to exploit low-dose 2D/3D image registration and the associated patient data as closely as possible to clinicians' and patients' needs. The Group will thus continue to expand its offering of online services that meet the objectives of improving the quality of care and controlling the costs associated with orthopaedic treatment.

Although the COVID crisis is having a short-term impact on our performance, as described in the previous paragraph, it should not have a longer-term impact on the Company's growth prospects.

1.7 Subsidiaries and associates

The Group consists of EOS Imaging SA, which wholly owns five subsidiaries:

Eos Imaging Inc.:
Based in the United States, EOS Imaging, Inc. is a US company with share capital of US$1, whose registered office is at 4980 Constellation Drive, 55127 Saint Paul, MA, USA.
This company handles the sale of the Group's products and services in the United States as well as installation, training and maintenance for the North America region.
In 2019 it posted revenues of US$5.823 million (or €5.201 million) and a net loss of US$5.57 million (or €4.975 million).
The workforce at 31 December 2019 consisted of 34 people.

EOS Imaging GmbH:
Based in Germany, EOS imaging GmbH is a company under German law, with share capital of €25,000 and its registered office at Collection Business Centers Gmbh, Thurn-und-Taxis-Platz 6, 60313 Frankfurt.
This company is responsible for selling the Group's products and services in Germany.
In 2019 it generated revenues of €893k and a net loss of €49k.
The workforce at 31 December 2019 consisted of one person.

EOS image, Inc.:
Based in Canada, EOS image Inc. is a company incorporated under Part IA of the Quebec Companies Act, with share capital of CAD$100, whose registered office is at 300 Rue du Saint Sacrement, Montreal, Quebec, Canada.

This company markets the Group's products in Canada and provides services linked to commercial use applications and clinical studies.
In 2019, it posted revenues of CAD$2.208 million (or €1.634 million) and a loss of CAD$1.165 million (or €784k).
The workforce at 31 December 2019 consisted of 12 people.

OneFit Medical SAS:
Based in France, OneFit Medical is a simplified joint-stock company (French SAS) with share capital of €115,714 whose registered office is at 18 Rue Alain Savary, Besançon.
This entity develops and markets software applications and customised cutting guides for orthopaedics.
In 2019 it generated revenues of €1.604 million and a net loss of €645k.
The workforce at 31 December 2019 consisted of 29 people.

EOS Imaging Pte Ltd:
Based in Singapore, EOS imaging Pte Ltd is a company under Singapore law with a share capital of S$70,000, whose registered office is at 51 Goldhill Plaza, #21-02/06, Singapore 308900.
It promotes the Group's products and services in the Asia-Pacific region.
In 2019 it generated no revenue and recorded a net loss of S$741k (or €485k). The workforce at 31 December 2019 consisted of 3 people.

In 2019, EOS imaging SA billed its subsidiaries:

- for equipment sales, in the amount of €2.256 million;
- for management fees, in the amount of €1.335 million;
- for interest on current accounts, in the amount of €195k.

1.8 Significant events after since the end of the reporting period up until the date of this report

1.8.1 Agreement on the takeover of EOS by Alphatec Holdings Inc, and termination of this agreement

On **28 February 2020**, the Board of Directors approved the entry into a tender offer agreement with Alphatec Holdings, Inc. (Nasdaq: ATEC), a medical devices company that specialises in innovative spinal surgery solutions. Under the terms of this agreement, ATEC would launch a takeover bid for all the shares and OCEANEs issued by EOS.

The Offer would consist of a principal tender offer in cash at a price of €2.80 per EOS share (the "Cash Offer") and, alternatively, an exchange offer with an exchange ratio of 1 ordinary share in ATEC for two EOS shares (the "Exchange Offer").

ATEC and EOS are two pioneers in their respective fields that provide innovative solutions for orthopaedic surgery. This transaction would strengthen their position in the overall orthopaedic market.

The deal is also backed by EOS's major shareholders. ATEC has received commitments to participate in the Exchange Offer from Fosun Pharma and Bpifrance Investissement relating to all their EOS shares, which together represent 21.35% of EOS's share capital. The Founder and the Company's Chief Executive Officer also committed to participating in the Exchange Offer.

EOS's Board of Directors resolved to establish an ad hoc committee composed of two independent members and has engaged Accuracy, pursuant to Article 261-1, I-2° and 5° of the AMF's General Regulation and subject to approval by the AMF, as an independent expert to draw up a fairness opinion on the financial conditions of the Offer.

EOS's Board of Directors will meet again to issue a reasoned opinion on the Offer after analysing the report of the independent expert, the recommendation issued by the ad hoc committee and the opinion of the Social and Economic Committee.

The transaction will remain subject to the usual conditions precedent. Under the terms of the tender offer agreement, EOS also agreed to a standard non-solicitation undertaking. Under the terms of the tender offer agreement, EOS will have to pay, in certain scenarios, a break-up fee of €2.5 million to ATEC and ATEC will have to pay, in other cases, a reverse break-up fee of the same amount as EOS. This fee will be payable by EOS if its Board of Directors decides not to recommend that shareholders participate in the Offer.

In addition to the 50% threshold below which the Offer will lapse provided for in Article 231-9, I of the AMF's General Regulation, the Offer will be conditional on being accepted by those holding two-thirds of the EOS's share capital and voting rights on a fully diluted basis based on the results of the Offer in accordance with Article 231-9, II of the AMF's General Regulation.

ATEC intends to carry out a squeeze out following Offer at the price of the Cash Offer (€2.80 per EOS share) if the conditions for doing so are met.
The Offer is scheduled to be filed with the AMF at the end of April.

On **24 April 2020** EOS Imaging was informed by ATEC that it was terminating the previously announced tender offer agreement, under which ATEC had undertaken to launch a public offer for EOS. ATEC stated that it was terminating the agreement as a result of its assessment of the impact of the COVID-19 epidemic on EOS Imaging.

EOS Imaging disagrees with ATEC's analysis. Although the COVID-19 epidemic will have a short-term effect on EOS Imaging, as it will on others in the sector, EOS Imaging considers that this crisis will not have any impact on the company's long-term prospects.

The Board of Directors of EOS Imaging is currently assessing all potential options.

1.8.2 COVID-19 health crisis

The various regions in which the Company operates have gradually been affected by the COVID-19 health crisis. The initial business impact was seen in Asia in early January, before spreading in mid-March to Europe and North America. In all regions, the focus has been on employee and customer safety. The Company has implemented appropriate safeguards for its employees based on recommendations and guidelines issued by the French government and the governments of countries in which the company operates, such as remote working and travel restrictions. Employees who visited customer sites before the travel restrictions came into effect received the required protection.

With the continued increase in the number of patients with COVID-19, health systems are taking steps to address the increase in the number of admissions of such patients. Some private hospitals and imaging centres have discontinued their orthopaedic activities.

Installations that had been scheduled during the lockdown period have been delayed, and have been rescheduled for after lockdown measures are eased. The impact can be seen in the temporary delay in deliveries and in the corresponding revenue.

Order-taking for equipment has been hampered by sales representatives' limited access to hospitals, and by customers postponing their investment decisions due to a lack of visibility. The impact on sales is difficult to assess at this stage.

Maintenance activities have been limited to emergencies at establishments that remain open. The Company has, however, entered into annual flat-rate service agreements with most of its customers, covering annual maintenance and preventive monitoring, and therefore believes that the impact of the pandemic on maintenance revenue will be limited.

The Company has also adapted its production programme to the lag caused by its installation schedule and has reviewed its procurement schedules with its suppliers. It should be noted that the Company's key suppliers are mainly based in France, Canada and Europe and that the Company has not identified any specific supply-related risks at this stage.

The Firm has comprehensively assessed the impact of the crisis and implemented the necessary corrective actions so that it has visibility on its cash position until the end of the year.

The Company has therefore adapted the hours of European and North American employees by using short-time working and part-time leave. These measures will continue to be reassessed as the situation changes. The Company is making full use of measures aimed at easing the pressure on its short-term cash position: deferral of the payment of employer social security contributions, acceleration of the payment of the research tax credit, and more broadly, the use of support measures provided in connection with the health crisis by all the countries in which the Company operates. EOS imaging has also implemented a major cost reduction programme.
The Company is separately assessing various operational and structural financing options in addition to the use of factoring, which is already in place and has not been used since the beginning of 2020.

2. SITUATION OF THE COMPANY DURING THE PAST FINANCIAL YEAR

2.1 Report on activity and significant events during 2019

The significant events for the Group's parent company are described in section 1.1. above.

2.2 Human resources

The total workforce was 105 persons at 31 December 2019, compared with 98 at 31 December 2018.

The company's average workforce rose from 91 in 2018 to 103 in 2019. The increase of twelve persons reflects the full-year effect of the recruitments carried out during the previous year and the creation of new roles.

2.3 Objective and exhaustive analysis of business performance, results and financial position, in particular the Company's debt position having regard to the volume and complexity of the business

The business of the parent company can be considered the same as that of the Group since the business of the four foreign subsidiaries of the Group is essentially limited to promoting and selling EOS systems in their markets and since the business of OneFit Medical in 2019 remains minimal at the Group level (3.8% of consolidated revenues).

Please refer to section 1.1 above.

The liabilities recognised at 31 December 2019, together with the comparable figures for 2018, are as follows (in euros):

Liabilities	**2019**	**2018**
Convertible debt obligations	29 692 069 €	29 692 069 €
Liabilities on fixed assets and related accounts	2 142 €	
Miscellaneous borrowings and financial liabilities	25 652 €	525 652 €
Trade payables	4 880 360 €	7 629 028 €
Tax and social security	2 709 400 €	3 085 282 €
Other liabilities (1)	994 092 €	3 359 920 €
Advances and prepayments for orders	704 100 €	
Unearned income	2 154 839 €	1 518 841 €
TOTAL	**41 162 654 €**	**45 810 792 €**

(1) Other liabilities at 31 December 2018 include the amount of the receivables assigned to a factor for a total amount of €1,371,000. There were no assignments of receivables as at 31 December 2019.

(2) Advances and prepayments received on current orders represent payments made by customers during the term of the contract before invoicing. These advance payments have been collected since 1 January 2019 and are the result of the change in sales model.

2.4 Description of the main risks and uncertainties and risk management

The company's activity is basically the same as that of the Group. Please refer to section 1.3 above.

2.5 Disputes

Three disputes were identified and ongoing at 31 December 2019. The amounts recognised in provisions for risks and charges are the best estimate of the expenditure required to settle the obligation, where necessary discounted to present value at reporting date.

The company was not aware of any other dispute at 31 December 2019.

2.6 Research and development activity

Please refer to sections 1.1.2 and 1.2.5 above.

2.7 Company's results

The financial statements of the company are summarised in the following table:
Results for 2019 with the comparative figures for 2018 were as follows:

	2019	2018
Revenues amounted to:	14 788 375 €	28 506 214 €
Total operating revenues amounted to:	23 357 920 €	31 717 886 €
Total operating expenses amounted to:	36 829 968 €	37 096 344 €
Giving an operating loss of:	- 13 472 048 €	- 5 378 458 €
Total financial income amounted to:	13 819 217 €	13 312 245 €
Total financial expenses amounted to:	13 999 176 €	23 620 862 €
Giving net financial income of:	- 179 958 €	- 10 308 618 €
Result before non-recurring items and tax:	- 13 652 006 €	- 15 687 076 €
Total non-recurring income amounted to:	50 121 €	34 489 €
Total non-recurring charges amounted to:	243 135 €	371 478 €
Giving net non-recurring income of:	- 193 014 €	- 336 989 €
Employee profit sharing	8 635 €	2 964 €
Corporation tax:	- 1 706 225 €	- 1 260 893 €
Net accounting loss:	- 12 147 430 €	- 14 766 136 €

Shareholders' equity at 31 December 2019 was €(4,945,295) compared with €7,075,596 at 31 December 2018. As shareholders' equity is less than half of the Company's share capital, Article L 225-248 of the French Commercial Code requires us to consult the shareholders at the general meeting in order to decide whether to dissolve the company early.

On 27 April 2020, the Board of Directors proposed that the Shareholders at the general meeting to be held on 10 June 2020 be asked to approve the continuation of the Company's operations despite the losses.

We remind you that, if the shareholders do not vote to dissolve the company early, the company must, no later than the end of the second financial year following the year in which the losses are recognised:

- have restored its shareholders' equity to an amount equal to at least half its share capital, or
- reduce its share capital by an amount at least equal to the losses that are unable to be offset against reserves, unless such a reduction makes the share capital less than the minimum amount required by law.

2.8 Progress made and difficulties encountered

Please refer to section 1.1.7. above.

2.9 Information on supplier payment terms and customer settlement terms

Pursuant to Articles L.441-6-1 and D.441-4 of the French Commercial Code, the company presents hereunder the information as at 31 December 2019 on supplier and customer payment terms:

In thousands of euros	Invoices received not settled by financial year-end						Invoices issued not settled by financial year-end (1)					
		past due date						past due date				
Overdue tranches	no late payment	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)	no late payment	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
Number of invoices concerned	258	81	26	14	205	584	65	12	7	6	58	148
Total amount of invoices concerned (incl. ta	-2 578 237	-13 382	-57 639	-28 420	-394 681	-3 072 358	2 947 090	684 741	130 441	72 197	4 881 636	8 716 105
Percentage of the total amount of purchases in the financial year (excl. tax)	11%	1%	0%	0%	2%	15.36%						
Percentage of the total amount of sales in the financial year (excl. tax)							22%	5%	1%	1%	2%	31%
Payment terms used to calculate days overdue	Contractual terms:				Legal terms: x		Contractual terms: x				Legal terms:	

(1) The amount of the invoices concerns relates to sales of equipment. Payment terms of invoices relating to other services, which represent 10% of total customer receivables, are not significant and there are few invoices that are more than 30 days late in being paid.

Debts and credits over 60 days are based on specific agreements with certain suppliers or are intercompany debts.

2.10 Workforce data

At 31 December 2019 the company had 105 employees. This workforce comprised 100 employees on permanent contracts, one employee on a fixed-term contract, the remainder being under apprenticeship, training or intern contracts.

No employee had resigned, stopped work or was on parental leave as at 31 December 2019.

2.11 Appropriation of result

We propose appropriating the loss for the financial year ended 31 December 2019, which totals €(12,147,430.25) to retained earnings, which will thus be increased from €0 to a debit amount of €(12,147,430.25). We propose clearing the amount of €(6,815,878.74) from "Retained Earnings" by deducting it from “Issue Premiums”, which before the deduction contains €6,915,878.74. As a result of this deduction, “Issue Premiums” has a credit balance of €100,000 and “Retained Earnings” has a debit balance of €(5.331.551,46).

2.12 Company results over the past five financial years

You will find a table of Company results over the past five financial years attached as an appendix.

2.13 Amount of dividends and tax credits over the past three financial years

Pursuant to legal provisions (Article 243 bis of the French General Tax Code), it should be noted that no dividend has been paid out over the past three financial years.

2.14 Sumptuary expenses and non-deductible charges (French General Tax Code Articles 39-4 and 223 (4)

Pursuant to the provisions of Articles 39-4 and 223(4) of the French General Tax Code, we hereby note that the financial statements for the financial year under review include €23,579 in non-tax-deductible expenses.

2.15 Discharge of directors

The Board of Directors and its Chairman ask the general meeting to discharge them for their management activities during the financial year.

2.16 Subsidiaries and associates

Taking of substantial or controlling interests

We inform you that the Company did not take any substantial or controlling interest in any other entity during the past financial year.

Share disposals carried out to unwind cross-shareholdings

We hereby inform you that the Company did not have to dispose of any shares with a view to unwinding cross-shareholdings prohibited by Articles L. 233-29 and L. 233-30 of the French Commercial Code.

Disposals of equity interests

We hereby inform you that the Company did not dispose of any equity interests during the financial year under review.

Activity of subsidiaries and controlled companies

Please refer to section 1.7 above.

Manner in which foreign subsidiaries take account of the impact of their business activities on regional development and the local population:

The employees of the foreign subsidiaries have all been hired in local labour markets.

3. INFORMATION ON THE COMPANY'S SHARE CAPITAL

The table below shows changes in the Company's capital over the period:

Date	Transaction	Nominal	PE	Shares created	Capital	Issue premium	Total	Number of shares forming the capital
	Total at 31 December 2018				**262 379**	**21 558 796**		**26 237 907**
05/06/2019	Allocation of loss carry-forward to issue premium					(14 766 136)		
30/06/2019	Capital increase following the exercise of options				300	29 700		30 000
13/06/2019	Capital increase following the exercise of options				11	1 114		1 125
30/06/2019	Capital increase following the exercise of options				17	1 646		1 663
14/06/2019	Capital increase following the exercise of options				300	29 700		30 000
30/06/2019	Capital increase following the exercise of options				150	14 850		15 000
25/07/2019	Capital increase following the exercise of options				488	48 263		48 751
23/09/2019	Capital increase following the allocation of bonus shares				500	(500)		50 000
10/12/2019	Capital increase following the allocation of bonus shares				1 555	(1 555)		155 500
	Total at 31 December 2019				**265 700**	**6 915 879**		**26 569 946**

Capital increases result from the following transactions:

- The exercise of 126,539 options, leading to the issue of 126,539 new shares;
- Creation of 205,500 new ordinary shares each with a nominal value of one euro cent, allocated free of charge to certain employees.

As at 31 December 2019, the share capital was €265,700. It was divided into 26,569,946 ordinary shares, fully subscribed and paid up, each with a par value of €0.01.

4. EMPLOYEE SHAREHOLDINGS AT THE END OF THE FINANCIAL YEAR

Under Article L 225-102, we hereby inform you that a company savings plan has been set up for the company's employees.
In addition, stock options and free shares have been granted to the company's employees.
The history of the Company's stock option awards as at 31 December 2019 is set in in Section 9 of this Annual Financial Report/2 SHARE CAPITAL/Stock options and free share awards.

5. INFORMATION ON COMPANY OFFICERS

Information on the Company's officers, their terms of office and their compensation may be found in Section VIII of the report on Corporate Governance.

6. DISTRIBUTION OF THE SHARE CAPITAL AS AT 31 DECEMBER 2019

The distribution of the Company's share capital as at 31 December 2017, 2018 and 2019 is described in Section 9/1 Major shareholders/ Distribution of share capital over the last three financial years.

7. SIGNIFICANT EVENTS SINCE THE END OF THE REPORTING PERIOD UP UNTIL THE DATE OF THIS REPORT

Please refer to section 1.8. above.

8. DISCHARGE – AGREEMENTS

We ask you to approve the special report of the Statutory Auditors on the agreements that fall within the scope of Article L. 225-38 of the French Commercial Code.

Furthermore, we would draw attention to the fact that the list and purpose of ordinary agreements entered into in the normal course of business that, by virtue of their purpose or financial implications, are material for the parties, have been disclosed to the directors and to the Statutory Auditors.

Should you require any further details or explanations, please do not hesitate to contact us. We would ask that you vote in favour of the resolutions submitted to you which cover the various aspects of our report.

Appendix 1: TABLE OF COMPANY RESULTS OVER THE PAST FIVE FINANCIAL YEARS

Company results over the past five financial years					
Financial periods concerned	*31/12/2015*	*31/12/2016*	*31/12/2017*	*31/12/2018*	*31/12/2019*
Capital at year-end					
Share capital	202 420 €	202 888 €	226 415 €	262 379 €	265 699 €
Number of ordinary shares in existence	20 241 974	20 288 764	22 641 483	26 237 907	26 569 946
Number of preference shares (without voting right) in existence	-	-	-	-	-
Operations and results for the year					
Sales revenue excl. tax	17 893 887 €	25 110 446 €	30 880 207 €	28 506 214 €	14 788 375 €
Depreciation and provisions and profit-sharing	5 731 061 €	7 673 230 €	2 251 787 €	7 311 361 €	83 482 €
Profit/(loss) after tax and employee profit-sharing but before depreciation and provisions	- 3 852 423 €	- 2 584 142 €	- 3 128 234 €	- 7 454 775 €	- 12 063 948 €
Tax on income	- 1 228 979 €	- 1 210 443 €	- 1 154 991 €	- 1 260 893 €	- 1 706 225 €
Employee profit sharing due in respect of the year	-	-	-	-	-
Profit/(loss) after tax, employee profit-sharing and depreciation and provisions	- 9 583 484 €	- 10 257 372 €	- 5 380 021 €	- 14 766 136 €	- 12 147 430 €
Distributed profit	-	-	-	-	-
Earnings per share					
Profit/(loss) after tax and employee profit-sharing but before depreciation and amortisation and provisions	- 0.19 €	- 0.13 €	- 0.14 €	- 0.28 €	- 0.45 €
Profit/(loss) after tax, employee profit-sharing and depreciation and provisions	- 0.47 €	- 0.51 €	- 0.24 €	- 0.56 €	- 0.46 €
Dividend per share (per category, gross or net)	-	-	-	-	-
Employees					
Average headcount during the year (employees in France)	81	81	83	94	99
Total payroll for the year	4 987 672 €	5 901 358 €	6 687 509 €	6 815 281 €	7 561 773 €
Total sums paid by way of employment benefits in the year (Social Security, employee benefits, etc.)	2 474 417 €	2 702 519 €	2 892 433 €	2 959 880 €	3 312 762 €

III- STATUTORY AUDITORS' FEES

Summary table of Statutory Auditors' fees recognised as expenses for the financial year.

(in thousands of euros)	**31/12/2019**		
	Deloitte	PKF	Actis
Audit			
Statutory auditors, examination and certification of the company only and the consolidated financial statements			
- Eos Imaging SA	77	42	3
- Fully consolidated subsidiaries (Eos Imaging Inc, Eos Image Inc, Eos Imaging GmbH, Onefit Medical and EOS Imaging Pte Ltd)			
Non-audit services			
- Eos Imaging SA (*)	22	3	
- Fully consolidated subsidiaries (Eos Imaging Inc, Eos Image Inc, Eos Imaging GmbH, Onefit Medical and EOS Imaging Pte Ltd)			
Subtotal	**99**	**45**	**3**
Other services provided by the networks to fully consolidated subsidiaries			
Legal, labour, tax			
Other			
Subtotal			
Total	**99**	**45**	**3**

(*) These services cover those required by laws and regulations (reports on capital transactions, end of assignment letter).

IV- 2019 CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(in thousands of euros)

ASSETS	*Note*	12/31/19	12/31/18
Goodwill	*5*	5 131	5 131
Intangible assets	*6*	8 488	6 606
Rights of use	*7*	4 386	
Property, plant, and equipment	*8*	2 068	2 394
Financial assets	*9*	197	309
Total non-current assets		**20 271**	**14 439**
Inventories and work in progress	*10*	13 513	8 779
Trade receivables	*11.1*	17 698	32 740
Other current assets	*11.2*	5 215	4 262
Cash and cash equivalents	*13*	8 186	19 768
Total current assets		**44 613**	**65 549**
TOTAL ASSETS		**64 884**	**79 989**

LIABILITIES		12/31/19	12/31/18
Share capital		266	262
Treasury shares		(448)	(412)
Share premiums		6 916	21 559
Reserves		22 782	20 196
Translation reserves		991	642
Consolidated income attributable to the parent		(18 429)	(13 038)
Total equity	*13*	**12 078**	**29 210**
Provisions	*14*	1 144	933
Financial liabilities	*15*	24 646	25 679
Lease liabilities	*7*	3 912	
Total non-current liabilities		**29 702**	**26 612**
Financial liabilities	*15*	1 738	1 584
Lease liabilities	*7*	531	
Trade payables	*16.1*	3 969	7 074
Other current liabilities	*16.2*	16 866	15 509
Total current liabilities		**23 104**	**24 167**
TOTAL LIABILITIES		**64 884**	**79 989**

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)

	Note	**Fiscal Year End**	
		12/31/19	**12/31/18**
Revenue from ordinary activities			
Revenue	*17*	20 087	35 391
Other income	*17.1*	2 129	1 428
Total revenue		**22 467**	**22 467**
Operating expenses			
Direct cost of sales	20.1	(10 962)	(17 616)
Indirect costs of production and service	20.2	(4 402)	(3 865)
Research and development	20.3	(4 799)	(4 427)
Sales, clinical and marketing	20.4	(11 168)	(10 870)
Regulatory	20.5	(911)	(756)
Administrative costs	20.6	(5 924)	(6 759)
Share-based payments	19	(743)	(770)
Total expenses		**(38 908)**	**(45 063)**
OPERATING PROFIT (LOSS)		**(16 693)**	**(8 244)**
Financial expenses	21	(1 904)	(5 481)
Financial revenue	21	168	687
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAXES		**(18 429)**	**(13 038)**
Income tax expense	*22*		
NET PROFIT (LOSS) FOR THE PERIOD - Attributable to the parent		**(18 429)**	**(13 038)**
Translation differences on foreign entities		349	530
Actuarial differences on pension commitments		114	(75)
TOTAL PROFIT (LOSS) FOR THE PERIOD		**(17 966)**	**(12 583)**
Earnings per share (in €)		(0.7)	(0.58)

STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)

Capitaux propres du groupe EOS IMAGING	Capital	Share premium	Treasury shares	Consolidated reserves	Translation differences	Consolidated profit (loss)	Total
12/31/17	**226**	**79 145**	**(322)**	**(48 172)**	**112**	**(7 786)**	**23 203**
Appropriation of profit (loss) N-1				(7 786)		7 786	
Capital increase	36	14 909					14 945
Allocation of loss carry-forward to issue premium		(72 495)		72 495			
Change in translation differences					530		530
Change in actuarial differences				(75)			(75)
Profit (loss) for period N						(13 038)	(13 038)
Payments in shares				770			770
Bond borrowings				2 964			2 964
Treasury shares			(90)				(90)
12/31/18	**262**	**21 559**	**(412)**	**20 197**	**642**	**(13 038)**	**29 210**
Appropriation of profit (loss) N-1				(13 038)		13 038	
Capital increase	3	123					127
Allocation of loss carry-forward to issue premium		(14 766)		14 766			
Change in translation differences					349		349
Change in actuarial differences				114			114
Profit (loss) for period N						(18 429)	(18 429)
Payments in shares				743			743
Treasury shares			(36)				(36)
12/31/19	**266**	**6 916**	**(448)**	**22 782**	**991**	**(18 429)**	**12 078**

STATEMENT OF CASH FLOWS

(in thousands of euros)

	2019 *12 mois*	2018 *12 mois*
CASH FLOWS RELATING TO OPERATING ACTIVITIES		
Net profit/(loss)	(18 429)	(13 038)
Elimination of depreciation, amortisation and provisions	2 174	1 518
Calculated expenses and income linked to share-based payments	743	770
Financial expenses - Lease liabilities	134	
Financial expenses - Bond borrowings		2 768
Financial expenses - OCEANE convertible bonds	(180)	989
Financial expenses - Repayable advances	6	10
Sub-total ("capacité d'autofinancement")	**(15 552)**	**(6 983)**
		0
Inventories and work in progress	(4 734)	(4 402)
Trade receivables	15 376	(2 000)
Other current assets	(947)	878
Trade payables	(3 129)	(789)
Other current liabilities	1 432	4 609
Change in WCR	**7 998**	**(1 704)**
Net cash from/(used in) operating activities	**(7 554)**	**(8 687)**
CASH FLOWS RELATING TO INVESTMENT ACTIVITIES		
Acquisition of property, plant, and equipment and intangible assets	(3 318)	(3 859)
Acquisition of property, plant, and equipment and intangible assets	461	
Change in financial assets	111	(196)
Net cash from/(used in) investing activities	**(2 746)**	**(4 055)**
CASH FLOWS RELATING TO FINANCING ACTIVITIES		
Capital increase	127	14 945
Cash flows associated with the issue of OCEANES		28 184
Cash flows associated with the IPF bond issue	0	(16 658)
	0	
Repayments of advances and interest-free loans	(655)	(896)
Lease liabilities	(699)	
Recognition of receivables		
Acquisition/disposal of treasury stock	(36)	(90)
Net cash from/(used in) financing activities	**(1 263)**	**25 484**
Impact of exchange rate fluctuations	31	46
Change in cash	**(11 532)**	**12 789**
Cash and cash equivalents at beginning of the year	19 718	6 930
Cash and cash equivalents at year-end	8 186	19 718
CHANGE IN CASH	**(11 532)**	**12 789**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 : **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 2 : **SIGNIFICANT EVENTS**

Change of Management

Mike Lobinsky took up his position as Chief Executive Officer on 1 January 2019, replacing Marie Meynadier. Mr Lobinsky joined the company in August 2017 as President North America, a position he continues to hold.

Change in the business cycle

In order to better meet its customers' expectations and reduce its working capital requirements, EOS imaging changed its sales cycle in the first quarter of 2019 by arranging for its equipment to be delivered at the start of the installation phase, and no longer on receipt of the order. This change has led to a transitional period in which (i) new orders received are gradually building up an order book, (ii) revenue is recorded as and when equipment is delivered, with deliveries, on average, occurring 3 to 12 months after orders are placed.

2019 revenue was therefore significantly impacted by this transition phase. Revenue from equipment was almost nil in the first half of the year, as installations in the first half of the year related to 2018 deliveries. Sales started to recover in the second half of the year, while deliveries for the installation of equipment ordered since the beginning of 2019 have started.

However, this change in business model led to a significant improvement in production and logistics management and a significant reduction in accounts receivable.

Creation of the Advanced Orthopedic Solutions (AOS) division and the introduction of EOSlink

In 2019, EOS imaging created a new “Advanced Orthopedic Solutions” (AOS) division which combines the 3D modelling solutions (EOS 3DServices) and surgical planning solutions (EOSapps). This division complements the company's imaging offering and has consolidated the offering of online 3D services and provides healthcare professionals with complete patient-specific 3D data throughout the care pathway, from diagnosis to surgical planning, control and post-operative monitoring.

In the third quarter of 2019, the AOS offering was supplemented by the introduction of EOSlink which integrates surgical planning results into the operating theatre via secure data transfer for seamless integration with existing intra-operative systems.

EOSapps, the 3D preoperative surgical planning software, now has intraoperative surgical solutions, such as navigation systems, robotics-based systems, and custom spinal rod solutions.

EOS Imaging therefore offers, together with AOS, a complete range of solutions for orthopaedic surgeons, that helps to optimise clinical results for patients with spinal and lower limb disorders.

Regulatory approvals and launch of EOSedge in Europe, North America and Australia

In December 2019, EOS imaging launched its new generation of imaging system, EOSedge, the result of several years of development, at the RSNA (North American Radiology Society) Congress in Chicago, the world's largest imaging event. EOSedge has received 510(k) approval from the U.S. Food and Drug Administration ("FDA") and regulatory approvals in Europe (CE marking), Canada (Health approval), and Australia (TGA).

This system complements the EOS imaging product range alongside the first generation of EOS® systems. It combines the latest innovations in X-ray detection with a low dose of radiation and high image resolution. This system integrates the new Flex Dose™ technology that modulates and optimises the radiation dose along the patient's scan, together with photon-counting detection technology that delivers high-resolution musculoskeletal imaging exams. The open design and motorised elevating platform facilitate patient access and positioning. The speed of examinations also optimises the flow of patients.

This new model will enable musculoskeletal disorders to be managed more comprehensively.

NOTE 3 : **APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements of EOS imaging for the year ended 31 December 2019 were approved by the Board of Directors on 27 April 2020.

NOTE 4 : **ACCOUNTING PRINCIPLES AND POLICIES**

4.1. Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 were approved by the Board of Directors on 27 April 2020 and will be submitted to the shareholders for their approval at the Ordinary General Meeting of Shareholders to be held on 10 June 2020. EOS imaging is a company resident in France. The consolidated financial statements for the year ended 31 December 2019 show the financial position and results of the Company and its subsidiaries. They are drawn up in euros, the Company's functional currency.

Pursuant to European Regulation no. 1606/2002 of 19 July 2002, the Group's consolidated financial statements for the 2019 financial year were prepared in accordance with international accounting standards as adopted by the European Union at 31 December 2019 and which are mandatory on that date, with a comparison against the 2018 financial statements prepared by reference to the same standards. International standards comprise IFRS (International Financial Reporting Standards), IAS (International Accounting Standards), interpretations of the IFRS IC (International Financial Reporting Standards Interpretation Committee) and the SIC (Standard Interpretations Committee). The texts adopted by the European Union are published in the Official Journal of the European Union and may be found at EUR-Lex. At 31 December 2019, the standards and interpretations adopted by the European Union were identical to the mandatory standards and interpretations published by the IASB.

Accounting standards
The consolidated financial statements of EOS imaging for the year ended 31 December 2019 have been prepared in accordance with IFRS standards and interpretations as adopted by the European Union at 31 December 2019.

These are available on the website of the European Commission:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en

The accounting principles used to prepare the annual consolidated financial statements for the financial year ended 31 December 2019 are identical to those used for the financial year ended 31 December 2018, except in relation to the new applicable standards described below.

4.2. Changes in accounting rules and methods

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 2019 are as follows:

- Amendments to IFRS 19 (Plan Amendment, Curtailment or Settlement);
- Amendments to IFRS 9 (Prepayment Features with Negative Compensation);
- Amendments to IAS 28 (Long-term Interests in Associates and Joint Ventures);
- Annual improvements, cycle 2015-2017.
- IFRS 16 (Leases).
- IFRIC 23 (Uncertainty over Income Tax Treatments);

The impacts of IFRS 16 (Leases) are summarised in Note 4.3 (Changes to accounting policies).

The other new standards and interpretations did not have a material impact on the Group's consolidated financial statements for the year ended 31 December 2019.

IFRIC 23 (Uncertainty over Income Tax Treatments): IFRIC 23 supplements the provisions of IAS 12 (Income Taxes) by setting out procedures for measuring and recognising uncertainties over income tax treatments. The Group has not identified any material impact on equity associated with the implementation of this interpretation at 1 January 2019.

The Group has, moreover, chosen not to apply those standards and interpretations for which application is not mandatory at 31 December 2019.

Standards adopted by the European Union but not yet mandatory as at 31 December 2019 are as follows:

- Amendments to IFRS 9, IAS 39 and IFRS 7 in relation to the reform of the reference interbank rates
- Amendments to IAS 1 and IAS 8 "Definition of material term";
- Amendments to IAS 1 on the classification of liabilities and current and non-current liabilities.

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

- Amendments to IFRS 3 (Definition of a business).

Management does not expect application of these standards to have a material impact on the consolidated financial statements.

4.3. Changes to accounting policies

IFRS 16 – Leases

The Group has applied IFRS 16 (Leases) to its lease accounting since 1 January 2019. This standard replaces IAS 17 and the associated IFRIC and SIC interpretations and removes the previous distinction between operating leases and finance leases from the lessee's perspective by introducing a single lessee accounting model.

Under IFRS 16, a lessee must recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated over the term of the lease and the lease liability is initially measured at its present value at the interest rate implicit in the lease if it can be easily determined or, failing that, at the incremental borrowing rate.

The amount of the liability is materially dependent on the assumptions used in relation to the term of commitments and the discount rate.

- The lease term used to calculate the liability is the term of the lease as originally negotiated, with no account taken of options to terminate the lease early or to extend the term of the lease, as the group is not reasonably certain that it will exercise these renewal options;
- The discount rate is calculated as the sum of the risk-free rate, by reference to its term, and the Group's credit risk for the same reference term. This rate was estimated by the Group by geographic region.

The Group has made the transition using the transitional method known as the "simplified retrospective approach", which requires a liability to be recognised on the transition date equal to the discounted residual rental payments, offset by a right of use (in certain scenarios, adjusted by the amount of advance rent payments or accrued expenses), with all transitional impacts recognised in shareholders' equity.

The standard provides for a number of simplification measures on transition, and the Group has chosen not to use leases with a residual term of less than twelve months at the transition date and leases over low-value assets, to use the same method for leases classified as finance leases under IAS 17, and not to capitalise costs directly associated with entering into leases.

The implementation of this standard has led to the following presentational changes:

- On the statement of financial position: the recognition of €4.1 million in lease obligations on the transition date,
- in return for rights of use valued at the same amount, as detailed in Note 7 : below. The transition had no impact on the Group's consolidated equity.
  On the income statement, the lease expense previously recognised in operating profit (loss) is recognised partly by a depreciation charge in operating profit (loss) and partly in finance costs.
- In the cash flow statement, the rental payments previously included in the cash flows relating to operating activities is presented in cash flows relating to financing activities for the amount allocated to repaying the liability.
- The majority of leases are operating leases covering premises used by the Group. The discount rate used by the Group on these leases ranges between 3.28% and 4.74%, depending on geographical region.
- The difference between the lease liability recognised on the date of first application (€4.1 million) and the operating lease commitments contained in the notes in accordance with IAS 17 at the end of the 2018 financial year (€4.8 million) mainly relates to a property lease in the United States for which the residual term was less than 12 months on the transition date.

4.4. Consolidation methods

A subsidiary is any entity whose financial and operating policies may be controlled by the Company, a power that derives from ownership of more than half the voting rights. Subsidiaries are fully consolidated from the date on which the Company acquires control of them. They are deconsolidated from the date on which control is no longer exercised.

Inter-company transactions and balances are eliminated. The accounting methods of the subsidiaries match those of the Company.

On the date on which these consolidated financial statements are published, EOS Imaging SA (the parent company) has five fully consolidated subsidiaries:

- EOS Imaging Inc.
- EOS Image Inc.
- EOS Imaging GmbH
- OneFit Médical
- Eos Imaging Pte Ltd.

4.5. Net investments abroad

Receivables from consolidated foreign subsidiaries for which settlement is not foreseeable are deemed to represent a net investment in foreign currencies. To this end and pursuant to IAS 21, foreign currency gains and losses on these receivables in functional currencies translated into euros for consolidation purposes were recognised under “other comprehensive income”.

4.6. Business combinations

In accordance with IFRS 3, as revised, the identifiable assets, liabilities, off-balance sheet items and contingent liabilities of the acquired entities are recognised at fair value on the acquisition date.

The consideration transferred is measured at fair value and includes the fair value of contingent items, if any.

The associated costs of an acquisition are recognised as an expense for the period in which they were incurred.

The positive difference, measured at the date control is acquired, between the acquisition cost of the entity and the share of the net financial position acquired is recognised as "Goodwill" on the asset side of the consolidated statement of financial position. When the difference is negative, it is recognised directly through profit and loss.

Goodwill is not amortised but its value is tested at least once a year and at any time there appears to be some indication of impairment.

4.7. Intangible assets

Under the criteria set out in IAS 38, acquired intangible assets are recognised as assets at acquisition cost in the statement of financial position.

4.7.1 Research and development expenses

The Company develops innovative medical imaging devices dedicated to osteo-articular conditions and orthopaedics, as well as associated applications, with new versions being regularly released on the market.

Research costs are systematically recognised as expenses.

Under IAS 38, intangible assets resulting from development are recognised as intangible assets only if all the following criteria are met:

(a) technical feasibility necessary to complete the development project;

(b) the Company intends to complete the project and put it to use;

(c) ability to use the intangible asset;

(d) demonstration of the likelihood of future economic benefits flowing from the asset;

(e) availability of technical, financial and other resources to complete the project; and

(f) reliable measurement of development expenses.

This standard has been applied since 1 January 2008, with expenses related to developing new features for products and software applications capitalised as assets. However, the cost of research and the cost of improving existing features continues to be expensed as incurred.

Capitalised development costs, which primarily comprise employee benefit expenses, are amortised on a straight-line basis:

- over one to five years for EOS products, estimated on the basis of the average lifespan of new features;
- over three years for sterEOS products. This is the estimated average lifespan of the new features offered by each new version released.

4.7.2 Patents

Costs relating to the filing of currently valid patents, incurred by the Company up until the point at which they are granted, are recognised as intangible assets since they meet the capitalisation criteria set out in IAS 38. They are amortised on a straight-line basis from issuance of the patents over their lifetime, namely 20 years.

4.7.3 Software

Software licence acquisition costs are recognised as assets based on the costs incurred in acquiring and commissioning the software in question. They are amortised on a straight-line basis over a period of one year or three years.

4.8. Property, plant, and equipment

Items of property, plant and equipment are recognised at acquisition cost. Major improvements and refurbishments are capitalised, while repair and maintenance expenses and the cost of other refurbishment work are recorded as expenses as and when they are incurred.

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of their own useful lives or the length of the lease.

The following depreciation periods are used:

Industrial and lab equipment	3 to 5 years
Fixtures and furnishings	10 years
Office and computer equipment	3 years
Office furniture	5 years

4.9. Financial assets

Financial assets consist of:

- non-current financial assets: guarantees and security deposits given
- current financial assets: cash and cash equivalents (marketable securities).

In accordance with IFRS 9, financial assets are classified in one of the following three categories:

- financial assets recognised at amortised cost;
- financial assets recognised at fair value in other comprehensive income;
- financial assets recognised at fair value in income.

Their measurement and recognition comply with the following principles:

- financial assets are initially measured at fair value, which is generally equal to the acquisition cost.
- loans and receivables are recognised on the balance sheet at amortised cost.
- trade receivables are recognised on the balance sheet at amortised cost. An impairment provision is recognised for the expected losses over the life of the receivable.

4.9.1 Available-for-sale financial assets

Available-for-sale financial assets principally comprise investment securities that do not meet the definition of other categories of financial assets. They are measured at fair value and changes in value are recognised in equity.

The fair value represents the market price of listed securities or an estimate of the value in use for unlisted securities, determined using the most appropriate financial criteria for each individual security. Where there is an objective indication of the impairment of these securities, the cumulative loss that had been recognised in equity is taken to profit or loss.

4.9.2 Held-to-maturity investments

These securities are exclusively securities with fixed or determinable payments and with fixed maturities, other than loans and receivables, which the Company has the intention and ability to hold to maturity. After their initial recognition at fair value, they are valued and recognised at amortised cost on the basis of the effective interest rate ("EIR") method. The EIR is the rate that equates the expected future cash outflows to the net present carrying value of the financial liability in order to calculate its amortised cost.

Held-to-maturity investments are monitored for objective indications of impairment. Financial assets are impaired when the carrying value exceeds the recoverable amount estimated during impairment testing. Any impairment loss is recognised through profit or loss.

4.9.3 Loans and receivables

This category includes receivables from equity interests, other loans and receivables and trade receivables.

These instruments are initially recognised at fair value and subsequently at amortised cost calculated using the EIR method. Short-term receivables without declared interest rates are measured at the amount of the original invoice provided the application of an implied interest rate would not be material.

For variable-rate loans and receivables, periodic cash flow re-estimations, to reflect changes in market interest rates, change the effective interest rate and accordingly the valuation of the loan or receivable.

Loans and receivables are monitored for objective indications of impairment. Financial assets are impaired when the carrying amount exceeds the recoverable amount estimated during impairment testing. Any impairment loss is recognised through profit or loss.

Loans and receivables also include deposits and guarantees, classified as long-term investments in the balance sheet.

4.9.4 Financial assets at fair value through profit or loss

Assets held for trading purposes comprise assets that the Company intends to resell in the short term to realise a capital gain, belonging to a portfolio of financial instruments managed as a whole in respect of which there is a pattern of short-term disposals. Trading assets may also include assets voluntarily placed in this category, regardless of the above criteria (the “fair value option”).

4.10. Recoverable amount of non-current assets

Property, plant and equipment and intangible assets with definite useful lives are tested for impairment when the company identifies indications of impairment likely to affect the recoverability of their carrying amount. An impairment loss is recognised equal to the amount by which the carrying value exceeds the recoverable amount of the asset. The recoverable amount of an asset is the greater of its fair value less selling costs and its value in use.

For intangible assets in progress an impairment test is carried out every year even if there are no indications of loss of value. In relation to the Group's intangible assets, there is no market data available to calculate the fair value net of disposal costs other than through an estimate of future cash flows. As such, the recoverable amount is, in substance, equal to the value in use. The value in use is calculated every year in accordance with IAS 36: it corresponds to the discounted value of estimated future cash flows expected from the continued use of the assets and their disposal at the end of their planned use by the company. It does not reflect the impact of the financing structure, the effect of taxes or restructurings that have not been committed to. The valuation method is based on the discounted cash flow valuation method using the flows for the years 2019 to 2028 taken from the company’s forecasts.

The principal parameters used are set out below:

- 10-year forecast horizon;
- The discount rate used is the Group's weighted average cost of capital of 12% and a perpetual growth rate of 2%. These rates are consistent with the average rates used by financial analysts of the business sector who report on the value.
- The assumptions used by the Group to calculate the recoverable amount of its assets are based on assumed future growth rates.

IAS 36.134(f) requires sensitivity analysis to be carried out on the key assumptions used in impairment tests.

The principal sensitivity parameters used are set out below:

- One percentage point change (+ or - 1 point) in the weighted average cost of capital,
- One percentage point change (+ or - 1 point) in the growth rate to perpetuity.

In 2019, the sensitivity of the recoverable amount to a change of one percentage point in the discount rate or the growth rate to infinity would have no impact on the valuation of assets or the profits for the financial year.

4.11. Inventories and work in progress

Inventories are recognised at the lower of cost or net realisable value. In the latter case, the impairment loss is expensed.

Inventories are valued using the weighted average unit cost method.

4.12. Cash, cash equivalents and financial instruments

Cash and cash equivalents are held to meet short-term cash commitments rather than for investment or other purposes. They are readily convertible into a known amount of cash and are subject to an insignificant risk of a change in value under the criteria set out in IAS 7 (Statement of cash flows). Cash and cash equivalents comprise immediately available liquid assets, readily realisable term investments and short-term investments.

The new rules in IFRS 9 do not have a material impact on the Group's financial statements insofar as all transactions that were categorised as hedging transactions under IAS 39 continue to be so categorised under IFRS 9.

Bank overdrafts are excluded from the definition of cash and cash equivalents and are recognised as current financial liabilities.

4.13. Going concern

At 31 December 2019, the Group's cash and cash equivalents stood at €8.2 million.

During the second half of 2019, the Company demonstrated its ability to limit its cash consumption (-€0.5m over the period), thanks in particular to a reduction in its working capital requirements.

The company has:

- A high level of inventory, linked to the delay in the new sales cycle being taken into account in production schedules, which allows it to limit acquisition of these supplies in 2020.
- Visibility over its installations, the stage that triggers customer payment.

At 31 December 2019, the company had customer receivables, net of provisions, of €17.7m and an order book, net of prepayments received, of €12.3m.

The impact of the COVID crisis can be principally seen in:

- delayed installations during the lockdown phase, which has resulted in a temporary delay in deliveries and in the corresponding revenue
- order-taking for equipment being hampered by sales representatives' limited access to hospitals, and by customers postponing their investment decisions due to a lack of visibility. The impact on sales is difficult to assess at this stage.

The measures put in place include:

- alterations to the production and supply programme due to delays in deliveries to customers
- continued reductions to working capital requirements
- The implementation of a major cost reduction programme.
- short-time working or leave for employees whose activity is affected,
- the use of short-term support mechanisms put in place by governments: deferred social security contributions, early repayment of research tax credits, etc.

As a result of the Covid-19 health crisis and based on the updated budget forecasts, the company believes that its cash holdings will be sufficient at least until the end of December 2020, but that it may need to structure its financing in order to meet its cash requirements after that date. In this respect, the company has several options, which may include:

- the development of factoring, for which it already has an agreement, which could represent financing of an average value of around €1 million.
- the use of borrowing, up to a limit of €2.5 million, authorised under the Océanes agreement.
- a loan from the Small Business Association in the United States, provided in connection with the health crisis.
- applying for a state-guaranteed loan in France, provided in connection with the health crisis.
- long-term refinancing which could take the form of a strategic partnership or a fund-raising round depending on market conditions.

On this basis, management has approved the financial statements in accordance with the going concern principle. The situation has, however, given rise to significant uncertainty over whether the company is a going concern as, if these assumptions were not to be met, the company may not be able to realise its assets and settle its liabilities in the normal course of its business activity. The application of French accounting rules and principles, in particular those relating to the valuation of assets and liabilities for going concerns, may then prove to be inappropriate.

4.14. Share capital

Ordinary shares are classified as equity. Costs of capital transactions directly attributable to the issue of new shares or options are recognised in equity as a deduction from the issue proceeds.

4.15. Share-based payments

Since being established, the Company has implemented a number of compensation plans using equity instruments in the form of stock options granted to employees of EOS Imaging in France. It has also awarded bonus shares to employees, as well as stock warrants to directors.

The Company has applied IFRS 2 to all equity instruments granted to employees and directors since 2007.

Pursuant to IFRS 2, the cost of transactions settled in equity instruments is expensed, offset by an increase in equity over the period in which the rights to receive equity instruments vest.

For the 2007 to 2011 plans, since all options issued vest when an employee leaves, there is no vesting period and the fair value of plans was fully recognised as of the reporting date of the financial year in which the plan was granted.

Since 2012, the fair value of stock options and bonus shares awarded to employees and that of the stock warrants awarded to directors have been determined by applying the Black-Scholes option valuation model, as described in Note 18.

4.16. Valuation and recognition of financial liabilities

4.16.1 Financial liabilities at amortised cost

Borrowings and other financial liabilities are initially measured at fair value and subsequently at amortised cost, calculated using the effective interest rate.

Transaction costs that are directly attributable to the acquisition or issue of a financial liability are deducted from that financial liability. These costs are subsequently amortised on an actuarial basis over the lifetime of the liability, on the basis of the effective interest rate.

4.16.2 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are measured at fair value.

4.17. Conditional subsidies and advances

The Group has received a certain amount of financial aid, in the form of grants and regulated government subsidies. Detailed information on this financial aid is provided in note 14.

They are recognised in accordance with IAS 20; financial advances granted at interest rates that are below market rates are measured at amortised cost, in accordance with IAS 39, if the impact is material.

The amount derived from the interest rate advantage obtained on the granting of non-interest bearing repayable advances is considered to be a grant. This benefit is calculated by applying a discount rate corresponding to a market rate at the date of grant.

A loan that is not repayable under certain conditions is treated like a government subsidy where there is reasonable certainty that the Company will satisfy the conditions for the loan being waived. In other cases, it is recognised as a liability.

These advances are recognised in “non-current financial liabilities” and in “current financial liabilities”, depending on their maturity date. Where the project is recognised as a failure, the waiver of receivable is recognised as a grant.

4.18. Provisions

4.18.1 Provisions for liabilities and charges

Provisions for liabilities and charges represent commitments arising from miscellaneous risks and disputes, the timing and amount of which are uncertain, that the Company may face in the course of its business activities.

A provision is recognised where the Company has a legal or constructive obligation to a third party arising from a past event that is likely or certain to result in an outflow of resources to this third party, with no equivalent consideration to be expected from it, and where the future cash outflows can be reliably estimated.

The amount of the provision is the best estimate of the expenditure required to settle the obligation, where necessary discounted at the reporting date.

4.18.2 Provisions for installation costs

The provision for installation costs is intended to cover the installation costs of equipment that has been sold but not yet installed. This provision is recognised for services still to be supplied by technicians including the supply of materials and time spent on the site. This provision concerns sites that were invoiced before 2019.

4.18.3 Warranty provision

Sales are covered by a warranty period of at least one year. The assessment of the cost of the warranty as well as the likelihood that these costs will be incurred are based on an analysis of historical data. The provision represents the cost of maintaining systems under warranty, for a maximum one-year warranty period and for the remaining period at the reporting date for all systems sold. They are recognised in accordance with IAS 37. Revenue is recognised upon transfer of control and a separate liability is recognised for warranties in accordance with IAS 37.

4.18.4 Retirement obligations

Company employees are covered by the retirement benefits provided for by law in France.

- Receipt of a retirement lump sum, paid by the Company upon their retirement (defined benefit scheme);
- Payment of pension benefits by social security entities, financed out of contributions by employers and employees (state-run defined contribution scheme).

For a defined benefit scheme, retirement benefit costs are estimated using the projected unit credit method. Under this method, the cost of retirement benefits is recognised through profit or loss evenly over the length of service of employees. Retirement obligations are measured at the present value of

future payments estimated on the basis of the market rate of long-term investment-grade corporate bonds with maturities matching the estimated duration of the scheme.

Following the revision of IAS 19, actuarial gains and losses are no longer amortised in expenses but fully recognised in other items of comprehensive income; changes in the scheme are treated as the cost of past services and recognised immediately in profit and loss.

The Company retains actuaries to carry out an annual review of the valuation of these schemes.

Employees of foreign subsidiaries do not receive pension benefits.

4.19. Revenue from ordinary activities

4.19.1 Revenue

The Company's revenue is realised through sales of medical imaging equipment and related services.

Revenue represents the fair value of the consideration received or receivable for the goods sold in the normal course of the Company's business activities. Revenue is net of value added tax, product returns, rebates and issued or estimated discounts and less intragroup sales.

The Company recognises income when the amount can be reliably measured, it is likely that the future economic benefits will flow to the Company and that the specific criteria have been satisfied for the Company's business activities.

In the case of equipment sales, revenue is recognised on the transfer of all inherent risks and benefits of ownership of the asset to the purchaser, which, depending on the case, may be upon shipping, delivery or installation of the equipment.

Equipment sales are covered by a warranty. Only income relating to the warranty period exceeding one year is deferred, and recognised in income in the relevant period, warranties of up to one year not being sold separately from the equipment.

The fundamental principle of IFRS 15 is based on the recognition of revenue reflecting the transfer of promised goods and services to customers for an amount corresponding to the remuneration to which the seller expects to receive.
Revenue recognition is based on an analysis of contracts entered into with customers, using a five-step analysis:

- identifying the contract with a customer
- identifying service obligations
- estimating the transaction price
- allocating the transaction price between the various performance obligations under the agreement
- determining the revenue's triggering event.

More specifically, the following two valuations are carried out at each balance sheet date:

- The Group takes into account the risk of downward adjustments in revenue where there are elements that could affect the transaction price and introduce uncertainty as to the outstanding amount to be received. At each reporting date, management therefore assesses this risk, including in respect of sales made in previous years and not yet received, and consequently adjusts the revenue and trade receivables in question. Specific analysis was carried out at 31 December 2019 on sales of old versions which led to the assessment of an additional risk of €978k, reducing revenue in return for a reduction in receivables.

- When a contract includes a significant financing component created by an interval of more than 12 months between the service provided and the receipt of payment, the revenue is adjusted in exchange for financial income or financial expense.
  At 31 December 2019, this financing component (credit granted to customers) was valued at €162k, negatively impacting revenue and increasing interest income.

4.19.2 Other income

a. Subsidies

Since its inception, the Company has, by virtue of its innovative nature, received a certain number of grants or subsidies from the government or local authorities to defray its running costs or the cost of certain specific new hires. Subsidies are recognised in income as and when the associated expenses are incurred, independently of when they are actually received.

b. Research tax credit

Research tax credits are granted to companies by the French government to encourage them to carry out technical and scientific research. Companies demonstrating expenditure that satisfies the necessary criteria (research expenditure located in France or, since 1 January 2005, within the European Community or another State that is a part of the European Economic Area that has signed a tax agreement with France containing an administrative support clause) receive a tax credit that can be used to pay income tax due in the financial year in which the expenditure is incurred and the subsequent three financial years or, where applicable, be refunded the excess.

The Group has received research tax credits since its founding and annually requests those credits to be paid under the Community PME (Small and medium-sized enterprises) scheme in compliance with applicable legislation.

This financing is recognised under “other income” in the financial year in which the corresponding expenses are recognised. The portion of financing relating to capitalised expenses is deducted from the capitalised expenses in the statement of financial position and from the associated amortisation expenses in the income statement.

c. Tax on profits

Deferred tax is recognised in line with the broad interpretation and using the liability method, for any timing differences between the tax and accounting bases of assets and liabilities in the financial statements. The main timing differences are associated with tax losses available for carry-forward. The tax rates in force at the reporting date are used to calculate deferred taxes.

Deferred tax assets are only recognised where it is likely that there will be sufficient future earnings to absorb the carried forward tax loss. Given its stage of development, which means that it is not possible to produce sufficiently reliable earnings forecasts, the Company does not recognise net deferred tax assets.

4.19.3 Sector information

The Company operates mainly in France and North America.

Research and development costs, production costs, regulatory expenses and the bulk of marketing, clinical and administrative costs are incurred in France.

At this stage, these costs are not strictly allocated by geographical region in which the Company's products are sold. As a result, the Company's performance is currently assessed on a consolidated basis.

Non-current assets and revenue by geographic region are described in detail in notes 5 to 9 and 17, respectively.

4.19.4 Other items of comprehensive income

Components of income and expenses for the period recognised directly in equity are presented, where applicable, under "other items of comprehensive income".

They concern €/$US, €/$CAD and €/$SING translation differences on the portion of inter-company receivables on the US, Canadian and Singaporean subsidiaries classified as a net investment in a foreign operation as well as actuarial gains and losses on retirement obligations.

4.19.5 Key accounting estimates and judgements

The preparation of consolidated financial statements requires Group Management to make estimates and assumptions that could affect the carrying amounts of certain assets and liabilities and revenue and expenses as well as the information provided in the notes to the financial statements. Group Management reviews these estimates and assumptions on a regular basis to ensure that they remain relevant in light of past experience and the current economic situation. Depending on changes in these assumptions, items in the future financial statements may differ from current estimates. As well as using estimates, Group Management exercises judgement in defining and implementing the appropriate accounting treatment for certain transactions and activities. The estimates made by Management and the judgements made in preparing the financial statements mainly relate to:

- the useful lives of operating assets (see Note 4.9);
- the measurement of the recoverable amounts of goodwill and other intangible assets, as well as property, plant and equipment (see Notes 5, 6 and 8);
- the measurement of right-of-use assets and lease commitments made in connection with the application of IFRS 16 (Leases) (see Note 7);
- the capitalisation of development costs (see Note 18);
- the measurement of provisions for liabilities and other operating provisions (see Note 3.4.8);
- the assumptions used to calculate retirement benefit obligations (see Note 3.3).

NOTE 5 : **GOODWILL**

Acquisition of OneFit Médical:

On 27 November 2013, EOS imaging acquired all the shares of OneFit Médical for €4 million, of which €0.5 million was paid in cash and €3.5 million by the issuance to OneFit Médical of 603,449 stand-alone warrants for EOS Imaging shares.

The acquisition memorandum of understanding provided for an earn-out clause of €1 million, tied to achieving regulatory and revenue objectives, to be paid to OneFit Médical as a grant of 1,810,347 warrants (BSA) to subscribe for 172,416 new shares of EOS Imaging.

Taking into account the partial achievement of the objectives at 31 December 2014, this earn-out of €1 million has been reduced to €750,000. With regard to the future economic advantages that the

Group believes it can obtain from the acquisition of OneFit Médical, the acquisition price of €5 million including the entire earn-out has been maintained and the difference has been accounted for as financial revenue in 2014.

Impairment of the cash generating unit:

In accordance with the principles described in note 4.10 of the "Accounting principles and methods", goodwill is not amortised but is the subject of impairment tests carried out at least annually. The impairment test is carried out in respect of the cash generating unit(s) to which the goodwill is allocated. These units are economic entities whose continuous activity generates cash flows which are broadly independent of each other. The Group considers that it only has one cash generating unit, comprising sales of equipment, maintenance contracts and related services. These three types of sale are considered to be interdependent. The Group also manages its worldwide activities homogeneously.

In accordance with IAS 36 "Impairment of Assets", the Group carried out an impairment test. No impairment loss has been recognised as a result.

NOTE 6 : **INTANGIBLE ASSETS**

Changes in intangible assets may be analysed as follows:

Intangible assets	**12/31/18**	Increases	Reclassifications	Reductions	Change in scope	Change in exchange rates	**12/31/19**
Development costs	8 944	2 661					11 604
Software	1 791	13		(397)		2	1 409
Patents	640	81					721
Gross total intangible assets	**11 375**	**2 755**		**(397)**		**2**	**13 735**
Development costs	3 307	343					3 651
Software	1 172	31				2	1 205
Patents	112	17					129
Total amortisation	**4 591**	**391**				**2**	**4 985**
Development costs	178	85					263
Software							
Patents							
Total impairment	**178**	**85**					**263**
Net total intangible assets	**6 606**	**2 279**		**(397)**		**-**	**8 488**

During the financial year, the Group continued to develop new functionalities for its equipment and software applications.

Apart from in-house developments, intangible assets resulting from development include the costs of developments linked to partnerships.

NOTE 7 : **RIGHTS OF USE AND LEASE OBLIGATIONS**

Rights of use

Rights of use	12/31/18	Increases	Reclassifications	Reductions	Change in scope	Change in exchange rates	12/31/19
Real estate usage rights	3 888	899					4 787
Furniture usage right	220						220
Total leases	**4 108**	**899**					**5 008**
Real estate usage rights	0	545					545
Furniture usage right	0	77					77
Total depreciation and impairment		**621**					**621**
Total net user fees	**4 108**	**278**					**4 386**

The impact of IFRS 16 on the opening statement of financial position is the recognition of rights in the amount of €4.1 million, offset by a rental liability of the same amount.

The majority of contracts are simple leases over the Group's premises.

The discount rate used by the Group on these leases ranges between 3.28% and 4.74%, depending on geographical region.

Net rights of use (in thousands of euros)	**12/31/18**	**12/31/19**
France	4 164	4 036
North America	223	72
Total net rights of use	**4 386**	**4 108**

Lease liabilities

The majority of leases are operating leases covering premises used by the Group.

Maturity of lease liabilities (in thousands of euros)	**12/31/19**	**12/31/18**
Lease liabilities due in more than one year	3 912	3 566
Lease liabilities due within one year	531	542
Total liabilities	**4 443**	**4 108**

Change in lease liabilities (in thousands of euros)	**Offices**	**Equipment**	**Total**
As at 1 January 2019	3 888	220	4 108
New lease	899		899
Repayments	(489)	(76)	(565)
	-	-	-
As at 31 December 2019	**4 298**	**144**	**4 443**

NOTE 8 : **PROPERTY, PLANT, AND EQUIPMENT**

Changes in property, plant and equipment may be analysed as follows:

Property, plant, and equipment	12/31/18	Increases	Reclassifications	Reductions	Change in scope	Change in exchange rates	12/31/19
Fixtures and fittings	1 192	75				7	1 274
Technical installations and equipment	3 448	278					3 726
Office and computer equipment	1 099	92				6	1 197
Furniture	7	64					71
Fixed assets in progress	314	52		(64)			303
		-	-	-	-	-	
Gross total property, plant & equipment	**6 060**	**563**		**(64)**		**12**	**6 571**
Fixtures and fittings	765	108				4	877
Technical installations and equipment	1 901	489					2 390
Office and computer equipment	815	133				4	952
Furniture	6	14					21
Fixed assets in progress	178	85					263
Total amortisation	**3 666**	**829**				**8**	**4 503**
Fixtures and fittings							
Technical installations and equipment							
Office and computer equipment							
Furniture							
Fixed assets in progress							
Total impairment							
Net total property, plant & equipment	**2 394**	**(267)**		**(64)**		**5**	**2 068**

Net intangible assets and property, plant and equipment by geographical sector are as follows:

Net rights of use (in thousands of euros)	**12/31/18**	**12/31/19**
France	10 320	8 748
North America	236	251
Total net rights of use	**10 556**	**8 999**

NOTE 9 : **FINANCIAL ASSETS AND OTHER ASSETS**

Changes in financial assets may be analysed as follows:

Others Fixed Assets	31 décembre 2018	Augmentations	Reclassements	Diminutions	Change in scope	Variation de taux de change	31 décembre 2019
Deposits in guarantee	308	32		(144)		1	197
Total net others fixed assets	**308**	**32**		**(144)**		**1**	**197**

The fall in the carrying amount is mainly attributable to the repayment of security deposits in connection with the three receivables assigned to the factor as at 31 December 2018.

NOTE 10 :**INVENTORIES AND WORK IN PROGRESS**

Inventories and work in progress (in thousands of euros)	**31 -Dec-19**	**31 Dec.-18**
Components	7,558	5,539
Finished product	6,032	3,268
Impairment	(77)	(27)
Net total inventories and WIP	**13,513**	**8,779**

The €2.0m increase in component inventories may be explained, on the one hand, by the increase in inventories held for maintenance purposes, in order to meet the customer service deadlines of an increasing international installed base and, on the other hand, by the procurement of a proportion of the components earmarked for the production of the new EOSedge imaging system launched in November 2019.

The €2.7m increase in finished goods inventories is explained by the fact that production schedules were implemented prior to the change in the sales cycle, which will be gradually standardised during the transition period.

Slow-moving components are the subject of value adjustment for impairment. This provision was updated on 31 December 2019, giving an additional provision of €50k.

NOTE 11 :**TRADE RECEIVABLES AND OTHER CURRENT ASSETS**

11.1 Trade receivables

Trade receivables (in thousands of euros)	**12/31/19**	**12/31/18**
Customers and related accounts	19 564	33 628
Impairment of customers and related acc	(1 866)	(888)
Net total of customer receivables	**17 698**	**32 740**

Trade receivables before impairment break down as follows: €9,296k for North America, €6,163k for EMEA and €3,959k for APAC.

Impaired receivables correspond mainly to sales of EOS equipment.
Since January 1, 2019, any revenue adjustments made have been assessed in accordance with IFRS 15. This assessment impacts revenue if the Group considers that there is a probability of a material downward adjustment to the total revenue recognised. At 31 December 2019, the Group recognised a provision of €978k on receivables spread over the three regions. Total cumulative impairment amounted to €1,866k,
or 9.5% of the gross amount of total trade receivables.

IFRS 9 requires that credit risk relating to financial assets be recognised based on the “expected losses” principle, which involves the recognition of impairment losses on trade receivables that are not yet due.

At 31 December 2019, the Group carried out a review, based on the quality and solvency of its customers, of its portfolio of trade receivables. In view of the its type of activities and customers, no specific "expected loss" was identified given the nature of the receivables in the portfolio.

During the year ended 31 December 2019 no customer individually represented more than 10% of consolidated revenues.

11.2 Other current assets

Other current assets break down as follows:

Other current assets (in thousands of euros)	12/31/19	12/31/18
Research tax credit / CICE / CII	1 899	1 504
Suppliers - receivables	231	626
Value added tax	646	816
Prepaid expenses	593	411
Subsidies receivable	783	774
Other receivables	1 063	132
Total other current assets	**5 215**	**4 262**

The "Research tax credit (CIR)/CII" item comprises research tax credits recognised in respect of expenses incurred during the period by EOS imaging and OneFit for a total amount of €1,899k.

"Credits from Suppliers" mainly concerns goods returned awaiting reimbursement in the amount of €231k.

"Subsidies receivable" represents income from subsidies recognised in respect of expenses incurred during the 2019 financial year and not reimbursed as at that date in the amount of €783k.

"Other receivables" principally comprises advances to suppliers of €663k and surplus CVAE (company value-added contribution) of €99k.

11.3 Research tax credit, Competitiveness and Employment tax credit

Changes in the carrying amount are as follows:

Receivable balance sheet closing on 12-31-2017	1 476
Revenue	1 476
Payments	(1 404)
Reallocation	(43)
Change in exchange rate	(1)
Receivable balance sheet closing on 12-31-2018	1 504
Revenue	1 898
Payments	(1 476)
Reallocation	(30)
Change in exchange rate	2
Receivable balance sheet closing on 12-31-2019	1 898

NOTE 12 :**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents (in thousands of euros)	**31 -Dec-19**	**31 Dec.-18**
Short-term bank deposits	8 084	19 680
Money market SICAVs	102	88
Total	**8 186**	**19 768**

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

- Current accounts of €8.1 million, €3.95 million of which is held by the US, Canadian and Singaporean subsidiaries; these short-term investments are considered to be liquid, convertible into a known amount of cash and subject to a negligible risk of a change in value.
- Sums committed under a liquidity mandate and not invested in treasury shares at 31 December 2019 amounted to €102k.

These items are measured and recognised at amortised cost.

NOTE 13 :**SHARE CAPITAL**

13.1 Share capital issued

The table below shows changes in the Company's capital over the period:

Date	Transaction	Nominal	PE	Shares created	Capital	Issue premium	Total	Number of shares forming the capital
	Total at 31 December 2018				**262 379**	**21 558 796**		**26 237 907**
05/06/2019	Allocation of loss carry-forward to issue premium					(14 766 136)		
30/06/2019	Capital increase following the exercise of options				300	29 700		30 000
13/06/2019	Capital increase following the exercise of options				11	1 114		1 125
30/06/2019	Capital increase following the exercise of options				17	1 646		1 663
14/06/2019	Capital increase following the exercise of options				300	29 700		30 000
30/06/2019	Capital increase following the exercise of options				150	14 850		15 000
25/07/2019	Capital increase following the exercise of options				488	48 263		48 751
23/09/2019	Capital increase following the allocation of bonus shares				500	(500)		50 000
10/12/2019	Capital increase following the allocation of bonus shares				1 555	(1 555)		155 500
	Total at 31 December 2019				**265 700**	**6 915 879**		**26 569 946**

Capital increases result from the following transactions:

- The exercise of 126,539 options, leading to the issue of 126,539 new shares;
- Creation of 205,500 new ordinary shares each with a nominal value of one euro cent, allocated free of charge to certain employees.

At 31 December 2019, the Company’s share capital was €265,700. It was divided into 26,569,946 ordinary shares, fully subscribed and paid up, each with a par value of €0.01.

13.2 Treasury shares

Under the liquidity agreement, the Company held 56,938 of its own shares at 31 December 2019. These shares have been deducted from consolidated equity in an amount of €448k.

13.3 Stock options

The plans run by the company are the following:

Type	Fair value of option	Number of shares granted	Fair value of plan (in thousands 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)	entre 1,61€ et 1,84€	376 916	651
SO 2012 (b)	entre 2,02€ et 2,18€	40 000	84
SO 2014	entre 3,92€ et 4,33€	223 000	380
Free shares	entre 1,97€ et 2,26€	181 500	593
Warrants 2015	2.25 €	120 000	270
Warrants 2016	entre 0,68€ et 0,77€	190 000	137
Free shares 2016	entre 3,86€ et 4,24€	133 000	432
Performance shares	entre 0,74€ et 1,47€	280 000	353
Free shares	5.82 €	50 000	291
Performance shares	entre 2,20€ et 2,37€	190 000	427
Free shares 2017	entre 4,58€ et 4,89€	208 500	794
Performance shares 2018	1.27 €	40 000	51
Free shares 2018	entre 4,78€ et 5,14€	20 000	101
SO 2019	entre 0,09€ et 0,11€	1 362 000	107
Total			**9 144**

The impact on the statement of comprehensive income of share-based payments is described in note 16.

Note 14 : **PROVISIONS**

14.1 Obligation to pay retirement bonuses

(in thousands of euros)	31 December 2018	Increases	Reductions	31 December 2019
End-of-service indemnities	625	(49)	(2)	574
Total	**625**	**(49)**	**(2)**	**574**

Calculations of end-of-service indemnities are based on the following assumptions:

Valuation date	31/12/18	31/12/19
Retirement methods	*For all employees*: voluntary retirement at 65	*For all employees*: voluntary retirement at 65
Level of social security expenses	50%	50%
Discount rate	1.85%	0.80%
Mortality tables	INSEE TD / TV 2012 – 2014	INSEE TD / TV 2012 – 2014
Rate of salary increase (including inflation)	4%	4%

The rights of EOS Imaging's employees are defined by the following collective bargaining agreements:

- National Metallurgy Industry Agreements (executives and non-executives)
- Regional Metallurgy Industry Agreement: Paris region (non-executives only).

14.2 Disputes

(in thousands of euros)	31 December 2018	Increases	Reductions	31 December 2019
Disputes	308	352	(90)	570
Total	**308**	**352**	**(90)**	**570**

Three disputes were identified and ongoing at 31 December 2019.

Note 15 : **NON-CURRENT FINANCIAL LIABILITIES**

Financial liabilities (in thousands of euros)	**31-Dec-19**	**31 Dec.-18**
Bond borrowings	26,028	26,208
BPI advances - Ardea	356	506
Interest-free loan		500
Bank overdrafts		50
Total	**26,384**	**27,264**

Maturity schedule of financial liabilities	Carrying amount	At up to 1 year	>1 yr up to 5 years max.	Over 5 years
Bond loans	26 028	1 594	24 434	
BPI advances - Ardea	356	144	213	
Total liabilities	**26 384**	**1 738**	**24 647**	**-**

Bond issue/OCEANEs

In 2018, the company issued a bond for a nominal amount of €29,543k. These OCEANES bear interest at a nominal annual rate of 6%, payable six-monthly. If these bonds are not converted into shares, 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".

In relation to the consolidated financial statements at 31 December 2019, this transaction led to the recognition of a debt with a discounted value of €25.2 million (representing 88% of financial liabilities) and an equity component of €3 million.

BPI France advances

- In the context of its participation in the Industrial Strategic Innovation project, EOS imaging received a reimbursable advance from OSEO in July 2009, for a maximum amount of €1,275k.

  As at 31 December 2019, amounts received totalled €822k. corresponding to the contractually financed portion of expenditure committed by the company, which was lower than the amount forecast on signing 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 was therefore required to pay the amount of €553k over a six-year period. Repayments since 2016 amount to €406k, including a repayment in July 2019 of €85k. The discounting of this debt under IFRS reduced its balance to €99k at 31 December 2019.

- As part of its development of a bespoke instrumentation for orthopaedic knee surgery, OneFit Médical received a reimbursable advance of €250,000. As the project was deemed successful in 2015, the initial repayments were made beginning in 2016. The last repayments of €40k took place during the financial year enabling the loan to be fully paid off at 31/12/2019.

- 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 beginning in 2017. During 2019, reimbursements of €30k were made, reducing the balance of the debt to €7.5k at 31 December 2019.

- As part of its development of a new generation of knee instrumentation, OneFit Médical also received an interest-free repayable advance of €250,000 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. In view of the characteristics of the project, OneFit Medical requested, on 29 January 2019, that the programme be technically recognised as having failed. At 31 December 2019, the partner had made no decision.

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Interest-free OSEO loan

EOS Imaging received an interest-free loan of €1.5m 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 €250,000. At 31 December 2019, the debt had been fully repaid after payment of the last four quarterly instalments of €125k over the financial year.

NOTE 16 :**FINANCIAL LIABILITIES AND OTHER CURRENT LIABILITIES, TRADE PAYABLES**

16.1 Trade payables

Trade payables (in thousands of euros)	**12/31/19**	**12/31/18**
Trade payables	3 969	7 074
Total	**3 969**	**7 074**

16.2 Other current liabilities

16.2.1 Provisions for amounts due within one year

(in thousands of euros)	**12/31/18**	**Increases**	**Reductions**	**12/31/19**
Provision for taxes	91			91
Provision for installation costs		327		327
Guarantees given to customers	1 215	220	(625)	810
Total	**1 306**	**547**	**(625)**	**1 229**

Changes in the provision for customer warranties are related to the increase in the number of items of equipment under warranty, taking into account equipment sales during the period. This provision represents the estimated cost under the contractual commitment given to customers to provide a twelve-month warranty after the EOS device is commissioned. These warranties provide the customer with assurance that the product will work as intended and that it complies with the agreed specifications. They are recognised in accordance with IAS 37. Revenue is recognised upon transfer of control and a separate liability is recognised for warranties in accordance with IAS 37.

The provision for installation costs is intended to cover the installation costs of equipment that has been sold but not yet installed. This provision is recognised for services still to be supplied by technicians including the supply of materials and time spent on the site. This provision concerns sites that were invoiced before 2019.

16.2.2 Other current liabilities

Other current liabilities (in thousands of euros)	**12/31/19**	**12/31/18**
Tax debts	716	933
Social debts	3 184	3 181
Other debts (including royalties & subsidies)	1 137	3 530
Down-Paiements customers	2 018	
Prepaid income	8 582	6 559
Total other current liabilities	**15 637**	**14 202**

Tax liabilities principally comprise VAT and payroll-based taxes.

Employment liabilities comprise salaries, social security charges, holiday pay and bonuses.

Other liabilities principally comprise royalties payable in respect of equipment sales and the liability associated with the three receivables assigned to a factor as at the reporting date.

Prepaid income primarily comprises maintenance charges invoiced in respect of a future period. These liabilities under contracts represent an obligation on the Company to provide services to a customer from whom EOS Imaging has received payment or from whom a proportion of the payment is outstanding (advance received). Net assets and liabilities under contracts are calculated separately for each contract.

The change in the carrying amount is principally due to the recognition of revenue invoiced in advance both under equipment sales agreements that include a warranty of longer than one year and under equipment revenue invoiced before delivery.

In 2019, the amount received from customers in the form of advances on equipment orders amounted to €2.0m, compared with zero in 2018. This change is explained by the change in the sales cycle and an improvement in the management of receivables.

Financial instruments recognised on the balance sheet and impact

The fair value of an asset or a liability is the price that would be agreed between parties free to contract on market terms. The calculation of fair value must be based on observable market data that provides the most reliable indication of a financial instrument's fair value.

The tables below show, in accordance with the provisions of the amendment to IFRS 7 (Financial Instruments: Disclosure), the Group's assets and liabilities that measured at fair value according to their valuation method:

Financial year ended on 31 December 2019 (in thousands of euros)	Carrying amount	Fair value through profit and loss	Loans and receivables	Debt at amortised cost	Non-financial instruments
Non-current financial assets	197	-	197	-	-
Customer receivables	17 698	-	17 698	-	-
Other current assets	5 215	-	-	-	5 215
Cash and cash equivalents	8 186	8 186	-	-	-
Total assets	**31 297**	**8 186**	**17 896**	**0**	**5 215**
Long-term financial liabilities	24 646	-	-	24 646	-
Short-term financial liabilities	1 738	-	-	1 738	-
Trade payables	3 969	-	-	3 969	-
Other current liabilities	16 866	-	-	-	16 866
Total liabilities	**47 220**	**0**	**0**	**30 353**	**16 866**

Financial year ended on 31 December 2018 (in thousands of euros)	Carrying amount	Fair value through profit and loss	Loans and receivables	Debt at amortised cost	Non-financial instruments
Non-current financial assets	309	-	309	-	-
Customer receivables	32 740	-	32 740	-	-
Other current assets	4 262	-	-	-	4 262
Cash and cash equivalents	19 768	19 768	-	-	-
Total assets	**57 079**	**19 768**	**33 049**	**0**	**4 262**
Long-term financial liabilities	25 679	-	-	25 679	-
Short-term financial liabilities	1 584	-	-	1 584	-
Trade payables	7 074	-	-	7 074	-
Other current liabilities	15 509	-	-	-	15 509
Total liabilities	**49 846**	**0**	**0**	**34 337**	**15 509**

Fair value throught the income statement (in thousands of euros)	Fiscal year closed on 31 December 2019	2018
Losses on cash equivalents		
Revenue from cash equivalents		1
Fair value throught the income statement		**1**

NOTE 17 : **REVENUE FROM ORDINARY ACTIVITIES**

17.1 Revenue and other income

Revenue (in thousands of euros)	Financial year ended 31 -Dec-19	 31 Dec.-18
Sales of equipment	9,592	26,471
Sales of services	10,450	7,931
Sales of consumables and related services	1,186	989
Renegotiation risk[1]	(978)	
Financing component[2]	(163)	
Total revenue	**20,087**	**35,391**

The change in the sales cycle during the first quarter of 2019 so that equipment is delivered at the start of the installation phase rather than when the order is received, created a transitional period with a significant impact on 2019 revenue.
EOS Imaging generated annual revenue of €20.1 million in 2019, compared with €35.4 million in 2018. The Group sold 24 devices, including 4 EOSedge® devices, compared with 64 in 2018, with a slight fall in the average selling price of the devices sold due to a geographical mix effect.

Recurring revenues amounted to €11.64 million, compared with €8.92 million in 2018, up 30%. Recurring revenue therefore represents 55% of total revenue, compared with 25% of sales in 2018.

- €10.4 million in maintenance revenues, up 32%, driven by growth in the installed base; and
- €1.2 million in sales of consumables and services, up 20%, driven by the offering of the Advanced Orthopedic Solutions range of services.

Sales performance[3], an indicator comparable to the business model in previous years, achieved during the financial year was €35.7 million (including an order book of €14.4 million) compared with €35.4 million in 2018, an increase of 0.9%.

In 2019, and in accordance with IFRS15, an additional risk of transaction price adjustments associated with the launch of EOSedge® impacted revenue by €978k. In addition, the amount of the financial income deducted from the sale price in respect of the financing component of these sales, including those made in previous financial years, but not yet received, was -€162k.

[1] Renegotiation risk: estimate of a renegotiation risk assessed by the Company based on the likelihood of the recognised revenue being adjusted downward.
[2] Financing component: financial discounting effect arising from the lag between the recognition of revenue and its forecast receipt.
[3] Sales performance: Indicator comparable to the business model of past years and corresponding to the sum of recurring revenues and equipment orders generated over a period (also corresponding to the sum of total sales achieved and the change in the order book over a period)

17.2 Revenue by geographical area

Revenue by geographical region (in thousands of euros)	FY closed on December 2019	2018
EMEA	9 920	13 344
North America	6 317	14 965
Asia-Pacific	3 821	6 377
Latin America	29	705
Total revenue by geographical region	**20 087**	**35 391**

The lag in revenue caused by the change in the sales cycle has led to a fall in equipment sales in all regions.

Recurring revenue generated mainly under maintenance contracts increased in all regions, particularly in the Asia-Pacific region (73%) and North America (40%).

The sales performance[3], an indicator comparable to the business model in previous years, achieved during the financial year was €35.7 million (including an order book of €14.4 million) compared with €35.4 million in 2018, an increase of 0.9%. This increase was driven by 9% growth in the Europe and Middle East region, compensating for a fall in the Asia-Pacific region (of 5%) and no equipment orders in Latin America. The annual sales performance in North America remained stable due to the launch date of EOSedge.

NOTE 18 : **PAYROLL COSTS**

Payroll (in thousands of euros)	FY closed on December 2019	2018
Salaries	12 927	11 764
Employment taxes and social security contribution	4 643	3 822
Retirement commitments	37	75
Share-based payments	743	770
Total payroll	**18 351**	**16 430**
Average Headcount	**180**	**167**

[3] Sales performance: Indicator comparable to the business model of past years and corresponding to the sum of recurring revenues and equipment orders generated over a period (also corresponding to the sum of total sales achieved and the change in the order book over a period)

The items described above do not take account of the capitalised portion of developments. The amount therefore differs from the sum of personnel charges presented in the summary statements in Note 20 (Details of operating charges), which show the amounts net of IFRS restatements.

The impact of IFRS 2019 resulting from the capitalisation of research and development hours amounted to €2,667k.

Payroll expenses grew by 12% over the financial year. The 13% increase in salaries and social security charges was partly the result of the recruitment carried out in 2018, which was fully reflected in 2019, and the recruitment carried out in 2019, and partly the result of wage increases.

The average consolidated headcount in 2019 was 180, compared with 167 at 31 December 2018, an increase of 8%.

NOTE 19 :**SHARE-BASED PAYMENTS**

The Company's plans in existence at 31 December 2019 are described in Note 13.3 "Capital / Stock options".

Outstanding amounts on the various plans issued by the company were as follows at 31 December 2019:

Type	Date awarded	Exercice price	In force at 12/31/2019
SO 2010	06/07/2010	1.00 €	231 625
SO 2010	20/05/2011	1.00 €	7 500
SO 2012	21/09/2012	4.07 €	253 307
BSA Administrateur	31/12/2012	4.24 €	-
SO 2014	23/05/2014	6.14 €	201 875
BSA IPF	31/03/2015	4.71 €	120 000
Actions gratuites	07/09/2017	- €	-
Actions de performance	07/09/2017	- €	-
Actions gratuites	12/12/2017	- €	-
Actions de performance	05/02/2018	- €	40 000
Actions gratuites	05/02/2018	- €	20 000
SO 2019	30/01/2019	2.68 €	1 319 500
			2 193 807

Terms and conditions of exercise:

Stock-options (S.O.) 2009 and 2010:

- 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;
- company 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.

Stock-options (S.O.) 2012 and 2014:

- 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;
- company 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.

Stock-options (S.O.) 2019:

The terms governing the exercise of the stock options (S.O.) are as follows:

a CEO's package:

- 100,000 options subject to a specific condition of performance to be achieved in 2020 or 2021;
- 200,000 options upon expiry of a period of 24 months from the date of award;
- 100,000 options upon expiry of a period of 36 months;
- 100,000 options upon expiry of a period of 48 months;
- and no later than ten years from the grant date.
- the CEO will be obliged to hold in his name until he ceases his functions a minimum number of shares equal to 75% of the shares vested under the Plan.

b Executive Committee's package:

- up to 1/3 of the options allocated upon the expiry of a period of 24 months;
- up to 2/3 of the options allocated upon expiry of a period of 36 months;
- the remaining options (up to 3/3) allotted upon expiry of a period of 48 months;
- and no later than ten years from the grant date.

c Other employees' package:

- up to 100% of the options allotted upon expiry of a period of 36 months from the date of allotment, and no later than ten years from the grant date.

d Package for employees retiring during the period:

- up to 100% of the options allotted upon expiry of a period of 24 months from the date of allotment, and no later than ten years from the grant date.

Bonus shares:

- the vesting period for shares awarded is 2 years for all beneficiaries.

2016 performance shares:

The performance shares shall 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:

- at least equal to €8, 100% of the shares allotted by the Board of Directors shall vest on the expiry of the vesting period,
- less than €4, no shares shall vest on expiry of the vesting period,
- between €4 and €8, the number of shares allotted that shall vest on expiry of the vesting period shall be calculated on a straight-line basis between 0% and 100%.

At its meeting held on 30 January 2019, the Board of Directors noted that none of the shares allotted had vested at the end of the vesting period.

2017 performance shares:

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

- at least equal to €9, 100% of the shares allotted by the Board of Directors shall vest on the expiry of the vesting period,
- less than €5, no shares shall vest on expiry of the vesting period,
- between €5 and €9, the number of shares allotted that shall vest on expiry of the vesting period shall be calculated on a straight-line basis between 0% and 100%.

At its meeting held on 23 September 2019, the Board of Directors noted that none of the shares allotted had vested at the end of the vesting period.

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

2012 warrants:

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

2016 warrants:

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

Share warrants awarded to third parties:

2015 warrants: IPF

- exercise parity of the warrants: one warrant gives the right to subscribe to one of the Company's shares;
- number of shares liable to be issued on exercise of the warrants: excluding changes in the Company's share capital, 180,000 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 warrants: €4.71.
- exercise period: the warrants may be exercised in whole or in part, in one or several times, within seven years of their subscription date. The warrants of the optional tranches will become void if these bond tranches are not subscribed;
- listing of the warrants: no.

In 2015, the Company issued 60,000 bonds with stock warrants attached (OBSAs) in the amount of €540,000, as well as three tranches of ordinary bonds (A, B and C) for a total principal amount of €14,460,000. The bonds with stock warrants attached were subscribed in January 2015 by IPF Partners.

Three warrants are attached to each OBSA, giving a total of 180,000 warrants, of which 120,000 shall lapse if the optional tranches of bonds are not subscribed for (Tranches B and C). The warrants are attached to the three tranches of vanilla bonds, at 60,000 warrants per tranche. They are exercisable on or after the date on which the bonds are issued. If the bonds are not issued, the warrants are void.

Tranche A of ordinary bonds, in the amount of €4,460,000, was subscribed for in March 2015, giving rise to the issue of 60,000 warrants.

Tranche B of optional, ordinary bonds, in the amount of €5 million, was subscribed for in December 2015, giving rise to the issue of 60,000 warrants.

As at 31 December 2015, the Company had therefore issue 120,000 warrants as a result of Tranches A and B being subscribed for.

Since Tranche C was not exercised, the remaining 60,000 warrants lapsed.

In June 2016, the Company issued a Tranche D of ordinary bonds for an amount of €5 million. No warrants are attached to this tranche.

As such, the number of warrants in circulation as part of this bond issue is 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 2014	Bonus shares	BSA 2016	Bonus shares 2016	Performance shares 2016	Bonus shares Sept 2017	Performance shares 2017	Bonus shares Dec. 2018	Performance shares 2019	Bonus shares 2019	SO 2019	Total
31/12/2017	43	253	44	356	46	49	119					910
31/12/2018	14	- 43	19	171			201	408				770
30/06/2019	-	-	1	-	-	190	108		51	71	16	436
30/06/2019	-	-	1	-	-	217	328	172			36	754

Detailed information on the number of options by class and exercise price is given in note 13.3. "Capital / Stock options".

NOTE 20 : **DETAIL OF OPERATING EXPENSES**

20.1 Direct costs of production and service

Direct costs of production and service (in thousands of euros)	Fiscal Year End 2019	2018
Purchasing and subcontracting	9 083	15 198
Staff costs	1 684	1 680
Royalties	238	656
Amortization and provisions	- 43	82
Total direct costs of production and service	**10 962**	**17 616**

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

As the system integration phase is sub-contracted, production costs consist mainly of the purchase costs of components and sub-contracting costs.

In value terms, the gross margin as a percentage of revenue fell by 472 basis points (bps) to €9.3 million compared with €17.8 million in the previous financial year.

- A 3% fall in the average selling price of equipment linked to the geographical mix was offset by an increase in the margin generated by other revenue and also by a positive exchange rate impact. This impact had a positive impact of 40 bps;

- Controlling the consumption of spare parts used for maintenance purposes offset the increase in equipment production costs, thereby generating a positive impact of 120 bps on the gross margin.
- Payroll costs remained stable and were in line with the volume of equipment installations carried out in the 2019 financial year.

20.2 Indirect costs of production and service

Research and development (in thousands of euros)	Financial year ended 2019	2018
Purchasing and subcontracting	2 334	1 681
Travelling expenses	136	66
Staff costs	1 536	1 830
Amortization and provisions	793	850
Total research and development	**4 799**	**4 427**

Indirect costs of production and services increased by 14% compared with the previous year. This change was mainly due to the 42% increase in payroll costs resulting from the growth in the workforce in 2018 and the hires made during that period. This growth was needed in order to optimise the purchasing of raw materials and to strengthen OneFit's production team, and also to expand the services team responsible for managing the installed base, which has grown substantially over the last three years.

20.3 Research and development

Research and development (in thousands of euros)	Financial year ended 2019	2018
Purchasing and subcontracting	2 334	1 681
Travelling expenses	136	66
Staff costs	1 536	1 830
Amortization and provisions	793	850
Total research and development	**4 799**	**4 427**

In 2019 the Company continued its programmes aimed at boosting its efficiency in production and maintenance, developing new EOS functionalities and the software applications. At the end of 2019, a new generation of imaging systems, EOSedge, was launched on the market.

The R&D costs increased by 8% over the financial year, from €4,427k in 2018 to €4,799k in 2019.

Costs recognised as expenses over the financial year mainly comprised salaries for the R&D team, made up of 56 engineers based at three sites.

Costs incurred in the development phase of innovative projects are capitalised in accordance with IAS 38 (Intangible assets). At 31 December 2019, capitalised development costs amounted to €667k.

If IFRS restatements are excluded, costs incurred over the course of the year amounted to €7.5m in 2019 compared with €5.8m in 2018.

20.4 Sales, clinical and marketing

Sales, clinical and marketing (in thousands of euros)	Financial year ended 2019	2018
Purchasing and subcontracting	1 587	2 447
Studies	633	578
Trade shows and congresses	1 402	1 324
Payroll costs	7 547	6 521
Total marketing and sales	**11 168**	**10 870**

Sales, clinical and marketing costs include:

- Costs of commercial expansion and of developing the related sales force,
- Clinical studies and meetings with opinion leaders in the areas of orthopaedics and radiology,
- Costs associated with participation in national and international conferences (RSNA, SOFCOT, JFR, etc.),
- Travel expenses primarily associated with annual sales seminars and participation in national and international conferences.

Sales, marketing and clinical expenses increased by 3% over the course of the year. This change was mainly due to an increase in payroll costs, a consequence of the structural reorganisation of the Group's management team at the beginning of the year, and changes in the workforce of the Clinical and Sales teams in 2018 and 2019 with a full-year effect. On the other hand, purchasing and subcontracting costs fell by 35% following the decrease in costs associated with the sales force (outsourcing) and the reversal of provisions for expenses for clinical studies.

20.5 Regulatory matters

Regulatory (in thousands of euros)	Financial year ended 2019	2018
Purchasing and subcontracting	332	256
Travelling expenses	23	25
Staff costs	556	475
Total regulatory	**911**	**756**

The costs associated with quality and regulatory affairs mainly comprise:

- Costs associated with obtaining certifications for the Group's products,
- Staff costs for teams organised around a director of regulatory affairs.

Regulatory costs were up by 21% relative to the previous year. This change can be explained by a 17% increase in payroll costs as a result of the recruitments made during the period and the previous period, accentuated by an increase in purchasing and subcontracting of around 30% mainly in respect of consultancy fees and regulatory certification for the EOSedge project, our next-generation imaging system.

20.6 Administrative costs

Administrative costs (in thousands of euros)	Financial year ended 2019	2018
Purchasing and subcontracting	3 780	4 285
Travelling expenses	70	111
Staff costs	1 828	2 152
Amortization and provisions	245	211
Total administrative costs	**5 924**	**6 759**

Administrative costs primarily comprise:

- payroll costs
- fees of auditors, lawyers and consultants,
- insurance and rent costs.

Administrative expenses fell by 12% during the year. This was due in part to a 16% fall in payroll costs and associated travel expenses, mainly due to the Chief Executive Officer being assigned to the Sales department, and in part to a 12% reduction in purchasing and subcontracting costs. In 2018, external expenses partly comprised financial restructuring costs, which was not renewed in 2019.

NOTE 21 : **FINANCIAL INCOME AND EXPENDITURE**

Financial income and expenditure (in thousands of euros)	Financial year ended 2019	 2018
Losses on cash equivalents		
Interest expense	1 600	5 421
IFRS 16 expenses	134	
Exchange rate differences	170	61
Total fiancial costs	**1 904**	**5 482**
Income on cash equivalents		1
Repayment of bond borrowing		669
Financing component - sales contracts	163	
Exchange rate differences	6	18
Total financial income	**168**	**688**
Financial income	**(1 736)**	**(4 794)**

Interest expense principally comprises interest in respect of the bonds, as described in note 2.
The other financial income items also include the impact of the new IFRS standards.

- The application of IFRS 16 led to the recognition of financial expenses of €134k.
- When a contract includes a significant financing component created by an interval of more than 12 months between the service provided and the receipt of payment, the revenue is adjusted in exchange for financial income or financial expense.
  This financing component (credit granted to customers) was valued at €163k, negatively impacting revenue and increasing interest income.

NOTE 22 : **INCOME TAX EXPENSE**

Under current laws, the Company has the following tax losses:

- Losses that may be indefinitely carried forward in France for a total amount of €81,664k;
- In the United States:
  - Losses arising before 2018 amounting to USD 17,441k that may be carried forward for 20 years in the United States.
  - Losses generated from 2018 onwards are limited to 80% of taxable profits: they amounted to USD 11,491k.

  Tax losses carried forward amounted to USD 28,932k, i.e. a total of €25,754k at 31 December 2019.

- Tax losses that may be carried forward to a date between 2029 and 2040 in Canada in the amount of CAD 3,963k, or €2,715k at 31 December 2019.

For reasons of prudence, deferred tax assets net of deferred tax liabilities on timing differences have not been recognised, under the principles described in note 4.19.

The tax rate applicable to the Company is the rate in force in France, namely 28%.

	2019	2018
Consolidated net profit/(loss)	(18 429)	(13 038)
Effective income tax charge		
Non-controlling interests		
Impairment of goodwill		
Consolidated net profit/(loss) before taxes, goodwill and non-controlling in	**(18 429)**	**(13 038)**
Theoretical tax rate	***28.00%***	***28.00%***
Theoretical tax charge	(5 160)	(3 651)
Tax timing differences:		
- Other permanent differences	36	1 538
- Share-based payments	208	216
- Other non-taxable income (CIR)	(531)	(370)
- Tax credits (CICE)		(32)
- Tax losses not activated and temporary differences	5 448	2 298
Effective income tax charge	-	-
Effective tax rate	***0.00%***	***0.00%***

NOTE 23 :**COMMITMENTS**

23.1 Commitments under operating leases

EOS imaging SA:

The Company has a lease on its head office. The lease is for a period of ten full and consecutive years and the Company has the option to terminate the leases every three years.

The Company has taken out a sub-lease over a property where it carries out part of its production activities. The term of the sub-lease is equal to the remaining term of the principal lease i.e. 9 years, with the option for the Company to give notice every three years.

Total lease payments and future expenses break down as follows at 31 December 2019:

EOS imaging SA:

(in thousands of euros)	TOTAL	Up to 1 year	More than 1 year but no more than 5 years	5 years or more
Operating lease	4 815	603	2 262	1 950
Total	**4 815**	**603**	**2 262**	**1 950**

EOS imaging Inc.:

Eos Imaging Inc (in thousands of euros)	TOTAL	Payments due by period: Up to 1 year	More than 1 year but no more than 5 years	5 years or more
Operating lease	$ 277	$ 66	$ 211	$ -
Total revenue	**$ 277**	**$ 66**	**$ 211**	**$ -**

EOS Image Inc.:

Eos Image Inc (in thousands of euros)	TOTAL	Payments due by period: Up to 1 year	More than 1 year but no more than 5 years	5 years or more
Operating lease	$ 3	$ 1	$ 1	$ 1
Total revenue	**$ 3**	**$ 1**	**$ 1**	**$ 1**

(1) Eos Image Inc.'s property lease in Canada terminated at the end of December 2019. A new five-year lease was signed for a commitment of CAD 283k.

OneFit Médical:

Onefit Médical (in thousands of euros)	TOTAL	Payments due by period: Up to 1 year	More than 1 year but no more than 5 years	5 years or more
Operating lease	4 €	4 €	- €	- €
Total revenue	**4 €**	**4 €**	**- €**	**- €**

(2) The OneFit lease terminates in February 2020 and will be extended for 12 months for a commitment of €37k.

23.2 Other commitments made

As part of its drive to control procurement costs, the Group has put in place medium-term supply contracts, some of which contain volume commitments. Under these contracts the Group may be required to pay compensation if these volumes are not honoured.

NOTE 24 :**RELATED PARTIES**

The compensation set out below, paid to members of the Company's Board of Directors and Executive Committee, was recognised as expenditure during the relevant financial years:

(in thousands of euros)	Financial year ended Dec 2019	Dec 2018
Remuneration and benefits in kind	2 656	2 207
Payments in shares	1	19
Directors' fees	130	121
Total	**2 787**	**2 347**

The valuation methods for share-based payments are set out in note 19.

NOTE 25 :**EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the net income attributable to the Company's shareholders by the weighted average number of common or preference shares in circulation during the financial year.

(in thousands of euros)	Financial year ended 2019	2018
Net profit/(loss) (in thousands of euros)	(18 429)	(13 038)
Weighted average number of shares in circulation	26 328 829	22 864 128
Net earnings per share (in €)	**(0.70)**	**(0.57)**
Weighted average number of potential shares	28 522 636	24 705 830

Instruments conferring deferred access to the Company's equity (stock options) are considered not to be dilutive, since they imply a reduction in the loss per share. Thus, diluted earnings per share are identical to basic earnings per share.

NOTE 26 :**FINANCIAL RISK MANAGEMENT**

The company's principal financial instruments comprise cash and financing instruments such as bonds. The aim of managing these instruments is to finance the Company's operations. The Company's policy is not to subscribe for financial instruments for speculative purposes. The Company does not use derivatives.

The main risks to which the Company is exposed are liquidity risk, exchange risk, interest rate and credit risks.

Liquidity risk

Cash and cash equivalents are held to meet short-term cash commitments rather than for investment or other purposes. They are readily convertible into a known amount of cash and are subject to an insignificant risk of a change in value.

The Company has carried out a specific review of its liquidity risk. In particular, it carried out a detailed assessment of repayments under the repayable advance, as described in detail in note 15 (Non-current financial liabilities) and under the bond issue, the maturities of which are set out below:

Maturity schedule of financial liabilities	Carrying amount	At up to 1 year	>1 yr up to 5 years max.	Over 5 years
Bond loans	26 028	1 594	24 434	
BPI advances - Ardea	356	144	213	
Total liabilities	**26 384**	**1 738**	**24 647**	**-**

If the Group does not comply with the contractual conditions of the repayable advance agreements entered into, it may be required to repay the sums advanced ahead of schedule. Such a situation could deprive the Group of some of the financial resources needed to successfully pursue its development projects. At 31 December 2019, the group was compliant with all the contractual terms and conditions.

In relation to the convertible bonds, in the event that their terms are breached (for example, where the Company fails to pay interest or principal), or in the event of cross-default or a change of control of the Company, the holders of these bonds may require all the convertible bonds to be redeemed early. This risk is considered by the Group to be low.

On the basis of this review, liquidity risk was reassessed in light of the impacts of the Covid crisis - see note 4.13 (going concern). Nevertheless, the Company will continue to have significant financing needs to develop its technologies and market its products.

The estimated impact of the COVID crisis and the measures taken by the company to deal with this epidemic are described in the Note 28 : (Events after the reporting period).

Foreign exchange risk

**** Operating income:***

All Group sales made in Europe and Asia-Pacific are denominated in euros. Sales made in North America are denominated in local currencies.

69% of the 2019 revenue, i.e. €13.6 million, was denominated in euros and 31%, i.e. equivalent to €6.3 million, was denominated in US or Canadian dollars.

Other operating income, made up of public financings, was denominated solely in euros and represented €2.1 million.

**** Operating expense:***

The expenses incurred in France are denominated in euros, save for certain supplies and fees in insignificant amounts. Charges incurred in the US, Canada and Singapore subsidiaries are denominated in the respective local currencies.

73% of 2019 operating expenses, i.e. €30 million, were denominated in euros and 27%, i.e. the equivalent of €10 million, was denominated in foreign currencies, with €9.9 million of that amount denominated in US dollars.

**** Financial expense:***

The Group's financing expenses are denominated in euros.

Thus, the effect of a change in the exchange rates as of 31 December 2019 has the same impact on the Company's results and shareholders' equity, as follows:

- a 10% rise in the euro against the Canadian, American and Singaporean dollars would have a negative impact on income of €615k;
  a 10% fall in the euro against the Canadian, American and Singaporean dollars would have a positive impact on income of €615k.

This is the combined effect of two distinct components:

- the operating risk: the 102% fall in Operating Income in 2019 at historical exchange rates would have been limited to 100% at constant exchange rates;
- the risk associated with the investments made in the foreign subsidiaries materialises in the form of net financial income when translating the receivables associated with the equity interests in the consolidated accounts. This component represents the net balance of this effect.

At this stage in its growth, the Company does not use hedging strategies to protect its activity from fluctuations in exchange rates. It cannot, however, rule out the possibility that a substantial increase in business activity would increase its exposure to exchange rate risk. If those circumstances were to arise, the Company would adapt appropriate hedging strategies.

Credit risk

The Company conducts prudent management of its available cash. Cash and equivalents include cash on hand and common financial instruments held by the company (basically money market funds (SICAV) and term deposits). At 31 December 2019, these securities were exclusively fixed or determinable income with fixed maturities, other than loans and accounts receivables, which the Group has the intention and the ability to hold until maturity. They are recognised at their amortised cost.

The credit risk related to cash, cash equivalents and common financial instruments is not significant given the quality of the financial institutions with which the Group works.

Concerning its customers, the Group does not have a significant concentration of credit risk. The Group has implemented policies enabling it to ensure that its customers have an appropriate credit risk history. However, the Group must take account of variable customer payment terms, which depend on a number of different factors:

- Sector-specific factors:
    - The Group sells medical imaging equipment for which installation, user training and acceptance of the equipment can be relatively long. These three items are pre-conditions to payment for the equipment, although pre-payments are sometimes obtained;
    - The Group may have cause to grant fairly long settlement terms in the context of negotiating sales contracts;
    - The payment terms for public hospitals are traditionally long, irrespective of the contractual conditions entered into.
- Geographical factors:
    - Settlement terms are traditionally long in certain geographical regions (Asia and the Middle East).

Trade receivables recorded on the balance sheet fell from €32.7 million to €17.7 million thanks to the made to collect the amounts owed and the change in the commercial cycle in the first quarter of 2019. This change significantly reduced the working capital requirement.

When analysing its receivables under IFRS 15, the Group made adjustments if the transaction price was liable to vary.

Interest rate risk

The Company's exposure to interest rate risk primarily relates to cash and cash equivalents. These largely consist of term deposits. Changes in interest rates have no impact on the interest earned on term deposit accounts, since the return on those accounts is fixed.

As at 31 December 2019, the Company's financial liabilities were not subject to interest rate risk, given that they comprise the interest-free loan and the repayable fixed-rate advance.

Fair value

As shown in note 15.3 (Financial instruments recognised on the balance sheet and impact), the fair value of financial instruments traded on an active market is based on the market price at closing date. The market prices used for financial assets held by the Company are the market bid prices on the valuation date.

The nominal value, less the provisions for depreciation, of the accounts receivable and current debts is presumed to approximate the fair value of those items.

NOTE 27 : **STATUTORY AUDITORS' FEES**

Summary table of Statutory Auditors' fees recognised as expenses for the financial year.

(in thousands of euros)	**31/12/2019**		
	Deloitte	PKF	Actis
Audit			
Statutory auditors, examination and certification of the company only and the consolidated financial statements			
- Eos Imaging SA	77	42	3
- Fully consolidated subsidiaries (Eos Imaging Inc, Eos Image Inc, Eos Imaging GmbH, Onefit Medical and EOS Imaging Pte Ltd)			
Non-audit services			
- Eos Imaging SA (*)	22	3	
- Fully consolidated subsidiaries (Eos Imaging Inc, Eos Image Inc, Eos Imaging GmbH, Onefit Medical and EOS Imaging Pte Ltd)			
Subtotal	**99**	**45**	**3**
Other services provided by the networks to fully consolidated subsidiaries			
Legal, labour, tax			
Other			
Subtotal			
Total	**99**	**45**	**3**

(*) These services cover those required by laws and regulations (reports on capital transactions, end of assignment letter).

NOTE 28 :**EVENTS AFTER THE REPORTING DATE**

28.1 Agreement on the takeover of EOS by Alphatec Holdings Inc, and termination of this agreement

On **28 February 2020**, the Board of Directors approved the entry into a tender offer agreement with Alphatec Holdings, Inc. (Nasdaq: ATEC), a medical devices company that specialises in innovative spinal surgery solutions. Under the terms of this agreement, ATEC would launch a takeover bid for all the shares and OCEANEs issued by EOS.

The Offer would consist of a principal tender offer in cash at a price of €2.80 per EOS share (the "Cash Offer") and, alternatively, an exchange offer with an exchange ratio of 1 ordinary share in ATEC for two EOS shares (the "Exchange Offer").

ATEC and EOS are two pioneers in their respective fields that provide innovative solutions for orthopaedic surgery. This transaction would strengthen their position in the overall orthopaedic market.

The deal is also backed by EOS's major shareholders. ATEC has received commitments to participate in the Exchange Offer from Fosun Pharma and Bpifrance Investissement relating to all their EOS shares, which together represent 21.35% of EOS's share capital. The Founder and the Company's Chief Executive Officer also committed to participating in the Exchange Offer.

EOS's Board of Directors resolved to establish an ad hoc committee composed of two independent members and has engaged Accuracy, pursuant to Article 261-1, I-2° and 5° of the AMF's General Regulation and subject to approval by the AMF, as an independent expert to draw up a fairness opinion on the financial conditions of the Offer.

EOS's Board of Directors will meet again to issue a reasoned opinion on the Offer after analysing the report of the independent expert, the recommendation issued by the ad hoc committee and the opinion of the Social and Economic Committee.

The transaction will remain subject to the usual conditions precedent. Under the terms of the tender offer agreement, EOS also agreed to a standard non-solicitation undertaking. Under the terms of the tender offer agreement, EOS will have to pay, in certain scenarios, a break-up fee of €2.5 million to ATEC and ATEC will have to pay, in other cases, a reverse break-up fee of the same amount as EOS. This fee will be payable by EOS if its Board of Directors decides not to recommend that shareholders participate in the Offer.

In addition to the 50% threshold below which the Offer will lapse provided for in Article 231-9, I of the AMF's General Regulation, the Offer will be conditional on being accepted by those holding two-thirds of the EOS's share capital and voting rights on a fully diluted basis based on the results of the Offer in accordance with Article 231-9, II of the AMF's General Regulation.

ATEC intends to carry out a squeeze out following Offer at the price of the Cash Offer (€2.80 per EOS share) if the conditions for doing so are met.
The Offer is scheduled to be filed with the AMF at the end of April.

On **24 April 2020** EOS Imaging was informed by ATEC that it was terminating the previously announced tender offer agreement, under which ATEC had undertaken to launch a public offer for EOS. ATEC stated that it was terminating the agreement as a result of its assessment of the impact of the COVID-19 epidemic on EOS.

EOS disagrees with ATEC's analysis. Although the COVID-19 epidemic will have a short-term effect on EOS, as it will on others in the sector, EOS considers that this crisis will not have any impact on the company's long-term prospects.

The Board of Directors of EOS is currently assessing all potential options.

28.2 COVID-19 health crisis

The various regions in which the Company operates have gradually been affected by the COVID-19 health crisis. The initial business impact was seen in Asia in early January, before spreading in mid-March to Europe and North America. In all regions, the focus has been on employee and customer safety. The Company has implemented appropriate safeguards for its employees based on recommendations and guidelines issued by the French government and the governments of countries in which the company operates, such as remote working and travel restrictions. Employees who visited customer sites before the travel restrictions came into effect received the required protection.

With the continued increase in the number of patients with COVID-19, health systems are taking steps to address the increase in the number of admissions of such patients. Some private hospitals and imaging centres have discontinued their orthopaedic activities.

Installations that had been scheduled during the lockdown period have been delayed, and have been rescheduled for after lockdown measures are eased. The impact can be seen in the temporary delay in deliveries and in the corresponding revenue.

Order-taking for equipment has been hampered by sales representatives' limited access to hospitals, and by customers postponing their investment decisions due to a lack of visibility. The impact on sales is difficult to assess at this stage.

Maintenance activities have been limited to emergencies at establishments that remain open. The Company has, however, entered into annual flat-rate service agreements with most of its customers, covering annual maintenance and preventive monitoring, and therefore believes that the impact of the pandemic on maintenance revenue will be limited.

Surgery-related activities (cutting guides, 3D reconstruction and surgical planning) fell sharply. The impact for the company remains limited given the small proportion of revenue represented by these activities, and this impact will be offset by a catch-up effect when surgical operations are able to resume.

The Company has also adapted its production programme to the lag caused by its installation schedule and has reviewed its procurement schedules with its suppliers. It should be noted that the Company's key suppliers are mainly based in France, Canada and Europe and that the Company has not identified any specific supply-related risks at this stage.

The Firm has comprehensively assessed the impact of the crisis and implemented the necessary corrective actions so that it has visibility on its cash position until the end of the year.

The Company has therefore adapted the hours of European and North American employees by using short-time working and part-time leave. These measures will continue to be reassessed as the situation changes. The Company is making full use of measures aimed at easing the pressure on its short-term cash position: deferral of the payment of employer social security contributions, acceleration of the payment of the research tax credit, and more broadly, the use of support measures provided in connection with the health crisis by all the countries in which the Company operates. EOS imaging has also implemented a major cost reduction programme.

The Company is separately assessing various operational and structural financing options in addition to the use of factoring, which is already in place and has not been used since the beginning of 2020.

V- 2019 PARENT COMPANY FINANCIAL STATEMENTS

BALANCE SHEET – ASSETS

(in EUR)

	2019/12/31			2018/12/31
	Gross	**Deprec., amort. & Impairment**	**Net**	**Net**
Intangible assets	3 788 088	1 790 463	1 997 625	1 989 858
Property, plant, and equipment	5 804 810	3 992 966	1 811 844	2 127 481
Financial assets	13 061 225	8 518 702	4 542 522	4 704 577
NON-CURRENT ASSETS	**22 654 122**	**14 302 131**	**8 351 991**	**8 821 915**
Inventories and work in progress	13 589 818	76 791	13 513 027	8 779 151
Advances and down payments for orders	662 804	-	662 804	297
Customer receivables	9 499 303	1 179 584	8 319 719	15 641 615
Other receivables	37 485 203	31 578 209	5 906 994	4 895 856
Liquid assets	3 136 218	-	3 136 218	17 388 465
Prepaid expenses	434 639	-	434 639	258 713
CURRENT ASSETS	**64 807 984**	**32 834 584**	**31 973 400**	**46 964 098**
Loan issue costs	929 383	-	929 383	1 201 398
Translation differences	92 776	-	92 776	304 967
TOTAL ASSETS	**88 484 266**	**47 136 715**	**41 347 550**	**57 292 378**

BALANCE SHEET - LIABILITIES

(in EUR)

	2019/12/31	2018/12/31
Share capital	265 699	262 379
Issue, merger and contribution premiums	6 915 879	21 558 956
Legal reserve	20 557	20 557
Carried forward		(160)
Profit (loss) for the year	**(12 147 430)**	**(14 766 136)**
SHAREHOLDERS' EQUITY	**- 4 945 295**	**7 075 596**
Conditional advances	102 452	187 803
Provisions for risks	1 648 331	1 614 355
PROVISIONS FOR LIABILITIES AND CHARGES	**1 648 331**	**1 614 355**
Convertible debt obligations	29 692 069	29 692 069
Miscellaneous borrowings and financial liabilities	25 652	525 652
Advances and prepayments for orders	704 100	-
Trade payables	4 880 360	7 629 028
Tax and social security	2 709 400	3 085 282
Liabilities on fixed assets and related accounts	2 142	-
Other liabilities	994 092	3 359 920
Unearned income	2 154 839	1 518 841
DETTES	**41 162 654**	**45 810 792**
Translation differences	3 379 409	2 603 832
TOTAL LIABILITIES & EQUITY	**41 347 550**	**57 292 378**

INCOME STATEMENT

(in EUR)

INCOME STATEMENT	2019/12/31 *12 months*	2018/12/31 *12 months*
Sales of merchandise		
Production sold (goods)	9 724 097	24 108 851
Production sold (services)	5 064 278	4 397 363
Net revenues	**14 788 375**	**28 506 214**
Finished goods taken to inventory	5 930 474	
Operating subsidies	556 810	261 411
Reversals of impairment, provisions (and depreciation), transfers of ch	741 515	811 938
Other income	1 340 745	2 138 323
OPERATING INCOME	**23 357 920**	**31 717 886**
Purchases and change in inventories of merchandise	(901)	
Purchases and change in inventories of merchandise and other procur	14 568 565	14 584 150
Other purchases and external charges	8 645 804	9 540 449
Taxes, levies and similar charges	177 627	344 246
Salaries and other benefits	7 561 773	6 815 281
Social charges	3 312 762	2 959 880
Amortisation, depreciation and impairment charges	2 134 584	2 003 043
Other charges	429 754	849 294
OPERATING EXPENSE	**36 829 968**	**37 096 344**
OPERATING PROFIT/(LOSS)	**(13 472 048)**	**(5 378 458)**
Financial revenue	13 819 217	13 312 245
Financial expenses	13 999 176	23 620 862
FINANCIAL INCOME	**(179 958)**	**(10 308 618)**
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAXES	**(13 652 006)**	**(15 687 076)**
Non-recurring income	50 121	34 489
Non-recurring charges	243 135	371 478
NON-RECURRING INCOME AND EXPENSES	**(193 014)**	**(336 989)**
Employee profit sharing	8 635	2 964
Tax on income	(1 706 225)	(1 260 893)
NET PROFIT (LOSS)	**(12 147 430)**	**(14 766 136)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. 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 the following 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.

EOS Imaging SA, the consolidating entity, and the Company's five subsidiaries described above, the consolidated entities, comprise the EOS Group.

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

The financial statements of EOS Imaging for the year ended 31 December 2019 were approved by the Board of Directors on 27 April 2020.

2. SIGNIFICANT EVENTS OF THE YEAR

Change of Management

Mike Lobinsky took up his position as Chief Executive Officer on 1 January 2019, replacing Marie Meynadier. Mr Lobinsky joined the company in August 2017 as President North America, a position he continues to hold.

Change in the business cycle

In order to better meet its customers' expectations and reduce its working capital requirements, EOS imaging changed its sales cycle in the first quarter of 2019 by arranging for its equipment to be delivered at the start of the installation phase, and no longer on receipt of the order. This change has led to a transitional period in which (i) new orders received are gradually building up an order book, (ii) revenue is recorded as and when equipment is delivered, with deliveries, on average, occurring 3 to 12 months after orders are placed.

2019 revenue was therefore significantly impacted by this transition phase. Revenue from equipment was almost nil in the first half of the year, as installations in the first half of the year related to 2018 deliveries. Sales started to recover in the second half of the year, while deliveries for the installation of equipment ordered since the beginning of 2019 have started.

However, this change in business model led to a significant improvement in production and logistics management and a significant reduction in accounts receivable.

Creation of the Advanced Orthopedic Solutions (AOS) division and the introduction of EOSlink

In 2019, EOS imaging created a new "Advanced Orthopedic Solutions" (AOS) division which combines the 3D modelling solutions (EOS 3DServices) and surgical planning solutions (EOSapps). This division complements the company's imaging offering and has consolidated the offering of online 3D services and provides healthcare professionals with complete patient-specific 3D data throughout the care pathway, from diagnosis to surgical planning, control and post-operative monitoring.

In the third quarter of 2019, the AOS offering was supplemented by the introduction of EOSlink which integrates surgical planning results into the operating theatre via secure data transfer for seamless integration with existing intra-operative systems.
EOSapps, the 3D preoperative surgical planning software, now has intraoperative surgical solutions, such as navigation systems, robotics-based systems, and custom spinal rod solutions.
EOS Imaging therefore offers, together with AOS, a complete range of solutions for orthopaedic surgeons, that helps to optimise clinical results for patients with spinal and lower limb disorders.

Regulatory approvals and launch of EOSedge in Europe, North America and Australia
In December 2019, EOS imaging launched its next generation imaging system, EOSedge, the result of several years of development, at the RSNA (Radiological Society of North America) Congress in Chicago, the world's largest event in the field of imaging. EOSedge has obtained 510(k) approval from the U.S. Food and Drug Administration ("FDA") and regulatory approvals in Europe (CE marking), Canada (Health approval), and Australia (TGA).

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This system complements the EOS imaging product range alongside the first generation of EOS® systems. It combines the latest innovations in X-ray detection with a low dose of radiation and high image resolution. This system integrates the new Flex Dose™ technology that modulates and optimises the radiation dose along the patient's scan, together with photon-counting detection technology that delivers high-resolution musculoskeletal imaging exams. The open design and motorised elevating platform facilitate patient access and positioning. The speed of examinations also optimises the flow of patients.

This new model will enable musculoskeletal disorders to be managed more comprehensively.

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This new model will enable musculoskeletal disorders to be managed more comprehensively.

3. ACCOUNTING PRINCIPLES AND POLICIES

3.1 General Principles

All amounts are expressed in euros, save where otherwise stated.

Generally accepted accounting principles were used, applying the principle of prudence and in accordance with the following underlying assumptions:

- Going concern.
- Continuity of accounting policies,
- Separation of accounting periods,

and in accordance with the general rules for drawing up and presenting annual financial statements.

The basic method used for valuing accounting items is the historical cost method.

Numbers are rounded for the purposes of calculating certain financial data and other information contained in these financial statements. As a result, the totals specified in certain tables may not be the exact sum of the preceding numbers.

The methods of valuation and presentation used for this financial year are the same as those used for the previous financial year.

3.2 Going concern principles

At 31 December 2019, cash and cash equivalents stood at €3.1 million.

During the second half of 2019, the Company demonstrated its ability to limit its cash consumption, thanks in particular to a reduction in its working capital requirements.

The company has:

- A high level of inventory, linked to the delay in the new sales cycle being taken into account in production schedules, which allows it to limit acquisition of these supplies in 2020.
- Visibility over its installations, the stage that triggers customer payment.

At 31 December 2019, the company had customer receivables, net of provisions, of €8.3m and an order book, net of prepayments received, of €5.0m.

The impact of the COVID crisis can be principally seen in:

- Delayed installations during the lockdown phase, which has resulted in a temporary delay in deliveries and in the corresponding revenue
- order-taking for equipment being hampered by sales representatives' limited access to hospitals, and by customers postponing their investment decisions due to a lack of visibility. The impact on sales is difficult to assess at this stage.

The measures put in place include:

- alterations to the production and supply programme due to delays in deliveries to customers
- continued reductions to working capital requirements
- The implementation of a major cost reduction programme.
- short-time working or leave for employees whose activity is affected,
- the use of short-term support mechanisms put in place by governments: deferred social security contributions, early repayment of research tax credits, etc.

As a result of the Covid-19 health crisis and based on the updated budget forecasts, the company believes that its cash holdings will be sufficient at least until the end of December 2020, but that it may need to structure its financing in order to meet its cash requirements after that date. In this respect, the company has several options, which may include:

- the development of factoring, for which it already has an agreement, which could represent financing of an average value of around €1 million.
- the use of borrowing, up to a limit of €2.5 million, authorised under the Océanes agreement.
- applying for a state-guaranteed loan in France, provided in connection with the health crisis.
- long-term refinancing which could take the form of a strategic partnership or a fund-raising round depending on market conditions.

On this basis, management has approved the financial statements in accordance with the going concern principle. The situation has, however, given rise to significant uncertainty over whether the company is a going concern as, if these assumptions were not to be met, the company may not be able to realise its assets and settle its liabilities in the normal course of its business activity. The application of French accounting rules and principles, in particular those relating to the valuation of assets and liabilities for going concerns, may then prove to be inappropriate.

3.3 Factoring

EOS Imaging entered into a factoring agreement at the end of the first half of 2018. The factor's positions at 31 December 2018 amounted to €1,233k. At 31 December 2019, no receivables had been sold and there was no impact on the financial statements.

3.4 Accounting methods

3.4.1 Intangible assets

Software licence acquisition costs are recognised as assets based on the costs incurred in acquiring and commissioning the software in question. They are amortised on a straight-line basis over a period of one year.

Costs relating to the filing of currently valid patents, incurred by the Company up until the point at which they are granted, are recognised as intangible assets. They are amortised on a straight-line basis over a period of five years.

3.4.2 Property, plant and equipment

Items of property, plant and equipment are recognised at acquisition cost. Major improvements and refurbishments are capitalised, while repair and maintenance expenses and the cost of other refurbishment work are recorded as expenses as and when they are incurred.

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of their own useful lives or the length of the lease.

Research and development costs are recorded as expenses for the period. Capitalised costs of production, when they occur, relate to equipment use to carry out testing.

The following depreciation periods are used:

- Industrial and lab equipment 3 to 5 years
- Fixtures and furnishings 10 years
- Office and computer equipment 3 years
- Office furniture 5 years

Tangible non-current assets are impaired when, owing to events or circumstances occurring during the period, their economic value appears to be lower than their carrying amount and is likely to remain so.

There are no material assets that call for use of the component approach.

3.4.3 Non-current financial assets

Non-current financial assets comprise the following items:

- Shares in associates
- Treasury shares
- Security deposits

Non-current financial assets are recognised at acquisition cost. In the case of an earn-out clause, the gross value of the securities associated with the earn-out, measured at the closing date, are provisional in nature since, at the date the financial statements are approved, the Company uses a best estimate of the earn-out that will be paid. The earn-out is included on the asset side, offset by a non-current liability.

At closing, the value of the securities is compared to their carrying amount. The lower of these two values is recognised on the balance sheet. For investments in associates, the carrying amount refers to the value in use as determined by the utility of the investment to the Company; and for treasury shares, to the average traded price during the last month of the period.

The Company has recognised a translation adjustment for receivables from equity stakes in associates, since the receivable on the balance sheet is repayable in foreign currencies.

3.4.4 Inventories

Finished goods inventories are recognised using the weighted average unit cost method.

A provision for inventory impairment loss, if any, is recognised for the difference between carrying amount and realisable value after subtracting selling costs.

3.4.5 Accounts receivable

Receivables are measured at face value. A provision for impairment is recognised on a case by case basis when the economic value is lower than the carrying amount.

3.4.6 Short-term investment securities

Short-term investment securities are recognised on the balance sheet at acquisition cost. Where necessary, an impairment loss is recognised for each line of securities of the same nature equal to the difference between their carrying amount and the average security price during the previous month or, in the case of unlisted securities, their probable trading value.

Capital gains and losses on disposals are recognised using the FIFO (first in, first out) method. Unrealised gains are recognised for tax purposes.

3.4.7 Foreign currency transactions

Income and expenses denominated in foreign currencies are recognised at their exchange value on the date of the transaction. Liabilities, receivables and cash holdings denominated in foreign currencies are recognised on the balance sheet at their exchange value at the end of the financial period. The difference resulting from the discounting of liabilities and receivables denominated in foreign currencies at this rate is recognised under “translation adjustments”.

A provision for liabilities is recognised for unhedged translation adjustments recognised as an asset (unrealised foreign exchange losses). Unrealised gains are not recognised, in accordance with the prudence principle, but are recognised for tax purposes.

3.4.8 Provision for liabilities

- Provisions for liabilities and charges:

Provisions are recognised to account for the costs of liabilities and charges in the current period. The Company's policy in terms of provisions for legal claims and disputes is to evaluate, at the close of each financial period, the financial risks of each dispute and its possible consequences.

- Provisions for installation costs

The provision for installation costs is intended to cover the installation costs of equipment that has been sold but not yet installed. This provision is recognised for services still to be supplied by technicians including the supply of materials and time spent on the site. This provision concerns sites that were invoiced before 2019.

- Warranty provisions:

Sales are covered by a warranty period of at least one year. The assessment of the cost of the warranty as well as the likelihood that these costs will be incurred are based on an analysis of historical data. The provision for warranties represents the cost of maintaining systems under warranty, for a maximum one-year warranty period and for the remaining period at the reporting date for all systems sold.

3.4.9 Loan issue costs

Loan issue costs are spread on a straight-line basis over the term of the loan. Loan costs recognised initially as expenses are transferred to assets at the end of the financial period under “Loan issue costs” and then reduced at the end of each financial period by the expense amortised.

3.4.10 Revenue recognition

The Company’s revenue is generated from the sale of medical imaging equipment, maintenance and consumables contracts and related services.

Revenue represents the fair value of the consideration received or receivable for the goods sold in the normal course of the Company’s business activities. Revenue is net of value added tax, product returns, rebates and discounts.

The Company recognises income when the amount can be reliably measured, it is likely that the future economic benefits will flow to the Company and that the specific criteria have been satisfied for the Company’s business activities.

In the case of equipment sales, revenue is recognised on the transfer of ownership and risks to the purchaser, as stated in each agreement, which, depending on the case, may be upon shipping, delivery or installation of the equipment.

Equipment sales are covered by a warranty. Only income relating to the warranty period exceeding one year is deferred, and recognised in income in the relevant period, warranties of up to one year not being sold separately from the equipment.

3.4.11 Other operating revenue

The Company, by virtue of its innovative nature, receives grants and subsidies from government and local authorities to defray its running costs or the cost of certain new hires. Subsidies are recognised as and when the associated expenses are incurred, independently of when they are actually received.

The Company also invoices management fees to its subsidiaries for services it provides in respect of management and sales and administrative policies.

3.4.12 Income tax

The research tax credit (CIR) is recognised as a deduction from corporate income tax.

3.4.13 Non-recurring profit (loss)

Extraordinary income and expense consist of items which by their nature, by their usual character or their non-recurrence cannot be considered as inherent to the Company's operating activities.

4. NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

Note 1: STATEMENT OF CHANGES IN NON-CURRENT ASSETS

Changes in gross non-current assets may be analysed as follows:

Gross values	2018/12/31	Acquisitions	Reclassification	2019/12/31
Intangible assets				
Software	1 944 062	93 673		2 037 735
Fixed assets in progress	1 740 812	9 541		1 750 353
	3 684 874	**103 214**		**3 788 088**
Property, plant, and equipment				
Fixtures & fittings	820 131	74 262		894 393
Manufacturing equipment and tools	3 447 214	278 031		3 725 244
Office and computer equipment	816 944	65 238		882 183
Fixed assets in progress	314 460	52 445	(63 915)	302 990
	5 398 748	**469 976**	**(63 915)**	**5 804 810**
Total Gross	**9 083 622**	**573 190**	**(63 915)**	**9 592 897**

Changes in amortisation and provisions may be analysed as follows:

Impairment	2018/12/31	Additions	Reductions	2019/12/31
Intangible assets				
Software	1 695 016	95 447		1 790 463
	1 695 016	**95 447**		**1 790 463**
Property, plant, and equipment				
Fixtures & fittings	573 739	53 611		627 350
Manufacturing equipment and tools	1 901 236	488 867		2 390 103
Office and computer equipment	618 450	94 362		712 813
Fixed assets in progress	177 842	84 859		262 701
	3 271 268	**721 698**		**3 992 966**
Total amortisation, depreciation and impairment	**4 966 284**	**817 145**		**5 783 429**

Changes in net property, plant, and equipment and intangible assets may be analysed as follows:

	2018/12/31	Increases	Reductions	2019/12/31
Intangible assets	1 989 858	7 767		1 997 625
Property, plant, and equipment	2 127 481	(251 722)	(63 915)	1 811 844
Total net values	**4 117 338**	**(243 955)**	**(63 915)**	**3 809 468**

Note 2: NON-CURRENT FINANCIAL ASSETS

Gross values	2018/12/31	Acquisitions	Disposals/Reduction	2019/12/31
Shares in associates	4 322 075			4 322 075
Receivables from equity investments.	8 271 665	174 961		8 446 626
Treasury shares	169 195	120 514	(163 591)	126 118
Loans				
Deposits in guarantee and bonds	285 382	18 073	(137 050)	166 406
Other long-term receivables				
Total Gross	**13 048 318**	**313 548**	**(300 641)**	**13 061 225**

-

Impairment	2018/12/31	Additions	Reductions	2019/12/31
Shares in associates	72 075			72 075
Receivables from equity investments.	8 271 665		174 962	8 446 627
Total impairments	**8 343 741**	**8 446 627**	**(8 271 665)**	**8 518 702**
Net non-current financial assets	**4 704 577**			**4 542 522**

In accordance with the accounting methods described above, the value of securities is compared to their carrying amount on a yearly basis.

As at 31 December 2019, the shares in OneFit are the only securities that are not impaired, with their net carrying amount maintained at €4,250,000.

As at 31 December 2019, non-current financial assets consist mainly of receivables from investments in the Company's subsidiaries:

- EOS imaging Inc.: Based in the United States, EOS Imaging, Inc. is a US company with share capital of US$1, whose registered office is at 4980 Constellation Drive, 55127 Saint Paul, MA, USA.

- EOS Imaging GmbH: based in France, EOS Imaging GmbH is a German company with share capital of €25,000 whose registered office is at Collection Business Centers GmbH, Thurn-und-Taxis-Platz 6, 60313 Frankfurt.

- EOS image Inc.: Based in Canada, EOS image Inc. is a company incorporated under Part IA of the Quebec Companies Act, with share capital of CAD$100, whose registered office is at 300 Rue du Saint Sacrement, Montreal, Quebec, Canada.

- OneFit Medical: a French simplified joint stock company (SAS) with share capital of €115,714 whose registered office is 18 rue Alain Savary, Besançon (25000), registered with the Besançon Trade and Companies Register under number 534 162 219.

- EOS Imaging, Pte Ltd: based in Singapore, EOS Imaging Pte Ltd is a company under Singaporean law with share capital of S$70,000, having its registered office at 51 Goldhill Plaza, #21-02/06, Singapore (308900).

As at 31 December 2019, the Company held 56,938 treasury shares as part of a liquidity contract as a result of the disposal of 1,069,806 shares and the acquisition of 1,078,260 shares over the year, leading to a net capital loss of €78,789.82 for the period.

Subsidiaries and associates (in euros)

Subsidiaries and associates *(in thousands of euros)*	**Subsidiaries**	**Capital**	**Equity other than capital**	**Proportion of capital held** *(as a %)*	**Comparable value of shares held**		**Loans and advances granted by the Company and not repaid**	**Amount of sureties and guarantees given by the Company**	**Revenues excl. tax of the past financial year**	**Profit/(loss) for the past financial year**	**Dividends received by the company during the year**
					Gross	***Net***					
Detailed information on the subsidiaries and associates											
Subsidiaries (more than 50% of the capital held):											
	EOS image Inc.			100%			3 550		1 634	(636)	
	EOS imaging Inc.			100%			33 799		5 098	(4 975)	
	EOS Imaging GmbH	25		100%	25		1 281		893	49	
	OneFit	116		100%	4 250	4 250	2 357		1 604	(646)	
	EOS Imaging Pte Ltd	70		100%	47		1 394			(485)	
Overall information on other securities											

Note 3: IMPAIRMENT

	Impairment at the start of the financial year	Increases: additions during the year	Reductions: reversals during the year	Impairment at the end of the financial year
Intangible assets				
Property, plant, and equipment	177 842	85 542	(683)	262 701
Financial assets	8 343 741	174 962		8 518 702
Inventories	27 423	49 368		76 791
Customer receivables	847 500	332 084		1 179 584
Other receivables	33 182 911	12 019 429	(13 624 131)	31 578 209
TOTAL	**42 579 417**	**12 661 384**	**(13 624 814)**	**41 615 987**

dont exploitation	*381 452*	
dont financier	*12 194 390*	*(13 624 131)*
dont exceptionnel	*85 542*	*(683)*

The net fall of €1,605k in the impairment of other receivables corresponds to the change in provisions over receivables vis-à-vis the Group's subsidiaries. The current accounts of foreign subsidiaries are fully provisioned.

Impairment of customer receivables: 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 dedicated teams. Management 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 adjustment and therefore any provision for impairment that is to be recognised. As at 31 December 2019, total cumulative impairment provisions stood at €1,780k, i.e. 12% of the gross amount of total customer receivables.

Note 4: INVENTORIES

Inventories and work in progress	12/31/19	12/31/18
Component Parts	7 557 771	5 538 723
Finished Products	6 032 046	3 267 852
Depreciation	(76 791)	(27 423)

The €2.0m increase in component inventories may be explained, on the one hand, by the increase in inventories held for maintenance purposes, in order to meet the customer service deadlines of an increasing international installed base and, on the other hand, by the procurement of a proportion of the components earmarked for the production of the new EOSedge imaging system launched in November 2019.

The €2.7m increase in finished goods inventories is explained by the fact that production schedules were implemented prior to the change in the sales cycle, which will be gradually standardised during the transition period.

Slow-moving components are the subject of value adjustment for impairment. This provision was updated on 31 December 2019, giving an additional provision of €50k.

Note 5: RECEIVABLES

Breakdown and ageing of receivables:

		Gross amount	Up to one year	More than one year
Non-current assets	Receivables from equity investments.	8 446 626		8 446 626
	Loans			
	Other non-current financial assets	166 406		166 406
Current assets	Doubtful or disputed customers			
	Other customer receivables	9 499 303	9 499 303	
	Personnel and related accounts	5 435	5 435	
	Social Security and other social bodies	18 521	18 521	
	State - Tax on income	1 706 225	1 706 225	
	State - VAT	489 947	489 947	
	State - Other Taxes, levies and similar charges	99 368	99 368	
	Group and associates	33 935 097	33 935 097	
	Sundry debtors	1 230 610	1 230 610	
Prepaid expenses		434 639	434 639	
Loan issue costs		929 383	272 015	657 369
TOTAL		**56 961 559**	**47 691 159**	**9 270 400**

Note 6: ACCRUED INCOME

Accrued income breaks down as follows:

	2019/12/31	2018/12/31
Customer receivables		
Invoices pending issue	783 198	1 138 226
Tax and social security receivables		
State - Accrued income	1 805 593	1 260 892
Other receivables		
Interest on bank term deposits		
Suppliers - assets pending receipt	230 651	625 964
Subsidies due	782 563	371 364
TOTAL	**3 602 005**	**3 396 447**

The line item State - Accrued Income corresponds to the provision of €1,706 in respect of the CIR and CVAE balance of €99k.

The line item Suppliers – Credit Notes Receivable principally relates to returned goods.

The line item Subsidies Receivable represent amounts recognised in respect of expenses incurred to 31 December 2019 but not yet paid as at that date.

Note 7: CASH AND CASH EQUIVALENTS

Short-term bank deposits	3 136 218	17 300 393
Money market SICAVs	102 359	88 072
TOTAL	**3 238 577**	**17 388 465**

Cash and cash equivalents principally comprise current accounts of €3 million and short-term investments of €102k resulting from implementation of the liquidity contract.

Note 8: PREPAID EXPENSES

Prepaid expenses are all from operations and break down as follows:

	2019/12/31	2018/12/31
Purchases of materials and merchandise		
External charges	434 639	258 713
TOTAL	**434 639**	**258 713**

Note 9: LIABILITIES

Breakdown and ageing of liabilities:

		Gross amount	At up to 1 year	>1 yr up to 5 years max.	Over 5 years
Convertible debt obligations		29 692 069	148 442	29 543 627	
Borrowings from and debts to credit	at initial term of max. 1 year				
	At initial term over 1 year				
Miscellaneous borrowings and financial liabilities					
Trade payables		4 882 502	4 882 502		
Personnel and related accounts		1 289 205	1 289 205		
Social Security and other social bodies		1 099 898	1 099 898		
States and other public bodies	Tax on income				
	VAT	183 181	183 181		
	Covered bonds				
	Other Taxes, levies and similar charges	137 116	137 116		
Liabilities on fixed assets and related accounts					
Group and associates		25 652	25 652		
Other liabilities		994 092	994 092		
Liabilities in respect of borrowed securities					
Unearned income		2 154 839	2 154 839		
TOTAL		**40 458 554**	**10 914 927**	**29 543 627**	

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.

Interest-free OSEO loan

EOS Imaging received an interest-free loan of €1.5m 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 31 December

2019, the debt had been fully repaid after payment of the last four quarterly instalments of €125k over the financial year.

During the financial year, Eos imaging did not take out any new loans.

Borrowings repaid during the financial year include repayments under the interest-free loan of €0.5 million and an instalment under the repayable advance of €85k.

Note 10: ACCRUED EXPENSES

Accrued expenses break down as follows:

	2019/12/31	2018/12/31
Debt obligations		
Accrued interest	148 442	148 442
Trade payables		
Invoices not received	1 810 143	2 743 924
Other charges payable		
Tax and social security		
Holiday pay paid and extras payable	1 273 881	887 771
Accrued social charges	596 484	428 208
Accrued taxes and levies	71 751	203 678
Other liabilities		
Royalties payable	942 987	1 569 420
Customers - suspense account	50 000	420 000
TOTAL	**4 893 688**	**6 401 442**

Note 11: PREPAID INCOME

Deferred income breaks down as follows:

	2019/12/31	2018/12/31
Maintenance revenue	2 154 839	1 518 841
TOTAL	**2 154 839**	**1 518 841**

Note 12: SHAREHOLDERS' EQUITY

- ***Changes in equity***

	Share capital	Issue and contribution premiums	Legal reserve	Carried forward	Profit/(loss) for the year	TOTAL	Dividends
Equity at 31-déc.-18	**262 379**	**21 558 956**	**20 557**	**(160)**	**(14 766 136)**	**7 075 596**	
Appropriation of profit (loss) N-1				(14 766 136)	14 766 136		
Allocation of loss carry-forward to issue premium		(14 766 296)		14 766 296			
Subscription of options	3 320	123 219					
Profit/loss) for year N					(12 147 430)	(12 147 430)	
Equity at 31-déc.-19	**265 699**	**6 915 879**	**20 557**		**(12 147 430)**	**(5 071 834)**	

- ***Capital increases***

Capital increases result from the following transactions:

- The exercise of 126,539 options, leading to the issue of 126,539 new shares;
- Creation of 205,500 new ordinary shares each with a nominal value of one euro cent, allocated free of charge to certain employees.

- ***Composition of share capital***

As at 31 December 2019, the share capital was €265,699. It was divided into 26,569,946 ordinary shares, fully subscribed and paid up, each with a par value of €0.01.

- ***Options***

The other plans issued by the Company and outstanding at 31 December 2019 were the following:

Type	Date awarded	Exercice price	In force at 12/31/2019
SO 2010	06/07/2010	1.00 €	231 625
SO 2010	20/05/2011	1.00 €	7 500
SO 2012	21/09/2012	4.07 €	253 307
BSA Administrateur	31/12/2012	4.24 €	-
SO 2014	23/05/2014	6.14 €	201 875
BSA IPF	31/03/2015	4.71 €	120 000
Actions gratuites	07/09/2017	- €	-
Actions de performance	07/09/2017	- €	-
Actions gratuites	12/12/2017	- €	-
Actions de performance	05/02/2018	- €	40 000
Actions gratuites	05/02/2018	- €	20 000
SO 2019	30/01/2019	2.68 €	1 319 500
			2 193 807

Note 13: PROVISIONS FOR LIABILITIES AND CHARGES

(in thousands of euros)	12/31/18	Increases	Reductions	12/31/19
Provision for litigation	399 355	352 290	(90 188)	661 457
Provision for installation costs		176 541		176 541
Guarantees given to customers	1 215 000	220 000	(624 667)	810 333
Total	**1 614 355**	**748 831**	**(714 855)**	**1 648 331**

The provision for disputes relates to three ongoing disputes as at 31 December 2019.

The provision for installation costs is intended to cover the installation costs of equipment that has been sold but not yet installed. This provision is recognised for services still to be supplied by technicians including the supply of materials and time spent on the site. This provision concerns sites that were invoiced before 2019.

Note 14: CONDITIONAL ADVANCES

In the context of its participation in the Industrial Strategic Innovation project, EOS imaging received a reimbursable advance from OSEO in July 2009, for a maximum amount of €1,275k.

As at 31 December 2019, amounts received totalled €822k. corresponding to the contractually financed portion of expenditure committed by the company, which was lower than the amount forecast on signing 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 was therefore required to pay the amount of €553k over a six-year period. Repayments since 2016 amount to €406k, including a repayment in July 2019 of €85k. The balance has therefore been reduced to €102k.

Note 15: TRANSACTIONS WITH RELATED PARTIES

No transactions were carried out with related parties on abnormal market terms.

Note 16: REVENUE BREAKDOWN

	2019/12/31			2018/12/31
	France	*Export*	*Total*	
Production sold (goods)	3 341 848	6 382 249	9 724 097	24 108 851
Provision of services	2 786 501	2 277 777	5 064 278	4 397 363
TOTAL	**6 128 349**	**8 660 026**	**14 788 375**	**28 506 214**

Note 17: RESEARCH AND DEVELOPMENT EXPENDITURE

The Company continued to develop new functionalities for EOS equipment and related applications. Research and development expenditure increased to €6,537k in 2019 compared to €5,403k in 2018. These costs were expensed in their entirety over the period.

Note 18: ADDITIONS TO AND REVERSALS FROM AMORTISATION, DEPRECIATION AND IMPAIRMENT AND PROVISIONS - TRANSFERS OF CHARGES

	Situation at the beginning of the year	Increases: additions during the year	Reductions: reversals during the year	Situation at the end of the year
Impairment	42 579 417	12 661 384	(13 624 814)	41 615 987
Provisions for liabilities and charges	1 614 355	748 831	(714 855)	1 648 331
Subtotal	**44 193 772**	**13 410 214**	**(14 339 669)**	**43 264 318**
Deprec., amort.	4 788 442	732 286		5 520 728
Subtotal	**4 788 442**	**732 286**		**5 520 728**
TOTAL	**48 982 214**	**14 142 501**	**(14 339 669)**	**48 785 046**

Note 19: FINANCIAL INCOME

	2019/12/31	2018/12/31
Financial revenue		
Better fortune clause		55 654
Other interest and analogous income	195 086	164 789
Exchange result		72
Reversals of impairment of receivables from equity interests	13 624 131	13 091 730
Subtotal	***13 819 217***	***13 312 245***
Financial expenses		
Interest and analogous charges	1 778 825	2 562 793
Loan pre-payment penalties	-	2 018 634
Exchange result	25 961	69 595
Impairment of receivables from equity investments	12 194 390	18 969 839
Subtotal	***13 999 175***	***23 620 862***
TOTAL	**(179 958)**	**(10 308 618)**

At 31 December 2019, financial income included financial interest charged to subsidiaries on current accounts and receivables from investments in the amount of €195k and a net provision on these advances of €1,430k.

Financial interest on the bond loan amounts to €1,774k.

NOTE 20: NON-RECURRING INCOME AND EXPENSES

	2019/12/31	2018/12/31
Non-recurring income		
Disposal of non-current assets	49 438	34 489
Reversal of provisions and depreciation	683	
Subtotal	***50 121***	***34 489***
Non-recurring charges		
Disposal of non-current assets	128 227	134 436
Impairment and other provisions	85 542	177 842
Fines and penalties	1 189	59 200
Miscellaneous	28 177	
Subtotal	***243 135***	***371 478***
TOTAL	**(193 014)**	**(336 989)**

Income and expense on te disposal of non-current assets relate to treasury shares.

5. OTHER INFORMATION

NOTE 1: LATENT AND DEFERRED TAX LIABILITIES

At 31 December 2019, total losses carried forward stood at €79,170k and included €14,201k in tax losses for the period.

NOTE 2: AVERAGE HEADCOUNT

The average number of employees in France breaks down as follows:

Employees	2019/12/31	2018/12/31
Managers	87	82
Non-executive	12	12
TOTAL	**99**	**94**

NOTE 3: OFF-BALANCE SHEET COMMITMENTS

3.1 Debt waiver and comfort letter

On 31 December 2014, the Company agreed to waive a receivable of €600,000 from OneFit. This waiver is coupled with a return to better fortune clause defined as the restoration of OneFit's shareholders' equity to a level at least equal to half its share capital. In the event of a return to better fortune, OneFit undertakes to re-credit its current account with the Company, within six months of the closing date of each statutory accounting period and up to the amount waived, with an amount equal to 20% of its net profit in that accounting period as stated on line HN of French tax return no. 2053, it being specified that this appropriation must not decrease its shareholders' equity below half of its share capital. In the event of an accounting loss, the loss would be carried forward to subsequent financial years and the amount payable would only be re-recognised in the financial year in which the losses are able to be absorbed and only for that fraction of the profit remaining after deduction of the loss.

At 31 December 2018, the Company received €56k under the return to better fortune clause, recognised in financial income. In 2019, no improvement was recorded in the accounts of EOS imaging and OneFit, given that the subsidiary made a loss.

EOS imaging SA has decided to implement all measures enabling it to financially support its subsidiary OneFit and thereby ensure it continues as a going concern over the next 12 months.

3.2 Agreements

As part of its drive to control procurement costs, the Group has put in place medium-term supply contracts, some of which contain volume commitments. Under these contracts the Group may be required to pay compensation if these volumes are not honoured.

3.3 Lump-sum retirement benefits

In accordance with French law, the Company fulfils its obligations to fund the retirement of its employees in France by making payments to organisations that manage retirement plans, calculated by reference to salaries. There is no other commitment associated with these contributions.

French law also requires, where applicable, the payment of a lump sum retirement bonus. This bonus is calculated by reference to the employee's number of years of service and salary at the time of retirement. Only employees working at the Company at the time they retire are entitled to this bonus.

The payments required by law are calculated for each person in employment at the end of the financial year by reference to their theoretical number of years of service on their retirement date. The amount of the commitment is valued using the projected unit credit method, which is a method that calculates the amount retrospectively from the employee's final salary. The method involves prorating projected retirement benefits to number of years of service over the period in which the entitlement accrues.

Calculations of retirement bonuses are based on the following assumptions:

Valuation date	31/12/19	31/12/18
Retirement methods	*For all employees*: voluntary retirement at 65	*For all employees*: voluntary retirement at 65
Level of social security expenses	50%	50%
Discount rate	0.80%	1.85%
Mortality tables	INSEE 2011 – 2013	INSEE 2012 – 2014
Rate of salary increase (including inflation)	4%	4%

The rights of the Company's employees in France are defined by the following collective bargaining agreements:

- National Metallurgy Industry Agreements (executives and non-executives)
- Regional Metallurgy Industry Agreement: Paris region (non-executives only).

As at 31 December 2019, the commitment in respect of retirement bonuses amounted to €531k.

3.4 Commitments under operating leases

The Company has a lease over its head office. The lease is for a period of ten full and consecutive years and the Company has the option to terminate the leases every three years.

The Company has taken out a sub-lease over a property where it carries out part of its production activities. The term of the sub-lease is equal to the remaining term of the principal lease i.e. 9 years, with the option for the Company to give notice every three years.

Total lease payments and future expenses break down as follows at 31 December 2019:

(in thousands of euros)	TOTAL	Up to 1 year	More than 1 year but no more than 5 years	5 years or more
Operating lease	4 815	603	2 262	1 950
Total	**4 815**	**603**	**2 262**	**1 950**

The lease payments recognised as expenses during the financial year ended on 31 December 2019 amounted to €541k.

As part of its drive to control procurement costs, the Group has put in place medium-term supply contracts, some of which contain volume commitments. Under these contracts the Group may be required to pay compensation if these volumes are not honoured.

3.5 Subsidiaries

EOS imaging SA has decided to implement all measures enabling it to financially support its subsidiaries on an unconditional basis and thereby ensure they continue as going concerns over the next 12 months.

NOTE 4: MARKET RISK

4.1 Liquidity risk

Cash and cash equivalents are held to meet short-term cash commitments rather than for investment or other purposes. They are readily convertible into a known amount of cash and are subject to an insignificant risk of a change in value.

The Company has carried out a specific review of its liquidity risk. In particular, it carried out a detailed assessment of repayments under the repayable advance, as described in detail in "4 - "Notes to the balance sheet and income statement / Note 14 - Conditional advances" and of repayments of bonds, the payment dates for which are set out below:

Maturity schedule of financial liabilities	Carrying amount	At up to 1 year	>1 yr up to 5 years max.	Over 5 years
Convertible debt obligations	29 692 069	148 442	29 543 627	
OSEO repayable advance - 2009	102 452	68 765	33 687	
Total liabilities	**29 794 521**	**217 207**	**29 577 314**	

If the Company does not comply with the contractual conditions of the repayable advance agreements entered into, it could be forced to repay the sums advanced ahead of schedule. Such a situation could deprive the Company of some of the financial resources needed to successfully pursue its development projects.

In relation to the convertible bonds, in the event that their terms are breached (for example, where the Company fails to pay interest or principal), or in the event of cross-default or a change of control of the Company, the holders of these bonds may require all the convertible bonds to be redeemed early. This risk is considered by the Company to be low.

On the basis of this review, liquidity risk was reassessed in light of the impacts of the Covid crisis - see note 3.2 (going concern). Nevertheless, the Company will continue to have significant financing needs to develop its technologies and market its products.

4.2 Currency risk

The role of the Company's subsidiaries is to distribute and market the Group's products in the United States, Canada, Singapore and France. They are accordingly financed entirely by the parent company, with which they have entered into service agreements and current accounts.

The main operational exchange rate risk to which the Group is exposed is the translation into euros of the US-dollar denominated accounts of EOS Imaging Inc., the Canadian-dollar denominated accounts of EOS Image Inc., and the Singapore-dollar denominated accounts of EOS Imaging Pte Ltd. This means that the Company is exposed to fluctuations in the euro/US dollar, euro/Canadian dollar and euro/Singapore dollar exchange rates through these subsidiaries.

At this stage in its growth, the Company does not use hedging strategies to protect its activity from fluctuations in exchange rates. It cannot, however, rule out the possibility that a substantial increase in business would increase its exposure to exchange rate risk. If those circumstances were to arise, the Company would adapt appropriate hedging strategies.

4.3 Credit risk

The Company prudently manages its available liquid assets. Liquid assets include cash and cash equivalents and short-term financial instruments held by the Company (for the most part money market funds and term deposits). As at 31 December 2019, these securities were exclusively fixed or determinable income with fixed maturities, other than loans and accounts receivables, which the Company has the intention and the ability to hold until maturity.

The credit risk related to cash and cash equivalents and short-term financial instruments is not significant in view of the creditworthiness of the counterparty financial institutions.

As for its customers, the Company does not have a significant concentration of credit risk. The Company has implemented policies enabling it to ensure that its customers have an appropriate credit risk history. However, the Company must take account of variable customer payment terms, which depend on a number of different factors:

<u>Sector-specific factors:</u>

- The Company sells medical imaging equipment for which installation, user training and acceptance of the equipment can be relatively long. These three items are pre-conditions to payment for the equipment, although pre-payments are sometimes obtained;
- The Company may grant relatively long payment deadlines as part of negotiating the sale agreement;
- The payment terms for public hospitals are traditionally long, irrespective of the contractual conditions entered into.

Geographical factors:

- Payment terms are traditionally long in certain geographic areas (Asia and the Middle East).

The collection rate for invoices less than 12 months old has increased appreciably. Clearing older receivables takes longer. Action is being pursued on export distribution sales, and significant progress is expected during 2019.

Lastly, possible impairment is assessed on an individual basis, taking account of various criteria such as the risk of non-recovery and the Company's experience with the debtor distributor.

4.4 Interest rate risk

The Company's exposure to interest rate risk primarily relates to cash and cash equivalents. These largely consist of term deposits. Changes in interest rates have no impact on the interest earned on term deposit accounts, since the return on those accounts is fixed.

NOTE 5: COMPENSATION ALLOCATED TO MEMBERS OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

Compensation received by members of the supervisory and management bodies is not disclosed, because this would require details of individual compensation to be provided.

NOTE 6: EVENTS AFTER THE REPORTING DATE

6.1 Agreement on the takeover of EOS by Alphatec Holdings Inc, and termination of this agreement

On 28 February 2020, the Board of Directors approved the entry into a tender offer agreement with Alphatec Holdings, Inc. (Nasdaq: ATEC), a medical devices company that specialises in innovative spinal surgery solutions. Under the terms of this agreement, ATEC would launch a takeover bid for all the shares and OCEANEs issued by EOS.

The Offer would consist of a principal tender offer in cash at a price of €2.80 per EOS share (the "Cash Offer") and, alternatively, an exchange offer with an exchange ratio of 1 ordinary share in ATEC for two EOS shares (the "Exchange Offer").

ATEC and EOS are two pioneers in their respective fields that provide innovative solutions for orthopaedic surgery. This transaction would strengthen their position in the overall orthopaedic market.

The deal is also backed by EOS's major shareholders. ATEC has received commitments to participate in the Exchange Offer from Fosun Pharma and Bpifrance Investissement relating to all their EOS shares, which together represent 21.35% of EOS's share capital. The Founder and the Company's Chief Executive Officer also committed to participating in the Exchange Offer.

EOS's Board of Directors resolved to establish an ad hoc committee composed of two independent members and has engaged Accuracy, pursuant to Article 261-1, I-2° and 5° of the AMF's General Regulation

and subject to approval by the AMF, as an independent expert to draw up a fairness opinion on the financial conditions of the Offer.

EOS's Board of Directors will meet again to issue a reasoned opinion on the Offer after analysing the report of the independent expert, the recommendation issued by the ad hoc committee and the opinion of the Social and Economic Committee.

The transaction will remain subject to the usual conditions precedent. Under the terms of the tender offer agreement, EOS also agreed to a standard non-solicitation undertaking. Under the terms of the tender offer agreement, EOS will have to pay, in certain scenarios, a break-up fee of €2.5 million to ATEC and ATEC will have to pay, in other cases, a reverse break-up fee of the same amount as EOS. This fee will be payable by EOS if its Board of Directors decides not to recommend that shareholders participate in the Offer.

In addition to the 50% threshold below which the Offer will lapse provided for in Article 231-9, I of the AMF's General Regulation, the Offer will be conditional on being accepted by those holding two-thirds of the EOS's share capital and voting rights on a fully diluted basis based on the results of the Offer in accordance with Article 231-9, II of the AMF's General Regulation.

ATEC intends to carry out a squeeze out following Offer at the price of the Cash Offer (€2.80 per EOS share) if the conditions for doing so are met.
The Offer is scheduled to be filed with the AMF at the end of April.

On **24 April 2020** EOS Imaging was informed by ATEC that it was terminating the previously announced tender offer agreement, under which ATEC had undertaken to launch a public offer for EOS. ATEC stated that it was terminating the agreement as a result of its assessment of the impact of the COVID-19 epidemic on EOS.

EOS disagrees with ATEC's analysis. Although the COVID-19 epidemic will have a short-term effect on EOS, as it will on others in the sector, EOS considers that this crisis will not have any impact on the company's long-term prospects.

The Board of Directors of EOS is currently assessing all potential options.

6.2 COVID-19 health crisis

The various regions in which the Company operates have gradually been affected by the COVID-19 health crisis. The initial business impact was seen in Asia in early January, before spreading in mid-March to Europe and North America. In all regions, the focus has been on employee and customer safety. The Company has implemented appropriate safeguards for its employees based on recommendations and guidelines issued by the French government and the governments of countries in which the company operates, such as remote working and travel restrictions. Employees who visited customer sites before the travel restrictions came into effect received the required protection.

With the continued increase in the number of patients with COVID-19, health systems are taking steps to address the increase in the number of admissions of such patients. Some private hospitals and imaging centres have discontinued their orthopaedic activities.

Installations that had been scheduled during the lockdown period have been delayed, and have been rescheduled for after lockdown measures are eased. The impact can be seen in the temporary delay in deliveries and in the corresponding revenue.

Order-taking for equipment has been hampered by sales representatives' limited access to hospitals, and by customers postponing their investment decisions due to a lack of visibility. The impact on sales is difficult to assess at this stage.

Maintenance activities have been limited to emergencies at establishments that remain open. The Company has, however, entered into annual flat-rate service agreements with most of its customers, covering annual maintenance and preventive monitoring, and therefore believes that the impact of the pandemic on maintenance revenue will be limited.

The Company has also adapted its production programme to the lag caused by its installation schedule and has reviewed its procurement schedules with its suppliers. It should be noted that the Company's key suppliers are mainly based in France, Canada and Europe and that the Company has not identified any specific supply-related risks at this stage.

The Firm has comprehensively assessed the impact of the crisis and implemented the necessary corrective actions so that it has visibility on its cash position until the end of the year.

The Company has therefore adapted the hours of European and North American employees by using short-time working and part-time leave. These measures will continue to be reassessed as the situation changes. The Company is making full use of measures aimed at easing the pressure on its short-term cash position: deferral of the payment of employer social security contributions, acceleration of the payment of the research tax credit, and more broadly, the use of support measures provided in connection with the health crisis by all the countries in which the Company operates. EOS imaging has also implemented a major cost reduction programme.

The Company is separately assessing various operational and structural financing options in addition to the use of factoring, which is already in place and has not been used since the beginning of 2020.

VI- 2019 STATUTORY AUDITORS' REPORTS

EOS Imaging

Société anonyme (public limited company)

10, rue Mercœur

75011 Paris

Statutory Auditors' Report on the consolidated financial statements

Financial year ended on 31 December 2019

DELOITTE & ASSOCIES
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EOS Imaging

Société anonyme (public limited company)

10, rue Mercœur

75011 Paris

Statutory Auditors' Report on the consolidated financial statements

Financial year ended 31 December 2019

To the General Meeting of Shareholders of EOS Imaging,

Opinion

In performance of the assignment entrusted to us by your General Meetings of shareholders, we have audited the consolidated financial statements of EOS Imaging for the financial year ended 31 December 2019, as attached to this report. These financial statements were approved by the Board of Directors on 27 April 2020 based on the information available at that date in light of the evolving Covid-19 health crisis.

We certify that, in light of the IFRS accounting framework as adopted in the European Union, the consolidated financial statements are true and accurate and give a fair view of the transactions during the past financial year, as well as of the financial position and assets at the end of the financial year, of the whole comprised of the persons and entities within the consolidation scope.

The above opinion is consistent with the content of our report to the Audit Committee.

Basis for the opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The responsibilities incumbent upon us by virtue of these standards are indicated in the section headed "Responsibilities of the Statutory Auditor in respect of the audit of the consolidated financial statements" in this report.

Independence

We conducted out audit in accordance with the rules on independence applicable to us for the period 1 January 2017 to the date of this report, and in particular we did not provide any services prohibited by Article 5(1) of Regulation (EU) No. 537/2014 or by the Code of Ethics of the Statutory Auditors profession.

Observations

Without qualifying our opinion, we draw your attention to the paragraph entitled "Changes in accounting policies" in Note 4 (Accounting principles and methods) to the consolidated financial statements, which describes the change in accounting method relating to the mandatory application from 1 January 2019 of IFRS 16 (Leases).

Significant uncertainty as to whether the Company is a going concern

Without its affecting the opinion expressed above, we draw your attention to the significant uncertainty linked to events or circumstances that might question whether the business is a going concern as described in the paragraph "Going concern" in Note 4 (Accounting principles and methods) to the consolidated financial statements.

Justification of our assessments - Key points of the audit

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, apart from the point described in the section "*Significant uncertainty as to whether the Company is a going concern*", we inform you of the key points of the audit relating to the risks of material misstatement which in our professional judgement were the most significant for the audit of the

consolidated financial statements for the year and the responses we provided to these risks.

The assessments were made in the context of our audit of the consolidated financial statements taken as a whole, determined as set out above, and the forming of our opinion expressed above. We do not express an opinion on the elements of these consolidated financial statements taken in isolation.

Procedures for valuing trade receivables

Risk identified

At 31 December 2019, trade receivables stood at €17.698 million as detailed in Note 11 (Trade receivables and other current assets) to the consolidated financial statements. These receivables relate mainly to sales of EOS equipment, with settlement terms sometimes extended contractually until installation at the final user's site by dedicated teams. At each balance sheet date, management calculates the outstanding amount, including in respect of sales made in previous years, which may vary in particular for discounts and rebates issued or estimated. It consequently adjusted the revenue and customer receivables in question.

We considered that the valuation of receivables was a key point of the audit in view of the significant size of these receivables in the consolidated financial statements and of the judgement required in assessing their recoverability.

Our response

Our audit approach to the valuation of customer receivables is based on substantive checks on the receivables. These consisted in:

- identifying old receivables, obtaining explanations of their age from financial and general management, examining compliance with contractual clauses relating to settlement of invoices and exchanges with the distributors or end users concerned as well as checking on progress with the installation of the equipment in order to assess the estimate made by the management of the prospects of recovery of these receivables;
- interviewing the sales teams to assess the risk of adjustment to the original price of uncollected transactions.
- taking note of lawyers' answers to our requests for information in order to identify possible difficulties in recovery that might not have had any impact on trade receivables.
- analysing the consistency of the valuation of trade receivables in light of the above information.

- Lastly, we examined the sufficiency and appropriateness of the information provided in note 11.1. (Trade receivables) to the consolidated financial statements in light of IFRS 9.

Specific verifications

We also carried out, in accordance with professional standards applicable in France, the specific verifications required by the laws and regulations of the information relating to the group provided in the Board of Directors' Management Report drawn up on 27 April 2020. Management has informed us that events that have occurred and information that has come to light after the reporting date concerning the effects of the Covid-19 crisis will be the subject of a document to be provided to the shareholders convened for the general meeting called to approve the financial statements.

We have no comments to make concerning its fairness and consistency with the consolidated financial statements.

Information resulting from other legal and regulatory obligations

Appointment of the Statutory Auditors

Deloitte & Associés were appointed as statutory auditors of EOS Imaging by the shareholders convened for the general meeting held on 13 June 2013, with their appointment renewed by the shareholders convened for the general meeting held on 5 June 2019.

PKF Fidea Contrôle was appointed by the shareholders convened for the general meeting held on 5 June 2019.

As at 31 December 2019, Deloitte & Associés was in the seventh consecutive year of its term and PKF Fidea Contrôle in its first year.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements that present a true and fair view in accordance with the IFRS framework as adopted in the European Union, as well as for setting up the internal controls it deems necessary to prepare consolidated financial statements that are free of material misstatements, whether due to fraud or error.

In drawing up the consolidated financial statements, it is incumbent upon the management to assess the company's ability to continue as a going concern, to provide such information relating to the going concern assumption as may be necessary or appropriate and to apply the going concern accounting principle unless it intends to put the company into liquidation or cease its activities.

The audit committee is responsible for monitoring the financial information reporting process and the effectiveness of internal control and risk management systems and, where applicable, of its internal audit, as regards the accounting and financial reporting and processing procedures.

The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the Statutory Auditor regarding the audit of the consolidated financial statements

Objective and approach of the audit

It is for us to draw up a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole do not contain material misstatements. Reasonable assurance means a high level of assurance, which does not however guarantee that an audit performed in accordance with professional standards will always detect every material misstatement. Misstatements may derive from fraud or from error and are considered material if, taken individually or together, they can reasonably be expected to be capable of influencing such economic decisions as users of the financial statements may take on the basis of those statements.

As specified by Article L.823-10-1 of the French Commercial Code, our certifying the financial statements does not imply assurance of the viability of your company or of the quality of its management.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgement throughout the audit and furthermore:

- it identifies and assesses the risks of material misstatements being contained in the consolidated financial statements whether deriving from fraud or from error, defines and implements audit procedures to address these risks and collects such evidence as it considers sufficient and appropriate on which to base its opinion. The risk of non-detection of a material misstatement arising from fraud is higher than that of such misstatement arising from error, since fraud may involve collusion, forgery, wilful omissions, false declarations or bypassing of internal controls;

- it takes note of such internal controls as are pertinent for the audit in order to define the appropriate audit procedures in each situation, but not with a view to expressing an opinion on the effectiveness of the internal controls;
- it assesses the appropriateness of the accounting methods applied and the reasonableness of the accounting estimates made by the management body, as well as the related information provided by management in the consolidated financial statements;
- it assesses the appropriateness of the management body's application of the going concern accounting principle and, depending on the evidence collected, the existence or otherwise of significant uncertainty associated with events or situations likely to cast doubt on the company's ability to stay in business. This assessment is based on the evidence collected up until the date of its report. However, subsequent circumstances or events could lead to the going concern assumption being called into question. If it reaches the conclusion that such significant uncertainty does exist, it draws the attention of readers of its report to the information provided in the consolidated financial statements regarding this uncertainty or, if this information is not provided or is not pertinent, it issue a qualified opinion or refuses to certify;

- it assesses the overall presentation of the consolidated financial statements and assesses whether the consolidated financial statements reflect the underlying transactions and events in a manner that gives a true and fair view thereof;

- it collects such evidence as it considers sufficient and appropriate concerning the financial information on the persons or entities included in the consolidation scope in order to express an opinion on the consolidated financial statements. It is responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on them.

Report to the audit committee

We submit a report to the audit committee which includes in particular a description of the scope of the audit work and the audit program implemented, as well as the conclusions based on our work. We also bring to its attention any significant weaknesses in internal controls that we may have detected as regards the procedures relating to the preparation and processing of accounting and financial information.

Our report to the audit committee includes the risks of material misstatement that we consider to have been the most significant for the audit of the consolidated financial statements for the year and that, therefore, constitute key audit matters that we are required to describe in this report.

We also provide the audit committee with the declaration required by article 6 of Regulation (EU) No 537-2014 confirming our independence within the meaning of the rules applicable in France as defined in particular by articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of ethics for the statutory auditors. If necessary, we discuss with the Audit Committee any risks to our independence and the measures taken to safeguard it.

Paris-la Défense and Paris, 30 April 2020

The Statutory Auditors

Deloitte & Associés

PKF Fidea Contrôle

A member of PKF International

Géraldine SEGOND

Aurélie LAFITTE

EOS Imaging

Société anonyme (public limited company)

10, rue Mercœur

75011 Paris

Statutory Auditors' Report on the parent company financial statements

Financial year ended 31 December 2019

DELOITTE & ASSOCIES
6 Place de la Pyramide
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EOS Imaging

Société anonyme (public limited company)

10, rue Mercœur

75011 Paris

Statutory Auditors' Report on the parent company financial statements

Financial year ended 31 December 2019

To the General Meeting of Shareholders of EOS Imaging,

Opinion

In performance of the assignment entrusted to us by your General Meetings of shareholders, we have audited the parent company financial statements of EOS Imaging for the financial year ended 31 December 2019, as attached to this report. These financial statements were approved by the Board of Directors on 27 April 2020 based on the information available at that date in light of the evolving Covid-19 health crisis.

We certify that the parent company financial statements are, from the perspective of French accounting rules and principles, true and fair and give a true image of the results of operations undertaken during the past financial year, as well as of the financial position and of the assets and liabilities of the Company at the end of this financial year.

The above opinion is consistent with the content of our report to the Audit Committee.

Basis for the opinion

Audit referential

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are described in the section of this report entitled "Responsibilities of the statutory auditors relating to the audit of the annual financial statements".

Independence

We conducted out audit in accordance with the rules on independence applicable to us for the period 1 January 2018 to the date of this report, and in particular we did not provide any services prohibited by Article 5(1) of Regulation (EU) No. 537/2014 or by the Code of Ethics of the Statutory Auditors profession.

Significant uncertainty as to whether the Company is a going concern

Without its affecting the opinion expressed above, we draw your attention to the significant uncertainty linked to events or circumstances that might call into question whether the business is a going concern as described in the paragraph "Going concern" in Note 3 (Accounting principles and methods) to the parent company financial statements.

Justification of our assessments - Key points of the audit

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, apart from the point described in the section "*Significant uncertainty as to whether the Company is a going concern*", we inform you of the key points of the audit relating to the risks of material misstatement which in our professional judgement were the most significant for the audit of the parent company financial statements for the year and the responses we provided to these risks.

The assessments were made in the context of our audit of the parent company financial statements taken as a whole, determined as set out above, and the forming of our opinion expressed above. We do not express an opinion on the elements of these financial statements taken in isolation.

Procedures for valuing customer receivables

Risk identified

At 31 December 2019, net customer receivables stood at €8.32 million. These receivables relate mainly to sales of EOS equipment, with settlement terms sometimes extended contractually until installation at the final user's site by dedicated teams. At each balance sheet date, management calculates the outstanding amount, including in respect of sales made in previous years, which may vary in particular for discounts and rebates issued or estimated. It consequently recognised a provision for impairment of trade receivables of €1,180k at 31 December 2019.

We considered that the setting of provisions for customer receivables was a key point of the audit in view of the significant size of these receivables in the company's accounts and of the judgement required in assessing their recoverability.

Our response

Our audit approach to the valuation of customer receivables is based on substantive checks on the receivables. These consisted in:

- identifying old receivables, obtaining explanations of their age from financial and general management, examining compliance with contractual clauses relating to settlement of invoices and exchanges with the distributors or end users concerned as well as checking on progress with the installation of the equipment in order to assess the estimate made by the management of the prospects of recovery of these receivables;
- interviewing the sales teams to assess the risk of adjustment to the original price of uncollected transactions in respect of old versions of the equipment.
- taking note of lawyers' answers to our requests for information in order to identify possible difficulties in recovery that might not have had any impact on trade receivables.
- analysing the consistency of the valuation of provisions for impairment of these trade receivables in light of the above information.

Specific verifications

We have also performed, in accordance with the professional standards applicable in France, the specific verification required by the legal and regulatory provisions.

Information given in the management report and in the other documents on the financial position and the financial statements sent to the shareholders

We have no remarks to make on the fairness and consistency between the parent company financial statements and the information provided in the management report

of the Board of Directors drawn up on 27 April 2020 and in the other documents on the financial position and the parent company financial statements sent to the shareholders.

Management has informed us that events that have occurred and information that has come to light after the reporting date concerning the effects of the Covid-19 crisis will be the subject of a document to be provided to the shareholders convened for the general meeting called to approve the financial statements.

We confirm the truth and agreement with the financial statements of the information relating to payment terms referred to in Article D.441-4 of the French Commercial Code.

Report on corporate governance

We confirm the existence, in the section of the Board of Directors' report on corporate governance, of the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

Concerning the information provided in accordance with the requirements of Article L.225-37-3 of the French Commercial Code on the compensation and benefits paid or awarded to directors as well as the commitments made for their benefit, we have verified its consistency with the accounts or with the data underlying these accounts and, where relevant, with the information received by the company from companies controlled by it within the consolidation scope. On the basis of this work, we attest to the accuracy and fair presentation of this information.

Concerning the information on factors that the Company has deemed liable to have an impact in the event of a takeover bid or exchange offer that is provided pursuant to the provisions of article L. 225-37-5 of the French Commercial Code, we verified its consistency with the underlying documents that were disclosed to us. Based on this work, we have no observations to make on this information.

Other information

In accordance with the law, we have checked that all the information related to the identity of the shareholders or holders of voting rights have been disclosed to you in the management report.

Information resulting from other legal and regulatory obligations

Appointment of the statutory auditors

Deloitte & Associés were appointed as statutory auditors of EOS Imaging by the shareholders convened for the general meeting held on 13 June 2013, with their appointment renewed by the shareholders convened for the general meeting held on 5 June 2019.

PKF Fidea Contrôle was appointed by the shareholders at the general meeting held on 5 June 2019.

As at 31 December 2019, Deloitte & Associés was in the seventh consecutive year of its term and PKF Fidea Contrôle in its first year.

Responsibilities of management and those charged with governance for the parent company financial statements

The management is responsible for the preparation of the financial statements giving a true and fair view in accordance with French accounting rules and principles and for putting in place such internal controls as it deems necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In drawing up the financial statements, it is incumbent upon the management to assess the company's ability to continue as a going concern, to provide such information relating to the going concern assumption as may be necessary or appropriate and to apply the going concern accounting principle unless it intends to put the company into liquidation or cease its activities.

It is incumbent upon the audit committee to monitor the process of preparing the financial information and the effectiveness of the internal control and risk management systems, as well as of the internal audit where applicable, as regards procedures for preparing and processing accounting and financial information.

The parent company financial statements have been approved by the Board of Directors.

Responsibilities of the Statutory Auditors regarding the audit of the parent company financial statements

Objective and approach of the audit

It is for us to draw up a report on the financial statements. Our objective is to obtain reasonable assurance that the financial statements taken as a whole do not contain material misstatements. Reasonable assurance means a high level of assurance, which does not however guarantee that an audit performed in accordance with professional standards will always detect every material misstatement. Misstatements may derive from fraud or from error and are considered material if, taken individually or together, they can reasonably be expected to be capable of influencing such economic decisions as users of the financial statements may take on the basis of those statements.

As specified by Article L.823-10-1 of the French Commercial Code, our certifying the financial statements does not imply assurance of the viability of your company or of the quality of its management.

Throughout the audit process carried out in accordance with professional standards applicable in France, the Statutory Auditor exercises its professional judgement. Furthermore:

- it identifies and assesses the risks of material misstatements being contained in the financial statements whether deriving from fraud or from error, defines and implements audit procedures to address these risks and collects such evidence as it considers sufficient and appropriate on which to base its opinion. The risk of non-detection of a material misstatement arising from fraud is higher than that of such misstatement arising from error, since fraud may involve collusion, forgery, wilful omissions, false declarations or bypassing of internal controls;
- it takes note of such internal controls as are pertinent for the audit in order to define the appropriate audit procedures in each situation, but not with a view to expressing an opinion on the effectiveness of the internal controls;
- it assesses the appropriateness of the accounting methods applied and the reasonableness of the accounting estimates made by the management body, as well as the related information provided by management in the financial statements;
- it assesses the appropriateness of the management body's application of the going concern accounting principle and, depending on the evidence collected, the existence or otherwise of significant uncertainty associated with events or situations likely to cast doubt on the company's ability to stay in business. This assessment is based on the evidence collected up until the date of its report. However, subsequent circumstances or events could lead to the going concern assumption being called into question. If it reaches the conclusion that such significant uncertainty does exist, it draws the attention of readers of its report to the information provided in the financial statements regarding this uncertainty or, if this information is not provided or is not pertinent, it issue a qualified opinion or refuses to certify;
- it assesses the overall presentation of the financial statements and whether they give a true and fair view of the underlying transactions and events;

Report to the audit committee

We submit a report to the audit committee which includes in particular a description of the scope of the audit work and the audit program implemented, as well as the conclusions based on our work. We also bring to its attention any significant

weaknesses in internal controls that we may have detected as regards the procedures relating to the preparation and processing of accounting and financial information.

Among the elements contained in the report to the Audit Committee are the risks of material anomalies that we consider to have been the most significant for the audit of the financial statements for the year and which therefore constitute the key points of the audit, which it behoves us to describe in this report.

We also provide the audit committee with the declaration provided by Article 6 of Regulation (EU) No. 537-2014 confirming our independence within the meaning of the rules applicable in France as laid down in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the Code of Ethics of the Statutory Auditors profession. If necessary, we discuss with the Audit Committee any risks to our independence and the measures taken to safeguard it.

Paris-la Défense and Paris, 30 April 2020

The Statutory Auditors

Deloitte & Associés	PKF Fidea Contrôle
	A member of PKF International
Géraldine SEGOND	Aurélie LAFITTE

VII- RISK FACTORS

Before deciding to invest in the Company's shares, potential investors are invited to carefully consider all the information in this Annual Financial Report, including the risk factors described in this section. As part of the preparation of this Annual Financial Report, the Company performed a review of the risks that could have a material adverse effect on the Group, its business, financial position, earnings and outlook, and believes there are no material risks other than those presented.

Investors' attention is nonetheless drawn to the fact that, under Article 16 of Regulation (EU) 2017/1129 of 14 June 2017 (the "**Prospectus Regulation**"), only the most material risks are cited and therefore the list of risks presented in this section is not exhaustive and that other risks, at present unknown or considered unlikely, at the date of this Annual Financial Report, to have a significant adverse effect on the Company, its activity, its financial situation or results or its ability to attain its objectives, may exist or might arise.

In order to identify and assess the risks likely to have an adverse effect on its activity, its financial situation or results or its ability to attain its objectives, the Company has mapped the risks associated with its activity. This exercise allows it to identify the potential risks and to assess the probability of their materialisation and, whenever possible, to evaluate the potential impact from a financial, legal and reputational point of view, as well as on the attainment of the Company's objectives. It also allows the measures put in place in the Company for managing these risks to be evaluated. Risk mapping is a management tool. It is examined periodically by the Company's Audit Committee. At the time of the periodic examination of risks, all the risks and mitigating measures are examined and re-evaluated. This tool is also completed by a detailed analysis of the causes and impacts in the event of the materialisation of any significant risk and takes account of the actions and controlling measures put in place by the Company. This method gives some insight in to the risk environment affecting the Company and enables it to define, if necessary, the action plan for risk management and the internal control and internal audit areas for the coming year.

Risk mapping allows the Company to identify its specific and significant risks. The Company has grouped these risks into six categories, with no hierarchy among them.

The following table summarises the significant risk factors specific to the Company, as identified by the Company, and indicates, for each of them, the probability of their materialising and their adverse impact on the Company, as assessed at the date of filing of this Annual Financial Report, taking account of the actions and control measures put in place by the Company at the date of filing of this Annual Financial Report. The probability of materialisation is evaluated at three levels ("low", "moderate" and "high") and the extent of their adverse impact is evaluated at four levels ("low", "moderate", "high" and "critical"). In each of the six above-mentioned categories the risks have been classed in accordance with this classification, the risks most likely to materialise and the worst adverse impact being placed first. The risk assessment has been carried out on 'net risk' basis (taking into account risk management measures). Nonetheless the occurrence of new events, either internal or external to the Group, may well lead to changes in this hierarchy in the future.

Reference	Risk factor	Probability	Adverse Impact
3.1. Market risk			
3.1.1	Risks associated with the coronavirus pandemic (COVID-19)	High	High
3.1.2	Risks inked to the economic environment and to local healthcare policies	Moderate	High
3.2. Commercial Risks			
3.2.1	Risks linked to the Group's transition into a business geared more towards the provision of services.	High	High
3.2.2	Risks linked to the pace at which healthcare professionals adopt EOS technology	Moderate	High
3.2.3	Risks linked to dependence on local sales partners	Moderate	High
3.2.4	Risks linked to the reliability of sales forecasts	Moderate	High
3.3. Technological risks			
3.3.1	Risks linked to the emergence of disruptive technologies	High	High
3.3.2	Risks linked to actions for infringement	Moderate	Critical
3.3.3	Risks linked to the foreseeability of execution of product development projects	High	High
3.3.4	Risks linked to the Group's ability to protect its intellectual property	Moderate	High
3.3.5	Risks linked to dependence on technologies belonging to third parties	Moderate	High
3.3.6	Risks associated with the security of the Group's information systems used to process personal health data	Moderate	Moderate
3.4. Operational risks			
3.4.1	Risks linked to dependence on sub-contractors for the supply of some of the components of its EOS equipment.	Moderate	High
3.4.2	Risks linked to dependence on a single partner for the integration of its equipment	Moderate	High
3.5. Financial risks			
3.5.1	Liquidity risks	High	Critical
3.5.2	Risks associated with the financing of operating costs linked to growth	Moderate	High
3.5.3	Risks linked to the issue of bonds	Moderate	High
3.6. Legal risks			
3.6.1	Risks linked to permanent compliance with laws and regulations on medical devices	Moderate	Critical
3.6.2	Risks linked to compliance with local laws by the Group and its partners	Moderate	High
3.6.3	Risks linked to potential harm to patients and users of the Company's products	Moderate	High

1 MARKET RISKS

1.1 Risks associated with the coronavirus pandemic (COVID-19)

Specific risks have been identified as a result of the coronavirus pandemic (COVID-19) in the countries where the Group operates. The crisis caused by this pandemic has had a direct impact on our sales and our installation, and therefore on our cash flow, growth, production, and consequently on our employees.

- The fact that healthcare centres are focusing solely on treating COVID-19, causing certain private imaging centres to temporarily close, has made it very difficult for our sales representatives to access prospective customers. This difficulty in accessing customers is compounded by travel restrictions in the majority of countries. This led to delays in taking orders beginning in March 2020. The Group anticipates that this delay in taking orders will not be remedied as soon as the acute phase of the pandemic ends and lockdown and social distancing measures are eased, as the economic environment that will remain uncertain and will therefore not be conducive to investment decisions. This postponement of investment decisions could be offset by public policies in support of the health sector (hospitals) and investments (private customers). The delay in orders has a very short-term impact on cash inflows by delaying partial payments on orders and, in the medium term, by delaying payments made on the installation of equipment.
- Installations of devices that have already been sold have also been delayed since March 2020 due to the lockdown measures introduced in the majority of countries in which the Group operates and due to the hospital resources being focused on managing the COVID-19 crisis. After a return to normal in the direct environments of hospitals and radiology practices, a full recovery in installation operations could subsequently be slowed down by residual restrictions on international travel and logistics. The Group expects that the backlog in installations will probably be worked through over the two or three quarters following the lifting of lockdown measures in the principal countries. The delay in installing devices also has a direct impact on cash inflows by delaying payments owed on the installation of the equipment.
- The personal protection measures put in place by the authorities in the various countries may also have an impact on the Group's supplies. These could disrupt our suppliers' industrial production or delivery logistics. This risk is low in the short term due to (i) our partner AXE systems holding a current stock of parts covering 2 to 3 months of production, and (ii) our suppliers holding safety stocks of finished sub-assemblies as defined in the purchasing contracts. In addition, all the Group's principal suppliers, other than two suppliers of RX generators, are based in Europe, thereby minimising the logistical risks. The Group discontinued its production activities as soon as installation were first postponed, thereby preserving all its stocks pending a gradual recovery in demand as described above.

In addition to measures to protect the health of its employees, the Group has already implemented several measures to minimise the impact of this crisis:

- Use of short-term support mechanisms put in place by governments: short-time working for some employees in France, furlough for some employees in the United States; deferred charges, tax credit advances, etc.
- Reduction in expenditure: attendance of scientific and technical conferences and marketing events in the 2nd and 3rd quarters was cancelled, deliveries of production components were frozen, etc.

- Implementation of a plan to minimise risks of disruptions to supply when demand recovers

However, the Group is unable to provide assurance that the impact of this crisis on its 2020 and 2021 performance will not be more extensive.

1.2 Risks inked to the economic environment and to local healthcare policies

In 2019, 68% of the Group's revenue came from customers outside France, with 32% of revenue coming from North America. Risks of an economic and political nature, more particularly in the area of healthcare, and other risks associated with international trade may significantly affect the Company's sales or make them less foreseeable and act as a brake on capital expenditure on equipment. The Group's results may be influenced by several factors, notably:

- a context of uncertainty regarding changes in healthcare policies may act as a brake on decisions to purchase the equipment which forms the core of the Group's current commercial offering;

- changes in local healthcare policies, possibly affecting administrative authorisation procedures for the purchase of major equipment for example, or altering the care pathway recommended by the healthcare authorities, or changing reimbursement policy for medical procedures, may have a significant impact on the attractiveness of the Group's products by adversely affecting prospects for return on investment;

- currency fluctuations may have a significant impact on the Group's results as 68% of its revenue in 2019 was generated outside the eurozone;

- the imposition by governments of taxes, customs duties, global economic sanctions programmes, embargoes, or additional restrictions on foreign trade, since part of the Group's revenue is generated in countries the trading relations with which are currently the subject of international tension. In 2019, the Group did not generate any revenue or generated an insignificant amount of revenue in these regions described above;

- the inability to obtain the necessary import or export authorisations;

- any inability to comply with export or import laws and constraints or any breach of regulations regarding sanctions that may lead to enforcement measures, civil or penal sanctions and export restrictions;

The risk management measures put in place by the Group are the following:

- creation of a specific hire-purchase offering designed for new customers, thus allowing them to minimise their investment risks in situations that they find uncertain; and

- extension of the product portfolio to the provision of services (Software as a Service – SaaS) in order to move beyond reliance on the equipment market and so reduce the risks associated with this market while at the same time boosting recurring revenue

2 COMMERCIAL RISKS

2.1. **Risks linked to the Group's transition into a business geared more towards the provision of services.**

In 2018, the Group launched service activities, representing €0.2 million, or 1% of revenue in 2019, for its radiologist and orthopaedic surgeon customers. This involves on the one hand performing 3D modelling of bone structures for them, based on the EOS images of the patient's anatomy previously stored on our Internet portal, and on the other hand giving them access on our website to software applications allowing 3D pre-operative planning of positioning of implants. This type of service is commonly referred to as "Software as a Service": SaaS. The Group has identified risks inherent in the marketing of these new activities.

The growth rate of these service activities is heavily dependent on the match between the structure of the sales offering and the sales channel used on the one hand and the characteristics of local markets on the other. The variability of the latter is much greater than that of the markets in which the Group has historically been present, especially that of imaging equipment. Having to take account of national particularities may entail additional costs and hold back roll-out in the various countries in which the Group is already present.

The success and profitability of these service activities will also depend on striking the right balance between the front-end resources in charge of selling to a highly diverse clientèle given that approaches must be made individually to each surgeon, not to an institution, and the back-end resources responsible on the one hand for developing the IT, contractual and regulatory tools appropriate to each country and on the other for carrying out the 3D modelling and planning operations at the levels of speed and quality expected. Non-harmonious development of these resources may lead to loss of credibility, cost overruns and delays in roll-out.

The analysis of the 3D information provided by these service activities and its clinical application require significant training of users and of the Group resources in charge of promoting and marketing them. A lack of proper understanding of the original contribution of the 3D information provided by the EOS solution, and more particularly of its specificity relative to the 2D information provided by conventional imaging currently used by radiologists and surgeons, may hold back subscription to the services offered, their use in daily practice and consequently the Group's revenue.

This activity (Software as a Service) is based on software applications and is therefore exposed to several risks linked to this type of technology. More specifically, the software applications used to model and plan SaaS must be compatible with the various software application versions existing on the installed base and generating the images. This constraint could exclude part of the installed base from the SaaS offering if it could not be upgraded for technical reasons. It could also act as a brake on the roll-out of new products and services because of the weight of this backward compatibility. These applications are also based on the use of personal health data specific to each patient. They must therefore be designed and implemented in a manner that ensures the confidentiality, integrity and availability of this data. Compliance with such regulatory obligations, which may vary from one country to the next, may require additional resources or lead to delays in the deployment of the SaaS service offering, which will have an impact on the Group's performance.

The risk management measures put in place by the Group are the following:

- establishment of contractual, regulatory and IT environments adapted to the specific constraints of the Group's main markets (USA, France and the rest of the European Union).

These environments will gradually be extended to other markets that are receptive to an SaaS offering;

- definition of different sales packages adapted to the specific features of local markets: "try and buy", inclusion in the sale of equipment of a flat fee for a given number of patients to be 3D modelled and/or planned, sale of points giving access to 3D modelling and/or planning in accordance with a scale established on the basis of the complexity of clinical cases;

- development of pilot schemes with distributors including training on the clinical value of the offering and strategies for approaching customers;

- consolidation of the Group's various R&D teams involved in developing the software applications needed to put in place the SaaS offering in order to optimise the way backward compatibility constraints are taken into account and addressed; and

- reorganisation of the team in charge of expanding the SaaS activity under the leadership of its marketing department in order to integrate a comprehensive offering adapted to each market.

2.2. Risks linked to the pace at which healthcare professionals adopt EOS technology

The Company believes that healthcare professionals will make regular use of its products and applications only when they are convinced, based on clinical data or scientific publications, that its products offer advantages or are an indispensable alternative to equipment already on the market, which they are already experienced in using. The sales cycle for EOS devices, which is by nature long, is in direct competition with hospitals' other equipment purchases.

Without the ongoing endorsement of healthcare professionals, the pace of the widespread roll-out of EOS seen in recent years (average growth of 29% in the installed base over the last five years, reaching more than 360 units by the end of 2019) could be slowed, which could have a material adverse effect on the Group, its business, financial position, earnings, growth and prospects.

The risk management measures put in place by the Group are the following:

- support for clinical trials in order to demonstrate the clinical value of its solutions, particularly in the areas where these are not yet recognised as care standards;

- deployment of a customer profitability analysis simulator based not only on revenue from imaging examinations but also on the recruitment of additional patients (i) for imaging due to increased demand for EOS examinations from prescribing doctors other than orthopaedic surgeons, as they are convinced by EOS's benefits in reducing radiation doses and in providing comprehensive information on posture and (ii) for surgery due to the attractiveness for patients of better controlled surgical procedures thanks to the 3D approach.

2.3. Risks linked to dependence on local sales partners

The Company makes use of local distributors and/or strategic partners for marketing and distributing its products in 25 of the 34 countries in which its products are currently installed and in new countries. As a result, the Company has no direct control over sales in these countries. However, over the last 3 financial years i.e. 2017 to 2019, the top three distributors contributed 17% of total sales. These distributors also advise the Company on local regulatory authorisations and the training of healthcare

professionals as well as on relations with government agencies. The Company's ability to generate sales in countries or regions where it relies on local distributors and/or strategic partners will depend largely on the efforts of these third parties over which the Company exercises only limited control. If the current international distributors fail to sell the Company's products or sell them in lower volumes than anticipated, the Company could see its results diminish or not attain its forecasts.

Also, if the Company is not in a position to identify and create links with local distributors and/or appropriate strategic partners in the countries where it intends to market and distribute its products, its activities, its financial position and its results could be affected.

The risk management measures put in place by the Group are the following:

- training and involvement of partners by means of regular meetings;
- strengthening of the Regional Sales Managers structure so as to carry out regular monitoring of the Group's partners; and
- contractual imposition of minimum annual sales for distributors.

2.4. Risks linked to the reliability of sales forecasts

Forecasts of sales of equipment and services by the sales teams play a fundamental role in several of the Company's processes, such as the establishment of the annual budget and possible adjustments to it during execution, the establishment of the annual production plan and any adjustments during execution, and negotiations with industrial suppliers which lead to reciprocal commitments on quantities and price, and periodic adjustments to quantities to be delivered. An over-estimate of these annual and quarterly forecasts may lead to an over-commitment of human and material resources, adjustment of which could lead to additional costs for the Group. Conversely, an under-estimate could lead to interruptions in supply and inability to supply products within the time frames expected by clients. A lack of reliability of sales forecasts could also lead to inappropriate management of analysts' and investors' expectations.

To manage this risk, the Group has put in place the following actions:

- continuous improvement of the methodology and tools allowing the degree of maturity of sales prospects to be measured;
- reinforcement of sales forces' discipline so as to make full use of the CRM tools.

3 TECHNOLOGICAL RISKS

3.1. Risks linked to the emergence of disruptive technologies

The Group's products are based on original technologies protected by patents. The Group continues to invest in research and development to extend these technologies so as to retain its competitive advantage. The appearance of new technologies in the areas at the heart of the Group's business activities could offer competitors the means to circumvent the intellectual property protection put in place by the Group, and even give them decisive advantages in terms of performance or cost over the technologies currently in use. In particular, artificial intelligence (AI) and deep learning techniques could profoundly change the processing of information in the field of medical imaging. The emergence of such direct competition would have an impact on the Group's business, its financial position and its results.

To manage this risk, the Group has put in place the following actions:

- continuous investment in Research and Development (12% of the Group's expenditure) so as to maintain its lead over the competition;
- permanent monitoring of progress of academic research in areas likely to benefit its current and future products, most particularly in the field of emerging technologies such as artificial intelligence or multispectral imaging;
- development of collaboration programmes with academic research laboratories that excel in their respective scientific fields.

3.2. Risks linked to actions for infringement

For the success of its business, it is important that the Group be able to exploit its products and technology freely vis-à-vis patents or third-party intellectual property rights.

Even though the Company regularly has its Intellectual Property Advisors conduct studies on its freedom of operation, studies which up to now have not identified elements of a nature to reduce this freedom of operation, it cannot ensure that there are no patents or other third-party intellectual property rights that may apply to some of the Group's activities, products or technologies enabling these third parties to bring a legal action for infringement, or for a similar ground, against the Group in order to obtain damages or cessation of the use of the product or process called into question.

If these legal actions are carried out to conclusion and acknowledged, in full or in part, to have foundation, the Group could be forced to stop or delay the research, development, manufacture or sale of the products or processes affected by these actions, which would significantly affect its activities.

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

- stop manufacturing, selling or using the products or technology called into question, in a given geographic zone, which could reduce its revenue;
- obtain, under conditions unfavourable to the Group, a license to the third-party intellectual property rights; and
- find alternative solutions in order to avoid infringing the third-party intellectual property rights, which could turn out, in some cases, to be impossible or costly in terms of time and financial resources, and could thus be an obstacle to its marketing efforts.

A lawsuit brought against the Group for product infringement, regardless of its outcome, could moreover result in substantial costs, disorganise the Group's operation, and compromise all or part of its business, image and reputation. At the date of this Annual Financial Report, the Company has not been the subject of any such proceedings and the Company has not brought any such proceedings against any other company.

The materialisation of one or more of these risks could have a material adverse effect on the Group's business, its earnings, financial position, growth and prospects.

The measures put in place by the Group to manage the risks linked to the protection of its intellectual property, which are described in section 3.4, also enable it to manage the risks the materialisation of which would affect its freedom to operate.

3.3. Risks linked to the foreseeability of execution of product development projects

The Group's growth relies largely on the development of new products and of new functionalities for existing products. These developments are carried out in the form of projects led by multi-functional teams at the heart of which are the R&D teams. The planning of such projects has a major impact on the establishment of the Company's medium- and long-term strategic plans and of its annual budgets. Inadequate predictability in the execution of product development projects could affect the Group's results, notably by reason of:

- changes made to the business growth plan;
- unforeseen expenses incurred; and
- additional costs linked to long-term commitments with the suppliers involved in future production.

The risk management measures put in place by the Group are the following:

- reinforcement of the division in charge of managing R&D projects;
- and improvement in the execution of software application developments in accordance with the "Agile" methodology allowing progress made to be measured continuously; and
- increased safety margins in project execution, where necessary by adding contractors.

3.4. Risks linked to the Group's ability to protect its intellectual property

The Company could experience difficulties obtaining some of its patent applications currently being examined. Furthermore, the issuance of a patent does not ensure its validity or enforceability, both of which may be disputed by third parties. In addition, the Company has not, to date, filed patent applications in all the countries in which it operates, even though patents or patent applications are usually filed in countries that represent the most important markets for the Group or whose scientific and technological maturity is conducive to the development of competing solutions: the United States, the most significant European countries and, where applicable, Japan.

The Company cannot guarantee with total certainty that:

- the Group's patent applications that are in the review process will actually result in the issuance of patents and accordingly in the protection of the inventions that are the purpose of the patent applications in question in all the countries where these patent applications have been filed;
- the extent of the protection provided by the patents will be sufficient to protect it against competition and the patents of third parties covering similar products or devices;
- the Group's competitors are not developing a technology or products similar to those of the Group; and

- the patents issued to the Group will not be disputed, invalidated or circumvented. Third parties could therefore successfully challenge the validity of the Group's patents before a court or in the context of other proceedings, which, depending on the outcomes of those challenges, could reduce the scope of these patents, lead to their invalidity or enable competitors to circumvent them. Therefore, the Group's rights under its patents might not provide the expected protection against competition. As at the date of this Annual Financial Report, the Group is not aware of any formal challenge of this type from third parties.

Nor can the Company ensure that the EOS system and its technology, which are closely linked to the Company's know-how and commercial secrets, are adequately protected against competitors and cannot be usurped, or circumvented, by the latter. In the collaboration and research and development agreements entered into by the Group, it may have cause to provide its co-contractors, in various forms, with certain items from its know-how, whether protected by patents or not, particularly information, data or knowledge concerning research, development, the manufacture and marketing of the EOS system. Confidentiality agreements routinely signed in these circumstances may not be complied with.

The materialisation of one or more of these risks could have a material adverse effect on the Group's business, financial position, earnings, growth and prospects.

The risk management measures put in place by the Group are the following:

- reinforcement of the policy of registering patents to protect the development of new products and renewing or updating the portfolio of patents on technologies already being sold in order to pre-empt the expiry of the oldest patents; and

- an analysis of intellectual property is carried out at the beginning of each R&D programme to identify any existing patents that could impose constraints as well as opportunities for registration by the Group. A protection strategy is then defined and updated at each milestone of the programme.

3.5. Risks linked to dependence on technologies belonging to third parties

The Company may use technologies belonging to third parties the protection and future evolution of which it therefore does not control. For example, it holds two exclusive worldwide intellectual property licences relating to the technology used to reconstruct 3D images from one, two or more two-dimensional X-ray views. The licences are granted, respectively, by the École de Technologie Supérieure (ETS) of Montreal and by the Association de Recherche Technologie et Sciences (ARTS), the latter acting in partnership with the Georges Charpak Human Biomechanics Institute (former Biomechanics Laboratory) of the École Nationale Supérieure d'Arts et Métiers. In the context of these licenses, the Company has undertaken to pay both of these institutes a proportional fee on the sale price of the EOS systems. until the end of 2022.

As long as the Group uses licensed technologies, it will be dependent on the technologies licensed to it. Improvements could be made to these technologies by their owners and made available to competitors of the Group, which would thus lose a competitive advantage, which in turn would be likely to have a significant adverse effect on the Group, its business, its financial position, its results, its development and its prospects.

The Group has put in place a strategy to protect the improvements that it has made, or that might be made, to these technologies to improve their performance in the areas specific to its activity with a view to maintaining a competitive advantage beyond 2022.

3.6. Risks associated with the security of the Group's information systems used to process personal health data

In the normal course of its SaaS activities, the Group collects, stores and transmits large quantities of personal health data. It is essential in maintaining the Group's competitive position that such data transmissions are carried out securely in order to preserve the confidentiality and integrity of this information. However, protection of such data is made more difficult by the need to make it accessible to authorised persons located outside the Group. SaaS service activities rely on the communication of patients' personal data between customers' healthcare employees and the Group's tools and employees, in compliance with the national IT security rules that may require IT infrastructures to be located in customers' territories, leading to the need for multiple infrastructures and therefore multiplying the associated risks.

The Group may be exposed to threats to its computers, its communication systems and its databases, by unauthorised access, hacking, computer viruses, malicious codes, cybercriminal attacks, cyber-attacks and other security problems and system disturbances. Unauthorised persons may thus attempt to hack the Group's systems to obtain the personal data of patients treated as part of its SaaS activities. At the date of this Annual Financial Report, the Group has not identified any attacks on its systems or attempts by unauthorised persons to access confidential data.

If events of this kind were to occur, the Group could expose patients to the risk of their data being altered, which may have an impact on the provision of healthcare, or identity theft. The Group may lose customers or have greater difficulty in attracting new customers. Lastly, the Group could be exposed to lawsuits brought by patients, have sanctions or fines imposed on it in accordance with applicable laws and regulations and be forced to incur expenses as a result of breaches of confidentiality of data or suffer other adverse consequences, notably legal action, and the Group's reputation could be damaged.

In addition to complying with the GDPR, the risk reduction measures put in place by the Group are the following:

- identification of Data Privacy Officers ("DPOs") within the organisation, charged with analysing the risks of breaches of data integrity and developing and executing a data protection plan;
- an action plan is in place to obtain HiTrust certification, confirming the pertinence of the procedures put in place to ensure the protection of the personal health data handled by the Company;
- the use of approved healthcare data hosts to store the healthcare data used by the 3D services
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4 OPERATIONAL RISKS

4.1. Risks linked to dependence on sub-contractors for the supply of some of the components of its EOS equipment.

The Company relies on external partners for the co-development or supply of technologies that do not form part of its core business in order to incorporate them into its products. It is therefore subject to risks linked to these partners' ability to supply components or sub-assemblies with the required performance and within the delivery times established.

During the development phase, a delay or a shortfall in performance could affect the Group's R&D programme and entail additional costs, delay or even cancellation. Inadequate performance could also lead to a downward revision of the performances of the Group's product, which could affect sales prospects. Where the technology in question is controlled by a very small number of operators, the use of an alternative partner becomes more complicated.

During the production phase, delivery delays or insufficient quality could lead to production - and therefore delivery - delays for complete products or spare parts that are used in the maintenance of installed products. This could affect the Company's image, incur additional costs, delay customer payments and affect its results, growth and prospects.

The EOS system therefore includes components and sub-assemblies of various kinds produced in part by the Company (X-ray detectors) and in part by third parties (X-ray tubes and generators, for example).

Given its production volumes and the technical characteristics of its products, the Group does not have two sources of supply for all its components.

Concerning the mechanical and electronic components, the Group considers its risk of dependence low because it could obtain supplies from competitors of its current sub-contractors.

Concerning the X-ray detectors that are manufactured and tested internally, the Group cannot rule out risks associated with defects or deriving from production processes that could impair performance and reduce the flow of production. High-performance equipment has, however, been introduced to automate the most critical operations previously carried out manually and exacting quality processes have been put in place. These actions have enabled us continuously to improve manufacturing performance since 2015 and so to increase production capacity without significant capital expenditure. The Group has identified potential secondary sources of the detectors used in the new EOSedge generation, which are supplied by an external supplier, Direct Conversion, a company in the Varex Group.

In 2013, the Group developed a secondary source of supply of X-ray generators. Production is thus currently shared between these two simultaneously active sources.

Concerning X-ray tubes, the Group is looking at the possibility of adding a second supplier with an equivalent performance to its first supplier.

It should be noted that the development of secondary sources of these critical components entails a minimum supply chain qualification and adaptation period, and in many cases the obtaining of new regulatory certifications. It also leads to lower purchasing volumes by suppliers, with a potential increase in costs. It could therefore have a significant effect on the Group, its business, financial position, earnings, growth and prospects.

The risk management measures put in place by the Group are the following:

- During the initial research and development phases:
    - an analysis of the technical and execution risks is carried out in respect of each R&D programme and technical feasibility stages are gone through before completely committing the Group;
    - contracts signed with such partners contain detailed clauses on performance and times; and
    - a second source of co-development or supply is identified where possible and monitored throughout the R&D programme. It may possibly be classified as a second source of supply once the Company's product has gone into production.
- During the production phases:
    - an emergency plan is defined in supply contracts, including levels of reserve stocks to be held by suppliers; and
    - a second source has been identified for major critical components, in most cases qualified.

4.2. Risks linked to dependence on a single partner for the integration of its equipment

The EOS system is partly produced by the Group itself (the detectors and the IT system) and partly by third parties (for some sub-sections and for the final device). In particular, the Group uses a single integrator, AXE Systems, to assemble EOS equipment.

The Group's compliance with international laws and regulations as a manufacturer of medical equipment therefore relies in part on this external partner, which is itself considered as a manufacturer by certain regulatory authorities. This external partner of the Group must maintain for its production and production support activities a quality system comparable in all respects with that of the Group, which entails additional costs. This constraint gives rise a potential conflict of priority between its actions on behalf of the Group and those on behalf of its other customers, which may represent, for the partner, a larger volume of business or higher profitability.

The risk management measures put in place by the Group are based on close monitoring of the partner's compliance and performance (audits, periodic reviews) and proactive support for any and all corrective actions.

5 FINANCIAL RISKS

5.1. Liquidity risk

The company reiterates that, to finance its business activities, the company relies in particular on BPI loans and advances, which are described in notes 15 and 26 to the consolidated financial statements.

As set out in note 4.13 to the consolidated financial statements, at 31 December 2019, the Group's cash and cash equivalents were €8.2 million.

During the second half of 2019, the Company demonstrated its ability to limit its cash consumption (-€0.5m over the period), thanks in particular to a reduction in its working capital requirements.

The company has:

- A high level of inventory, linked to the delay in the new sales cycle being taken into account in production schedules, which allows it to limit acquisition of these supplies in 2020.
- Visibility over its installations, the stage that triggers customer payment.

At 31 December 2019, the company had customer receivables, net of provisions, of €17.7m and an order book, net of prepayments received, of €12.3m.

The impact of the COVID crisis can be principally seen in:

- Delayed installations during the lockdown phase, which has resulted in a temporary delay in deliveries and in the corresponding revenue
- order-taking for equipment being hampered by sales representatives' limited access to hospitals, and by customers postponing their investment decisions due to a lack of visibility. The impact on sales is difficult to assess at this stage.

The measures put in place include:

- alterations to the production and supply programme due to delays in deliveries to customers
- continued reductions to working capital requirements
- The implementation of a major cost reduction programme.
- short-time working or leave for employees whose activity is affected,
- the use of short-term support mechanisms put in place by governments: deferred social security contributions, early repayment of research tax credits, etc.

As a result of the Covid-19 health crisis and based on the updated budget forecasts, the company believes that its cash holdings will be sufficient at least until the end of December 2020, but that it may need to structure its financing in order to meet its cash requirements after that date. In this respect, the company has several options, which may include:

- the development of factoring, for which it already has an agreement, which could represent financing of an average value of around €1 million.
- the use of borrowing, up to a limit of €2.5 million, authorised under the Océanes agreement.
- a loan from the Small Business Association in the United States, provided in connection with the health crisis.
- applying for a state-guaranteed loan in France, provided in connection with the health crisis.
- long-term refinancing which could take the form of a strategic partnership or a fund-raising round depending on market conditions.

The Company may be unable to raise additional capital when it needs it, or this capital might not be available at financial conditions that are acceptable to the Company. Furthermore, if the Company raises capital by issuing new shares, shareholders' stakes could be diluted. Debt financing, if available, could also include restrictive conditions for the Company and its shareholders.

5.2. Risks associated with the financing of operating costs linked to growth

Since its creation in 1989, the Group has posted operating losses, which are explained by the innovative nature of the products developed, which involve a research and development phase of several years, and by the significant investments made in sales networks in key export markets, and particularly in the United States.

As at 31 December 2019, its cumulative operating losses over the last three financial years ended on 31 December 2017, 2018 and 2019 reached €30.705 million including an operating loss of €16.693 million for the financial year ended 31 December 2019.

The Group could experience additional operating losses in the coming years as it pursues its commercial development and research activities, especially in view of:

- increasing regulatory requirements covering its products' performance and the clinical data related to it;
- the need to make further investments in sales networks to support the growth in EOS sales in its current markets and in new markets;
- the need to obtain new certifications to support the sales of EOS in new markets; and
- the need to renew authorisations already held following product developments in a significantly tightening global regulatory context.

The accumulation of operating losses could lead to a loss of investor confidence. The Company might also be obliged to fund itself in adverse circumstances (for example, high interest rates or low stock price).

The main risk management measure put in place by the Group is the control of increases in expenditure, both in terms of budget preparation and of monitoring of operating expenses and their projection in the context of budget reviews.

5.3. Risks linked to the issue of bonds

In May 2018 the Company issued convertible bonds (option to convert and/or exchange for new and/or existing shares), with a maturity of 31 May 2023, for a nominal amount of €29,543,626.80. The bonds bear interest at a nominal annual rate of 6%, payable half-yearly in arrears on 31 May and 30 November of each year, the first interest payment date being 30 November 2018. The Company's ability to repay the bond borrowing at maturity depends in part on its future performance, which is subject to the success of its products and of its future activities, but also to economic, financial and competitive factors beyond its control. Furthermore, the Group might contract additional debts in the future, some of which might be guaranteed debts. Although the terms of the convertible bonds do not prohibit the Group from contracting additional debts, they could have the effect of reducing its ability to repay new debts at maturity.

The contract governing the bonds contains the usual restrictive clauses and the usual causes of default. The restrictive clauses include in particular limitations on the creation of new security on the Group's assets. In the event of failure to comply with the convertible bond conditions (and particularly in the event of failure to pay interest or principal, cross-default or change of control of the Company, bondholders could demand early repayment in full, which would have a substantial adverse effect on the Company's business and prospects and could entail a fall in the price of its ordinary shares).

6 LEGAL RISKS

6.1. Risks linked to permanent compliance with laws and regulations on medical devices

The Group's products are classed as medical devices and as such are subject to specific laws and regulations in all the countries in which they are manufactured, tested or marketed. These laws and regulations impose obligations, in particular with regard to:

- design;
- clinical product validation;
- manufacture, control and quality assurance of the products;
- labelling of the products, including instructions;
- storage of the products;
- identification and traceability of the products;
- procedures for data retention; and
- surveillance subsequent to market introduction and reporting of incidents related to the products' use.

These regulations apply to the Group as manufacturer of these products.

In fact, the Group's products are subject to strict regulation that is constantly evolving and that governs their marketing and sales. These regulatory constraints have a strong impact on all the Group's activities: development, control, manufacture, sale and maintenance of products.

Compliance with this regulatory process can prove long and costly, and there is no guarantee that marketing authorisations or quality certifications will be obtained or of how long it may take to obtain or renew such authorisations or certifications. If quality certification or authorisation to market the Group's products were denied, suspended or withdrawn, their sales and marketing could be delayed or prohibited in the countries involved.

New regulatory constraints could prevent the sale of the Group's products in the event of withdrawal, suspension or non-renewal of marketing authorisations or slow sales by making the products' manufacture or development more costly.

Such situations, were they to occur, would be likely to have a material adverse effect on the Group's image, its business, is financial position, its results, its growth and its prospects.

The risk management measures put in place by the Group are:

- continuous monitoring of regulatory reforms concerning medical devices by the Regulatory team, with the support of external consultants for remote markets;

- a plan to make the Group's products compliant with new EU regulation 2017/745 on medical devices, the implementation of which has been postponed until after May 2020 due to the Covid-19 pandemic;

- annual internal audits carried out by external consultants; and

- incorporation of regulatory requirements into product specifications.

6.2. Risks linked to compliance with local laws by the Group and its partners

The Group is unable to provide any guarantee that its suppliers or subcontractors comply or will comply at all times with the applicable laws. For example, AXE systems, the Group's partner that integrates the EOS products and is itself registered as such with the FDA, has a critical role as stated in risk factor 3.4.2. The notified body, in the event of a certification or follow-up audit, or the regulatory authorities, during an inspection or at the time of any other regulatory process, might identify breaches of regulations or applicable standards and require them to be remedied by corrective actions, or even order the suspension of production and delivery of the Group's products until the breaches are remedied. The implementation of corrective actions, the suspension, total stoppage or total or partial prohibition of the activities of the Group or of one of its suppliers could materially affect the business, financial position, results and reputation of the Group.

In addition, the Group markets its products in a number of international markets (51% of 2019 revenue was generated outside the EU, of which 37% was generated through distributors; 55% of the installed base was outside the EU, 28% of which was in countries for which distributors were responsible) and aims to extend this international coverage. In order to be able to market and sell its products in a particular country or region, the Group and/or its distributors must comply with the laws and regulations of that country or region. Although the laws and regulations of some countries do not hinder the marketing and sale of some or all of its products or require notification, others require the Group and/or its distributors to obtain approval from the local regulatory authorities. These laws and regulations and the time require for a regulatory examination vary from one country to another.

Obtaining regulatory authorisations is a long and costly process. The Group cannot be certain that its distributors or the Group itself will receive the regulatory authorisations for its products, their future evolutions or any future product in each country or region in which the Group envisages selling them. It is possible that the Group will not comply with the equality and safety standards required to keep the authorisations that the Group or its distributors have received.

If the Group or its distributors are unable to keep its authorisations or certificates of compliance in a given country or region, the Group will no longer be able to sell its products or any future product in that country or region, in which case the Group's image and its ability to generate revenue would be appreciably and adversely affected.

The risk reduction measures put in place by the Group are the following:

- continuous monitoring of regulatory reforms concerning medical devices by the Regulatory team, with the support of external consultants for remote markets;

- monitoring of regulatory obligations formally set forth in distribution contracts;

- close monitoring of the distributors involved in actions concerning local laws and regulations;

- complete traceability of all components of the product; and
- implementation and maintenance by the Group of a Quality Management System (QMS) certified compliant with international standard ISO 13485 and US standard 21CFR-Part820 to guarantee full compliance of each product with applicable regulations as well as its quality.

The Group also makes use of partner companies to carry out the installation and maintenance of products in countries where equipment is sold through distributors. These after-sales service partners, which may be different from the distributors when the latter do not have the required skills and organisation, currently cover 22% of the installed base. They represent the Company vis-à-vis the local regulatory authorities and are subject to the local regulatory obligations governing dealings in medical devices. The introduction of additional regulations by these authorities could entail an increase in compliance costs. A poor quality after-sales service could have significant consequences for clients, and indeed for patients, which could harm the Company's reputation.

Furthermore, the Company cannot guarantee that its after-sales service providers will always comply with the regulations, authorisations and standards in force. If their quality systems should prove not to comply with the regulatory provisions or standards in force, the Group could be subject to sanctions. These sanctions could include fines, injunctions, damages, the suspension or withdrawal of authorisations or certificates obtained, the withdrawal of licences, the seizure or recall of its products, operational restrictions or restrictions on use and criminal proceedings, all of which could have a significant negative impact on its business.

The Group's business, financial position, earnings, growth and prospects in the medium and long term could be materially affected by the materialisation of one or more of these risks.

The risk management measures put in place by the Group are the following:

- in-depth assessment of quality systems and of ability to comply with local laws and regulations when selecting after-sales service partners;
- separate contracts for distribution and subcontracting of after-sales service, even if they both concern the same partner, in order to be able to manage the risks associated with these two activities separately;
- Periodic training on the specific features of products and continuous monitoring of after-sales service partners' performance.

6.3. Risks linked to potential harm to patients and users of the Company's products

Patients and more generally users of the EOS technology are subject to risks to their health by reason of the very nature of the Company's products.

Patients are exposed to the risk of excessive irradiation during radiological examination in the event of major malfunction of the equipment and simultaneous error or the operator performing the examination.

An error in the diagnosis or planning of an operation by a healthcare professional using the Company's products may harm the patient's health and possibly render the healthcare professional and the Company liable. Similarly, an error in the 3D modelling of a patient's bone structure carried out using the Company's 3D Services at the request of a healthcare professional who must validate the result

could also harm the health of the patient concerned and possibly render the healthcare professional and the Company liable.

Also, if a product designed by the Company were to be defective (as a result of a design flaw, a manufacturing defect or incorrect use of the product, or for other reasons) or were to be considered defective by a competent authority, the Group could be required to correct or recall the product in question and to notify other regulatory authorities. Inappropriate publicity resulting from a correction or recall imposed as such could damage the Group's reputation. The correction of a defect or a product recall would consume resources and would have a material financial impact on the Company's business, in particular by engendering substantial costs and causing the loss of revenue and/or the accumulation of losses.

The Company cannot ensure that its current insurance coverage is sufficient to respond to liability actions that may be brought against it. If it were to be held liable, and if it were to be unable to obtain and maintain appropriate insurance coverage at an acceptable cost, or to protect itself in any way against product liability suits, this would then seriously affect the marketing of its products and, more generally, be detrimental to the Group's business, results, financial position, development and prospects.

The risk management measures put in place by the Group are the following:

- systematic checks on the performance of the X-ray chain following any maintenance work involving one of its components and on the occasion of each preventive maintenance operation;
- in-depth verification of the product's performance as regards the generation of clinical information;
- in-depth training of the healthcare professionals using our products; and
- double checking of all clinical data generated by the 3DService organisation before making them available to the healthcare personnel required to formally validate them.

7 INSURANCE AND RISK COVERAGE

The Group has put in place a policy of covering the principal insurable risks for coverage amounts that it deems compatible with the nature of its business. The policies currently held by the Group are the following:

Branch	Company	Policy No.	Coverage amount
Comprehensive corporate insurance	AXA	6,237,313,004	Equipment/Furnishings: €1,616,707 Information media: €18,618 Expenses and losses: €323,341 Third-party recourse: €1,275,241 Damage to computer equipment: €319,951 Transport of these assets: €21,331
Vehicle fleet	MMA	127,589,982	6 vehicles
Transported merchandise	CHUBB EUROPE	FRCGNA11758	Air, maritime and overland transport: €1,000,000 per shipment Private transport: €100,000
Stored merchandise	CHUBB EUROPE	FRCGNA11758	€500,000 per site – 8 sites
Conferences	CHUBB EUROPE	FRCGNA11758	€200,000
Professional civil liability	CHUBB	FRCAIA19552	Civil liability before delivery: €8,000,000 per incident Civil liability after delivery: €5,000,000 per year and incident
Managers' civil liability	AIG	0,007,902,286	€5,000,000 per insurance period
Cyber risks	CHUBB	FRINTA34338	€5,000,000 per incident and insurance period
Materials for congresses and/or exhibitions	AXA	5,042,895,804	€8,870 excl. tax per trade fair

The amount of charges recognised by the Group for all of its insurance policies was €215k, €211k and €253k for financial years ended 31 December 2017, 2018 and 2019, respectively.

Furthermore, the merchandise stored with subcontractors is insured by the subcontractors themselves. Insurance certificates are regularly requested of them.

7.1 Internal control and risk management procedures put in place by the company

In producing this Annual Financial Report, the Chairman consulted the Chief Executive Officer and the Chief Financial Officer. Based on the conclusions of the audit committee and the prior observations of the Statutory Auditors, the Board of Directors approved the annual financial report at its meeting held on 27 April 2020, and approved the half-year financial report at its meeting held on 23 September 2019.

7.1.1. Governance

a Board of Directors

Internal regulations of the Board of Directors

The internal regulations, available for consultation at the Company's registered office, were adopted on 16 December 2011 and updated on 11 July 2019. They specify, in particular, the role and composition of the Board, and the principles of conduct and obligations of the members of the Company's Board of Directors. Each member of the Board of Directors undertakes in particular to maintain his or her independence of analysis, judgement and action, and to take an active part in the Board's work. Each member is obliged to inform the Board of any conflict of interest he or she might face. In addition, the internal regulations include a reminder of the regulations in force relating to the distribution and use of privileged information and specify that Board members must refrain from carrying out transactions with Company securities when they possess privileged information. Each member of the Board of Directors is required to declare to the Company and the AMF all such transactions involving securities of the Company as he or she carries out directly or indirectly.

Conditions for preparing and organising the Board's work

The Board is regularly informed by the CEO of the Company's and the Group's financial position, cash position and financial commitments and any significant events.

Board members are convened to meetings by email within a reasonable time-frame, and at least five days before each meeting. The Board may also be convened by any other means, even orally, if all the Board members in office are present or represented at the meeting.

Documents providing information on the agenda and on any questions submitted for examination by the Board are sent by email or made available to the Board members, within a reasonable period prior to the meeting.

Report on the Board's activities during the 2019 financial year

During the financial year ended 31 December 2019, the Company's Board of Directors met eight times and the attendance rate of the Board members was 100%.

There were no changes to terms of office or to members of the board of directors in 2019.

b *Audit Committee*

Composition

The Audit Committee was established by the Board of Directors in its meeting of 16 December 2011 and its members adopted internal regulations as described hereunder. At the date of this report it is composed of Ms Marie-Laure Garrigues and Mr Eric Beard, its chairman.

Purview

The responsibility of the Audit Committee is to assist the Board of Directors, in particular by carrying out the following tasks:

- monitoring the process of drawing up financial information;
- monitoring the effectiveness of the internal control and risk management systems;
- monitoring the statutory audit of the annual financial statements and the consolidated financial statements by the Statutory Auditors;
- approving services other than the certification of the financial statements carried out by the Statutory Auditors;
- issuing a recommendation on the Statutory Auditors proposed for designation by the General Meeting and reviewing their compensation conditions;
- monitoring the independence of the Statutory Auditors;
- being informed periodically of developments in major litigation; and
- generally, providing any advice and making any appropriate recommendation in the above fields.

Operation

The Audit Committee meets at least twice a year, according to a schedule set by its Chairman, on an agenda determined by its Chairman and sent to the Audit Committee members at least seven days before the date of the meeting. It also meets at the request of its Chairman, of two of its members, or of the Chairman of the Company's Board of Directors.

The Audit Committee may hear any director of the Company and conduct any internal or external audit on any subject that it deems to fall within the scope of its responsibilities. The Chairman of the Audit Committee is required to give prior notice of such actions to the Board of Directors. In particular, the Audit Committee has the power to hear persons participating in the preparation or checking of the financial statements (CFO and lead members of the Finance Department).

The Audit Committee shall interview the Statutory Auditors. It may interview them in the absence of any Company representative.

Reports

The Chairman of the Audit Committee must see to it that reports to the Board of Directors on the Committee's activity enable the Board to be fully informed, thus facilitating its deliberations.

The annual report will include a statement concerning the Committee's activities over the past financial year.

If during the conduct of its work the Audit Committee detects a material risk which it considers is not appropriately addressed, the Chairman must immediately inform the Chairman of the Board of Directors.

Report on the activity of the Audit Committee during financial year 2019

During the financial year ended 31 December 2019, the Company's Audit Committee met three times, in order to examine the financial statements for 2018, the interim financial statements for 2019 and the risk analysis.

c Compensation Committee

Composition

The Compensation Committee was established by the Board of Directors in its meeting of 2 March 2006, and its internal regulations were adopted by the Board of Directors on 16 December 2011 as described hereunder. This committee is composed of at least two members of the Board of Directors designated by said Board.

For the avoidance of doubt, it is stipulated that no member of the Board of Directors performing executive duties within the Company may be a member of the Compensation Committee.

At the date of publication of this report, the committee is composed of Ms Marie Meynadier and Ms Marie-Laure Garrigues, its chairwoman.

Purview

The Compensation Committee is responsible, in particular, for:

- examining the main objectives proposed by general management as regards compensation of managers who are not corporate officers of the Company and of the Group, including free share allocation and stock option schemes;
- examining the compensation of executives who are not company officers, including free share allocation plans and share subscription or purchase option plans, retirement and provident insurance schemes and benefits in kind;
- making recommendations and proposals to the Board of Directors concerning:
    - the compensation, retirement and provident insurance scheme, benefits in kind and other financial entitlements, including in the event of termination of activity, of company officers. The Committee proposes compensation amounts and structures and, in particular, criteria for calculating the variable portion of compensation, taking account of the Company's strategy, objectives and results, as well as market practices, and
    - bonus share plans, share subscription or purchase plans and any other similar incentive mechanism and, in particular, individual allocations to company officers eligible for this type of scheme;
- examining the total amount of directors' fees and the system for distributing them among the directors, as well as the conditions for reimbursing any costs incurred by members of the Board of Directors;
- preparing and presenting, where necessary, the reports foreseen by the internal regulations of the Board of Directors;
- preparing any other recommendation which may be requested by the Board of Directors with respect to compensation; and
- generally, providing any advice and making any appropriate recommendations in the above fields.

Operating procedures

The Compensation Committee meets at least twice a year, according to a schedule set by its Chairman, on an agenda determined by its Chairman and sent to the Compensation Committee members at least seven days before the date of the meeting. It also meets at the request of its Chairman, of two of its members, or of the Board of Directors.

Non-executive directors, who are not members of the Compensation Committee, may participate freely in these meetings.

The Chairman of the Board of Directors of the Company may be invited to take part in the Committee's meetings if he or she is not a member of the Committee. The Committee will invite him or her to present his or her proposals. He or she has no right to vote and cannot attend discussions relating to his or her own situation.

The Compensation Committee may ask the Chairman of the Board of Directors to make available any executive of the Company whose knowledge or skills might facilitate the handling of an agenda item. The Chairman of the Compensation Committee or the chairman of the meeting shall draw the attention of any person taking part in the discussions to the confidentiality obligations incumbent on him or her.

Reports

The Chairman of the Compensation Committee must ensure that reports on the Committee's activities are provided to general management and to the Board of Directors to ensure that they are fully informed and to facilitate their deliberations.

The Compensation Committee shall examine in particular the Company’s draft report on the compensation of corporate officers.

Report on the activity of the Compensation Committee during financial year 2019

The Compensation Committee met three times during financial year 2019, to examine and validate the 2019 compensation plan for the management team, to give its opinion on the amount of attendance fees to be allocated to members of the Board of Directors, and to reflect on a plan for retaining the management team.

d. Strategy Committee

Composition

The Strategy Committee was established by the Board of Directors on 15 January 2013.

At the date of publication of this report it is composed of Mr Gérard Hascoët, Mr Mike Lobinsky and Ms Marie Meynadier, its chairwoman.

Purview

The Strategy Committee is responsible, in particular, for:

- studying all strategic questions that are of concern to the Group in the areas of R&D, manufacturing and alliances and partnerships of all kinds;
- studying all significant proposals for capital investment, alliance or partnership;
- providing the Board with any and all reports, opinions and recommendations on any and all questions that fall within its purview;
- generally, the Strategy Committee provides advice and makes appropriate recommendations in the aforementioned areas.

Operating procedures

On 11 July 2019, the Board of Directors adopted the Strategy Committee's internal rules.

The Strategy Committee meets at least twice a year on a schedule set by its chairperson, who also prepares the agendas.

The Strategy Committee may ask the Chairman of the Board of Directors to make available any executive of the Company whose knowledge or skills might facilitate the handling of an agenda item. The Chairman of the Strategy Committee or the Chairman of the Meeting shall draw the attention of any person taking part in the discussions to the confidentiality obligations incumbent on him or her.

Reports

The Chairman of the Strategy Committee must ensure that reports on the Committee's activities are provided to the Board of Directors to ensure that it is fully informed and to facilitate its deliberations.

Report on the activity of the Strategy Committee during financial year 2019

The Strategy Committee met twice during financial year 2019, in order to examine the Group's various strategic options and its main paths of development.

e. Limits to the powers of the Chief Executive Officer

The general management of the Company is assumed, under his/her responsibility, either by the Chairman of the Board of Directors or by another natural person appointed by the Board of Directors and bearing the title of Chief Executive Officer (CEO).

The CEO is invested with the broadest powers to act in all circumstances on behalf of the Company. The CEO exercises his or her powers within the limits of the corporate object and subject to the powers expressly reserved by law to the General Meeting of Shareholders and to the Board of Directors.

At each Board meeting, the Chief Executive Officer reports on the key events in the corporate life of the Group.

Furthermore, as explained in paragraphs a) to d), the Company has established three special purpose committees, each chaired by a director other than the Chief Executive Officer.

Thus the powers of the CEO are limited in the framework of the operation of the Board of Directors and of the three specialist committees, each of which is invested with extensive powers in its respective area (strategic orientation of the Group, financial communication and human resources.)

The Board of Directors may revoke his mandate at any time. If such revocation is decided without just cause, it may give rise to damages, except when the CEO assumes the functions of Chairman of the Board of Directors.

At the date of publication of this report the Board of Directors is chaired by Mr Gérard Hascoët and Mr Mike Lobinsky is the CEO of the Company.

7.1.2 Internal control and risk management procedures

a. Definition and objectives of internal control

Internal control is a system which the Group is responsible for both in terms of its definition and of its implementation.

It comprises a set of resources, behaviours, procedures and actions adapted to the characteristics specific to each Company and:

- contributes to the control of its activities, the effectiveness of its operations and the efficient use of its resources; and
- must enable it to duly take account of significant risks, whether they are operational, financial or compliance-related.

More specifically, the system aims to ensure:

a) compliance with laws and regulations;

b) the application of instructions and guidelines set by general management;

c) the smooth operation of the Group's internal processes, particularly those concerning the protection of its assets;

d) the reliability of financial information.

Internal control is therefore not limited to a set of procedures nor to accounting and financial processes.

The definition of the internal control does not cover all the initiatives of the management or governing bodies such as the defining of the Company's strategy, the setting of objectives, management decisions, the treatment of risks or monitoring of performance.

In any case the internal control mechanism cannot provide absolute assurance that the Company's objectives will be attained.

b. Scope of internal control

The internal control system established by the Company is intended to cover all operations carried out.

c. Description of the internal control procedures

The Company structures its approach to internal control by basing it on the five components set out in the AMF's Reference Framework, namely:

1. general organisation: an organisational structure with a clear definition of responsibilities, suitable resources and competencies that is supported by appropriate information systems, procedures, tools and practices;

2. in-house dissemination of relevant and reliable information that enables everyone to exercise their responsibilities;

3. A system for identifying and analysing the main identifiable risks as regards the Company's objectives and ensuring the existence of procedures for managing these risks;

4. control activities proportionate to the implications of each individual process and designed to reduce risks that could affect the Company's ability to achieve its objectives;

5. constant supervision of the internal control system and regular examination of its operation. This supervision may lead to changes to the internal control mechanism. General Management assesses the conditions under which it reports to the Board on the principal results of the monitoring and evaluation thus carried out.

6.

Component 1: General organisation

The organisation of the internal control and risk management procedures within the Company is based on the following principles and tools:

- organisation charts and job descriptions which are regularly updated under the responsibility of each business line manager and centralised by the Finance and Administration Department;

- a Quality Manual including detailed mapping of all operating processes and IT systems;

- a responsibilities matrix by activity (sales, development, production, maintenance, marketing, regulatory, support functions). For each of these activities, there is a description of processes, along with a link to the procedures or framework documents that define the duties and interactions between the various managers at each stage of the process.

- a management matrix for access rights to the IT system and also to the principal documents.

- Formal skills management: initial training is given to all employees, adapted to the specific features of each position. An annual assessment interview feeds the training plan. The effectiveness of training activities is assessed (at the time and during the annual interview). All training and skills management activities are continually monitored by the Regulatory Affairs and Quality department and by the Finance and Administration department.

Component 2: Internal distribution of relevant and reliable information

The Group's internal control system is also based on distributing and analysing the information needed to manage the activity, through leadership actions and tools:

Leadership actions

- Executive Committee: roughly once a month the CEO, President, North America, Operations Director, CFO and Transformation Director meet to discuss operational and strategic issues.

- Management committee: the CEO and the seven activity managers meet roughly once a month to address all operational items related to the business plan and the annual budget;

- Quarterly general information meetings: the CEO informs the Group's employees of the objectives defined in the Management Committee and of the Company's progress towards these objectives;

- Multi-functional meetings: cross-functional update on product performance and quality; and

- Half-yearly Quality Management Reviews: review of the Group's quality control and assurance, of all quality indicators by business line, and identification of targeted actions to improve quality.

Tools

- ENNOV document database: electronic document management of all framework documents by activity;

- ENNOV process database: management of deficiencies that occur in the processes and of compliance issues in product quality, with action plans and follow-up; and

- Enterprise Resource Planning (ERP) software to manage production, inventory, maintenance and sales.

Component 3: Risk management process

The Group is subject to a regulatory obligation to manage its operational risks according to the ISO 14971 standard applicable to medical device activities. To this end, it identifies and assesses risks according to a criticality level defined by the Regulatory Affairs Department, which is based on the FMECA model (impact, probability of occurrence and probability of non-detection). The following processes fall within this scope: design, product development, services (operation and maintenance) and production (efficiency of production processes). The risk management files listing all the items described below are integrated into and updated in the design file for each product.

The set of Company risks was formalised in 2012 in the form of risk mapping. This exercise resulted in a formal hierarchy of the principal operational risks, and confirmed the relevance of the measures introduced by the Company to minimise these risks.

Component 4: Control activities

The control activities established are based on strong regulatory obligations, specific to the Group's sector of activity. The Group must therefore comply with the ISO 13485 and 21 CFR part 820 standards for quality management systems, the objective of which is to ensure patient health and comply with

regulatory obligations. These standards impose specific activity procedures (good practices) and associated performance targets, which are integrated into the ENNOV document database.

Moreover, each Group employee must record every error in the ENNOV database. An assessment committee meets periodically to assess each fault and to decide what action to take with regard to it.

This process, called "CAPA" (Corrective and Preventive Action), compulsory under the ISO 13485 and 21 CFR 820 standards, is managed through the computerised ENNOV database, which has been parametrised to comply with the requirements of those standards. It can cover all malfunction risks and control actions associated with operating processes. The ENNOV process database can, in particular, provide at any time a description of the control activities and action plans by type of occurrence, by period of time and by severity.

Component 5: Monitoring the internal control system

The Company is not of sufficient size as to require a permanent internal audit function. Nevertheless, internal audit missions are conducted under the auspices of the Regulatory Affairs Department according to an audit plan established annually and with dedicated resources, based in particular on the faults identified in ENNOV. In respect of 2019, in addition to the audits carried out by the company's Statutory Auditors, the audits carried out covered the following subjects:

- Internal quality audit of all processes, conducted annually by an external service provider specialising in quality management for manufacturers of medical devices. The recommendations from these audits are recorded and tracked in the ENNOV database;
- Audit for renewal of ISO 13485 certification carried out by GMED
- Audits of subcontractors carried out by the in-house Quality team.

Beyond the internal audit activities, the Group tracks extensive activity indicators (Quality, Performance) and the correction actions initiated.

Finally, the ENNOV process database is used throughout the year for strict management of the malfunctions identified in the course of the operational processes.

d. Internal control procedures relating to the preparation and processing of accounting and financial information

Organisation of the accounting and financial function

The accounting and financial function is managed in-house by a team of six persons. General accounting, along with consolidated accounting, is done in-house and reviewed by a chartered accountant. The tax review and payroll management are conducted by chartered accountant firms. The valuation of end-of-service indemnities and of commitments linked to the allocation of equity instruments (free shares, stock options and share subscription warrants) is entrusted to independent experts.

Consolidation of accounts

The scope of consolidation comprises the French Company and its five subsidiaries. The consolidation of accounts is carried out by the Administrative and Finance department based on a monthly reporting

format. The principal accounting procedures are formalised (in particular those defining consolidation operations and the controls on monthly reporting from the subsidiaries).

Monitoring of subsidiaries

Each subsidiary has an annual budget, expressed in monthly figures, and monthly reporting that analyses discrepancies with that budget.

The subsidiaries' accounting is entirely subcontracted to local chartered accountant firms.

Closing of parent Company and consolidated accounts

A chartered accountant conducts the annual payroll and tax review, and also audits the consolidated annual and half-yearly financial statements.

Account closing schedule

The monthly accounts are closed within an eight business day deadline.

e. Conclusion: planned improvements

The Group attaches the greatest importance to its internal control system. In 2019, it maintained its investments to enhance and harmonise its quality control and assurance system across all business lines. These efforts, together with the analysis and improvement of the actions implemented to reduce the Group's exposure to major operational risks, will continue in 2020.

7.2 Legal and arbitration proceedings

During the 12-month period preceding the date of this Annual Financial Report, the Group has not been involved in any administrative, criminal, judicial or arbitration proceedings that may have a material adverse impact on the Group, its business, its financial position, its results or its development nor, to the Company's knowledge, is the Group threatened with any such proceedings as at the date of this Annual Financial Report, with the exception of two threats of litigation made by two shareholders referred to in the minutes of the combined general meeting of shareholders held on 5 June 2019 published on the Company's website (in section "Investors/Documentation/Shareholders Meetings").

VIII- REPORT ON CORPORATE GOVERNANCE

This document is an extract from the Annual Financial Report, published on 30 April 2020, from which the corporate governance report has been removed. The corporate government report was updated and published separately on 9 June 2020 and is available on the company's website.

IX- INFORMATION CONCERNING THE COMPANY

1 PRINCIPAL SHAREHOLDERS

1.1 Distribution of share capital over the last three financial years

To the best of the Company's knowledge, the Company's capital was distributed as follows at 31 December 2017, 2018 and 2019:

	As at 31/12/17		As at 31/12/18		As at 31/12/19	
	Number of shares	% of share and voting rights*	Number of shares	% of share and voting rights*	Number of shares	% of share and voting rights*
Polissage Garnier	89 418	0				
Claude Hennion	138 312	0.61%	138 312	0.53%	138 312	0.52%
Yves Charpak & indivision			-		-	
Eric Cloix			-		-	
Nazanin Cloix	13 567	0.06%			-	
Keyzan Mazda	28 204	0.12%	28 204	0.11%	28 204	0.11%
Catherine Mazda	14 102	0.06%	14 102	0.05%	22 407	0.08%
Jacques Lewiner	100	0.00%	100	0.00%	100	0.00%
Founders (no action in concert)	**283 703**	**1.25%**	**180 718**	**0.69%**	**189 023**	**0.71%**
COFA Invest	266 554	1.18%	236 554	0.90%	86 554	0.33%
ANDERA Partners (EDRIP)	1 314 119	5.80%	343 806	1.31%	-	
NBGI	-		-		-	
La Financière de l'Echiquier	1 118 129	4.94%	1 842 333	7.02%	2 216 936	8.34%
Financière Arbevel	1 099 099	4.85%	1 221 019	4.65%	1 245 209	4.69%
CDC Entreprises	759 090	3.35%	1 173 534	4.47%	385 349	1.45%
Aviva Investor	941 460	4.16%	990 690	3.78%	736 878	2.77%
Amundi A M	161 890	0.72%	1 161 890	4.43%	700 000	2.63%
Principal investment funds (no action in concert)	**5 660 341**	**25.00%**	**6 969 826**	**26.56%**	**5 370 926**	**20.21%**
Floating	**14 058 385**	**62.09%**	**12 985 549**	**49.49%**	**14 811 829**	**55.75%**
BPI	2 230 222	9.85%	2 230 222	8.50%	2 230 222	8.39%
FOSUN	-		3 446 649	13.14%	3 446 649	12.97%
Gérard Hascoët (Président)	3 500	0.02%	3 500	0.01%	7 000	0.03%
Marie Meynadier (DG jusqu'au 31/12/2018)	367 959	1.63%	372 959	1.42%	386 959	1.46%
Mike Lobinsky (DG à partir du 01/01/2019)	-		-		70 400	0.26%
Board of Directors	**2 601 681**	**11.49%**	**6 053 330**	**23.07%**	**6 141 230**	**23.11%**
Treasury shares**	**37 373**	**0.17%**	**48 484**	**0.18%**	**56 938**	**0.21%**
Total	22 641 483	100%	26 237 907	100%	26 569 946	100%

**No double voting rights have been instituted **Treasury shares are deprived of voting rights*

In accordance with the provisions of article L. 233-13 of the French Commercial Code, we point out that shareholders holding directly or indirectly over a twentieth, a tenth, three twentieths, a fifth, a

quarter, a third, half, two thirds or nineteen twentieths of the share capital or voting rights at 31 December 2019 are identified in the table above.

To the Company's knowledge, the following material changes have occurred in the shareholding structure since the end of the 2019 financial year:
- Increase in Syquant Capital's investment to 609,779 CFDs (2.29%) (CFD: "contract for difference" to be settled in cash for the same number of EOS IMAGING shares) [declaration dated 6/3/2020]
- Increase in the shareholding of ODDO-BHF to 1,310,000 shares (4.93%) [declaration dated 13/3/2020]
- Reduction in the shareholding of Financière de l'Echiquier to 280,624 shares, i.e. 1.06% [declaration dated 29/4/2020]

1.2 Voting rights of principal shareholders

At 31 December 2019, the number of voting rights held by each shareholder is equivalent to the number of shares they hold. No double voting rights have been instituted.

The introduction of double voting rights for a certain category of shareholders under the Florange law was rejected as the 14th resolution at the Combined General Meeting of 17 June 2015.

1.3 Control of the Company

To the Company's knowledge:
- there is no controlling shareholder within the meaning of Article L. 233-3 of the French Commercial Code;
- there is no action in concert among its shareholders.

In addition, at the date of this report, EOS imaging's Board of Directors has one independent director out of a total of six.

1.4 Agreements that may lead to a change of control

On 28 February 2020, EOS imaging entered into an agreement on the takeover of EOS imaging by Alphatec Holdings Inc. This agreement was the subject of a press release on the same day.

On 24 April 2020, EOS imaging was informed by ATEC that it was terminating the previously announced tender offer agreement.

2 SHARE CAPITAL

2.1 Amount of the Company's share capital

At 31 December 2019 the share capital amounted to €265,699.46, divided into 26,569,946 fully paid-up shares of the same class, each with a par value of €0.01.

2.2 Non-equity securities

None

2.3 Treasury shares

By way of reminder, the Company signed a one-year liquidity contract with the Gilbert Dupont brokerage firm, effective from 16 March 2012 and renewable by tacit agreement. This contract complies with the AMAFI (French Financial Markets Association) Code of Ethics approved by the AMF (Financial Markets Authority) decision of 21 March 2011 (announcement of 16 March 2012).

The authorisation granted to the Board of Directors to purchase the Company's own shares for a period of 18 months, pursuant to Article L. 225-209 of the French Commercial Code and in accordance with the conditions set out in Articles 241-1 to 241-6 of the General Regulation of the AMF and European Regulation No. 2273/2003 implementing Directive 2003/6/EC of 28 January 2003, was successively renewed at the Combined General Meetings of EOS imaging held on 17 June 2014, 17 June 2015, 16 June 2016, 15 June 2017, 18 May 2018 and 5 June 2019.

Under the terms of this authorisation:

- the Company may purchase, sell or transfer its own shares by any means, on one or more occasions, either on the market or over-the-counter, including through block acquisition or sale, public offerings, or through the use of options or derivatives, as permitted by the financial markets authorities and in accordance with applicable regulations;

- the maximum purchase price is set at €12.00 per share (excluding fees and commissions), with an overall ceiling of €5 million;

- The maximum number of shares that can be purchased under this authorisation may at no time exceed 10% of the total number of shares, it being stipulated that (i) should the shares be acquired in order to promote the liquidity of the Company's shares, the number of shares used in calculating this limit will equal the number of shares purchased minus the number of shares sold during the authorisation period and (ii) should they be purchased to be held for subsequent use in payment or exchange in a merger, spin-off or asset contribution, the number of shares acquired may not exceed 5% of the total number of shares.

This authorisation is aimed at:

- ensuring liquidity in the Company's shares under a liquidity contract signed with an investment services provider in compliance with the Code of Ethics recognised by the AMF;

- fulfilling obligations arising from stock option programmes, awards of free shares, company savings schemes or other allocations of shares to employees and executives of the Company or its associated companies;

- remitting shares when rights attached to securities conferring access to the Company's equity are exercised;

- purchasing shares to be held for subsequent use in exchange or as payment during possible acquisitions; or

- cancelling all or part of the shares thus purchased, subject to the adoption of the twelfth resolution below, and in this case, in accordance with the terms specified therein.

For the 2019 financial year, 1,078,260 shares were purchased at an annual average share price of €1.49 and 1,069,806 shares were sold at an annual average price of €1.47. No trading costs were billed to the Company outside of the liquidity contract, for which the annual fixed fee is set at €20,000.

At 31 December 2018, 56,938 treasury shares were deducted from consolidated equity in an amount of €448k. These shares represent 0.21% of the share capital.

2.4 Stock options

The history of the awards of stock options by the Company to 31 December 2019 is set out below:

Stock subscription options						
	ESOP 2009	ESOP 2010	ESOP 2010	ESOP 2012	ESOP 2012	ESOP 2019
Plan issue date	12/02/2009 AGM	AGM of 09/04/2010	AGM of 09/04/2010	AGM of 16/01/2012	AGM of 16/01/2012	AGM of 20/12/2018
Date awarded	Board of Directors meeting of 7 July 2009	Board of Directors meeting of 06/07/2010	Board of Directors meeting of 20/05/2011	Board of Directors meeting of 21/09/2012	Board of Directors meeting of 23/05/2014	Board of Directors meeting of 30/01/2019
Number of stock options awarded	598,000	413,500	53,000	376,916	223,000	1,362,000
Number of shares that can be subscribed	598,000	413,500	53,000	376,916	223,000	
Marie Meynadier	*184,988*	*129,000*	-	-	-	-
Hervé Legrand	*92,494*	*33,000*	-	*37,648*	-	-
Gérard Hascoët	-	-	-	-	-	-
Mike Lobinsky (CEO)	-	-	-	-	-	*500,000*
Expiration date	06/07/2019	05/07/2020	19/05/2021	20-sept-22	22-May-24	29/01/2029
Subscription price	€ 1.00	€ 1.00	€ 1.00	€ 4.07	€ 6.14	€ 2.68
Terms and conditions of exercise	See (1) hereunder	See (1) hereunder	See (1) hereunder	see (2) below	see (2) below	see (3) below
Number of shares subscribed at 31 December 2019	241,533	94,500	40,875	19,500		
Cumulative number of stock subscription options that were cancelled or became null and void	356,469	87,375	4,625	104,109	21,125	42,500
Number of outstanding stock options at 31/12/2019	0	231,625	7,500	253,307	201,875	1,319,500
Number of shares remaining to be subscribed at 31 December 2019	0	231,625	7,500	253,307	201,875	1,319,500

(1) The terms governing the exercise of the stock options (S.O.) are as follows:

- 25% of the S.O. may be exercised beginning on the award date;
- A further 25% of the S.O. may be exercised on each anniversary of the date they were awarded;
- Company 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.

(2) The terms governing the exercise of the stock options (S.O.) are as follows:

- 25% of the S.O. may be exercised beginning on the award date;
- A further 25% of the S.O. may be exercised on each anniversary of the date they were awarded;
- No later than ten years from the grant date;
- Company 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.

(3) The terms governing the exercise of the stock options (S.O.) are as follows:

a) Chief Executive Officer's package:
- 100,000 options subject to a specific condition of performance to be achieved in 2020 or 2021;
- 200,000 options upon expiry of a period of 24 months from the date of award;
- 100,000 options upon expiry of a period of 36 months;
- 100,000 options upon expiry of a period of 48 months;

And no later than ten years from the grant date.
The CEO will be obliged to hold in his name until he ceases his functions a minimum number of shares equal to 75% of the shares vested under the Plan.

b) Executive Committee's package:
- Up to 1/3 of the options allocated upon the expiry of a period of 24 months;
- Up to 2/3 of the options allocated upon expiry of a period of 36 months;
- The remaining options (up to 3/3) allocated upon expiry of a period of 48 months;

And no later than ten years from the grant date.

c) Other employees' package:
- Up to 100% of the options allocated upon expiry of a period of 36 months from the date of allocation, and no later than ten years from the grant date.

d) Package for employees retiring during the period:
- Up to 100% of the options allocated upon expiry of a period of 24 months from the date of allocation, and no later than ten years from the grant date.

2.5 Free share awards

The history of the awards of free shares by the Company to 31 December 2019 is set out below:

The history of the awards of free shares by the Company to 31 December 2019 is set out below: Summary								
	AGA Plan 2015	AGA Plan 2015	AGA Plan 2016	AGA Plan 2017	AGA Plan 2017	AGA Plan 2017	AGA Plan 2017	AGA Plan 2017
Date of the meeting	16-oct-15	16-oct-15	16-oct-15	15-June-17	15-June-17	15-June-17	15-June-17	15-June-17
Date of the Board of Directors' meeting	08-Dec-15	15-Dec-16	15-Dec-16	07-sept-17	07-sept-17	19-Dec-17	05-Feb-18	05-Feb-18
Name of the plan	AGA Plan 2015	AGA Plan 2015	Performance shares 2016	AGA Plan 2017	Performance shares 2017	AGA Plan 2017	AGA Plan 2017	Performance shares 2017
Number of shares awarded, *of which* :	181,500	134,500	280,000	50,000	190,000	208,500	25,000	40,000
Marie Meynadier	*5,000*	*5,000*				*5,000*		
Mike Lobinsky				50,000	50,000	*5,000*		
Terms and conditions of acquisition	See (1) hereunder	See (1) hereunder	see (2) below	See (1) hereunder	See (3) hereunder	See (1) hereunder	See (1) hereunder	See (4) hereunder
Number of shares acquired at 31 December 2019	146,000	107,500	16,000	50,000	0	155,500	0	0
Cumulative number of shares that were cancelled or became null and void	35,000	28,500	264,000	0	190,000	53,000	5,000	0
Number of shares in the process of being acquired at 31/12/2019	0	0	0				20,000	40,000

513,500 free shares had been allotted at the date of this report under the free share allotment plan approved by the shareholders at the general meeting held on 15 June 2017.

(1) The vesting period for awarded shares is 2 years for all beneficiaries.
The Board of Directors, at their meeting held on:
- 23 September 2019, recorded the definitive vesting of 50,000 of the 50,000 free shares awarded and proceeded with their definitive allotment;
- 10 December 2019, recorded the definitive vesting of 155,500 of the 208,500 free shares awarded and proceeded with their definitive allotment;
- 28 January 2020, recorded the definitive vesting of 20,000 of the 25,000 free shares awarded and proceeded with their definitive allotment;

The performance shares shall 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:
- at least equal to €8, 100% of the shares awarded by the Board of Directors will vest on the expiry of the vesting period,
- less than €4, no shares shall vest on expiry of the vesting period,
- between €4 and €8, the number of shares awarded that will vest on expiry of the vesting period will be calculated on a straight-line basis between 0% and 100%.
At its meeting held on 30 January 2019, the Board of Directors noted that these performance conditions had not been met and that the shares granted subject to conditions had therefore not vested.

(3) The performance shares shall vest at the end of a two-year vesting period, if the average weighted share price for the 20 trading sessions preceding the vesting date is:
- at least equal to €9, 100% of the shares awarded by the Board of Directors shall vest on the expiry of the vesting period,
- less than €5, no shares shall vest on expiry of the vesting period,
- Between €5 and €9, the number of shares awarded that shall vest on expiry of the vesting period shall be calculated on a straight-line basis between 0% and 100%.

At its meeting held on 23 September 2019, the Board of Directors noted that these performance conditions had not been met and that the shares granted subject to conditions had therefore not vested.

(4) 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:
- at least equal to €9, 100% of the shares awarded by the Board of Directors shall vest on the expiry of the vesting period,
- less than €5, no shares shall vest on expiry of the vesting period,
- between €5 and €9, in proportion to a share price at 31 December 2020 based on the average of the last 20 stock exchange sessions preceding 31 December 2020.

There is an obligatory holding period until 31 December 2021.

2.6 Other securities conferring access to the Company's equity

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

The history of the awards of warrants by the Company to members of the Board of Directors to 31 December 2018 is set out below: Below is a summary table of warrants allocated		
General Meeting date	16-Jan-12	16-Oct-15
Date of the Board of Directors' meeting	31-Dec-12	25-Jan-16
Number of shares that can be subscribed, including by:	40,000	190,000
Eric Beard	*40,000*	-
Paula Ness Speers	-	*40,000*
Gérard Hascoët	-	*150,000*
Expiry date	30-Dec-22	15-Oct-18
Exercise price	€ 4.24	€ 3.42
Subscription price	€ 0.21	€ 0.17
Terms and conditions of exercise	See (1) below	See (2) below
Number of shares subscribed at 31 December 2019	0	0
Cumulative number of share warrants that were cancelled or became null and void	0	0
Number of shares remaining to be subscribed at 31 December 2019	40,000	190,000

(1) The terms governing the exercise of the share subscription warrants (BSA) are as follows:

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

(2) The terms governing the exercise of the share subscription warrants (BSA) are as follows:

- 33% of the share warrants may be exercised on or after 24 January 2017;
- a further 33% may be exercised on or after 24 January 2018;
- the balance may be exercised on or after 24 January 2019.

It should be noted that Gérard Hascoët and Eric Beard have undertaken not to participate in the offer made by Alphatec Holdings. Their share subscription warrants would therefore lapse, in the event that they are not exercised by the date on which the offer completed, in accordance with the terms of the awards. This undertaking is of no consequence due to the termination of the tender offer agreement by Alphatec Holdings.

2.7 Share warrants allocated to third parties

In June 2014, the Company issued 180,000 stand-alone stock warrants to Société Générale as part of a PACEO programme (capital increase plan through the issuance of stock options). Thus, Société Générale has committed to underwrite, only at the Company's request, successive tranches of capital increases over the next 36 months, up to an overall maximum of 1,800,000 shares. For each tranche, the issue price will be subject to a maximum 5% discount to the volume weighted average price over the three previous trading days. In June 2017, EOS imaging made a subscription request and issued 185,000 new shares at the unit price of €5.52.

Moreover, on 9 January 2015, within the framework of an offer to qualified investors or a small circle of investors referred to in Article L.411-2 of the French Financial and Monetary Code, the Company issued bonds with stock warrants attached (OBSA) in the amount of €540,000, as well as three tranches of ordinary bonds for a total principal amount of €14,460,000. These bond issues were carried out in the framework of the 14th resolution approved by the Combined General Meeting of 13 June 2013. 60,000 bonds with stock warrants attached (OBSA) each with a nominal value of €9, for a total of €540,000. Three warrants are attached to each OBSA, each of which gives the right to subscribe for one share at the exercise price of €4.71. The warrants may be exercised in whole or in part, on one or more occasions, before 30 June 2022.

The bonds with stock warrants attached were subscribed in January 2015 by IPF Partners. The first and second tranches of bonds, for €4,460,000 and €5,000,000, were subscribed for by IPF Partners in March 2015 and December 2015, respectively. The third tranche, for €5,000,000, was subscribed on 29 June 2016 on the same conditions as the first two tranches.

2.8 Summary of dilutive financial instruments

At 31 December 2019, the total number of ordinary shares liable to be created following the exercise of or subscription to stock options or other securities issued conferring access to the Company's equity amounts to 6,768,458, broken down as follows:

Exercise of stock options awarded to company officers *of which awarded to Marie Meynadier*: *129,000* *of which awarded to Mike Lobinsky:* *500,000*	629,000
Exercise of stock options awarded to Company employees	1,384,807
Vesting of free shares	20,000
Vesting of performance shares:	40,000
OBSA IPF	120,000
Exercise of BSAs (warrants) awarded to company officers	230,000
OCEANES	4,344,651
Total	**6,768,458**

These 6,768,458 new shares represent a maximum potential dilution of 25.47% based on the existing share capital as at 31 December 2019, 16.35% of which related to the OCEANES and 9.12% related to other instruments. Voting rights were diluted by 25.53% (taking into account the treasury shares held by the Company).

2.9 Options or conditional or unconditional agreements to grant options over the share capital of any Group member

None

2.10 Authorisations granted by the Company's shareholders at General Meetings

A summary of the authorisations granted by the shareholders at the Combined General Meetings of 15 June 2017, 18 May 2018, 20 December 2018 and 5 June 2019 that are still valid on the date of this document or that were in force or that had been used at the date of publication of this Annual Financial Report, is provided in section VII Governance/1.1 Board of Directors.

2.11 Share capital history

The table below shows changes in the Company's capital over the period:

Date	Transaction	Nominal	PE	Shares created	Capital	Issue premium	Total	Number of shares forming the capital
	Total at 31 December 2018				**262 379**	**21 558 796**		**26 237 907**
05/06/2019	Allocation of loss carry-forward to issue premium					(14 766 136)		
30/06/2019	Capital increase following the exercise of options				300	29 700		30 000
13/06/2019	Capital increase following the exercise of options				11	1 114		1 125
30/06/2019	Capital increase following the exercise of options				17	1 646		1 663
14/06/2019	Capital increase following the exercise of options				300	29 700		30 000
30/06/2019	Capital increase following the exercise of options				150	14 850		15 000
25/07/2019	Capital increase following the exercise of options				488	48 263		48 751
23/09/2019	Capital increase following the allocation of bonus shares				500	(500)		50 000
10/12/2019	Capital increase following the allocation of bonus shares				1 555	(1 555)		155 500
	Total at 31 December 2019				**265 700**	**6 915 879**		**26 569 946**

Capital increases result from the following transactions:

- The exercise of 126,539 options, leading to the issue of 126,539 new shares;
- Creation of 205,500 new ordinary shares each with a nominal value of one euro cent, allocated free of charge to certain employees.

At the date of this Annual Financial Report, the Company's share capital was €265,899.46. It was divided into 26,589,946 ordinary shares, fully subscribed and paid up, each with a par value of €0.01.

2.12 Share disposals carried out to unwind cross-shareholdings

The Company did not have to dispose of any shares with a view to unwinding cross-shareholdings prohibited by Articles L. 233-29 and L. 233-30 of the French Commercial Code.

3 MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

3.1 Objects

The purpose of the Company, in France and abroad, is the study, development, manufacture, purchase and sale of any and all mechanical, electrical, electronic, computer, data communication, biological and medical equipment and any and all measurement apparatus, publication, any and all provisions of services, and any and all negotiations of patents and expertise in all the above fields, and, more generally, any and all industrial, commercial, or financial operations, involving movable or real property, that may be related directly or indirectly to the corporate object or that might facilitate the expansion or development thereof.

3.2 Provisions of the articles of association and other provisions relating to members of the administrative and management bodies

3.2.1 Board of Directors

a. Composition of the Board of Directors (Article 11 of the Articles of Association)

The Company is administered by a Board of Directors composed of natural persons or legal entities, the number of which is set by the Ordinary General Meeting within the limitations established by law. Any legal entity must, at the time of its appointment, designate a natural person to be its permanent representative on the Board of the Directors. The term of the permanent representative is the same as that of the legal entity member of the Board of the Directors that he or she represents. When the legal entity revokes its permanent representative, it must immediately provide for his or her replacement. The same provisions apply in case of the death or resignation of the permanent representative.

The term of the members of the Board of Directors is three years. The term of a member of the Board of Directors terminates at the close of the Ordinary General Shareholders' Meeting that has voted on the financial statements of the past financial year, held in the year in which the term of that member of the Board of Directors expires.

The members of the Board of Directors may be re-elected; they may be dismissed at any time by a decision of the General Shareholders' Meeting.

In the event of a vacancy of one or more seats on the Board of Directors caused by death or resignation, the Board of Directors may, between two General Meetings, make appointments on a temporary basis.

The appointments made by the Board pursuant to the paragraph above are submitted to the next Ordinary General Meeting for its ratification.

If they are not ratified, the decisions adopted and acts performed previously by the Board are nevertheless valid.

When the number of members of the Board of Directors has fallen below the legal minimum, the remaining members must immediately convene an Ordinary General Meeting, in order to fill the remaining seats on the Board.

An employee of the Company may be appointed as a member of the Board of Directors. His or her employment contract must, however, correspond to an actual job. In this case, he or she does not lose the benefit of his or her employment contract.

The number of members of the Board of Directors who have employment contracts with the Company may not exceed one-third of the members of the Board of Directors in office.

The number of members of the Board of Directors who are more than 70 years old may not exceed one-third of the members of the Board of Directors in office. When that limit is exceeded during a term, the oldest member of the Board is automatically deemed to have resigned at the end of the next General Shareholders' Meeting.

b. Non-voting members of the Board of Directors (Article 15 of the Articles of Association)

The Ordinary General Meeting may, upon a proposal made by the Board of Directors, appoint non-voting members of the Board. The Board of Directors may also appoint such members directly, subject to ratification by the next General Meeting.

The non-voting members of the Board, the number of which may not exceed three, form a panel (college). They are chosen freely because of their competence.

They are appointed for a term of two years that ends at the close of the Ordinary General Shareholders' Meeting that has voted on the financial statements of the past financial year.

The panel of non-voting members of the Board of Directors examine the issues that the Board of Directors or its Chairman submits to its review, for opinion. The non-voting members of the Board attend meetings of the Board of Directors and participate in the deliberations in an advisory capacity only. Their absence does not affect the validity of the deliberations.

They are called to the meetings of the Board under the same conditions as the members of the Board.

The Board of Directors may compensate the non-voting members of the Board from the amount of the directors' fees set aside for the members of the Board by the General Meeting.

c. Meetings of the Board of Directors (Article 12 of the Articles of Association)

The Board of Directors meets as often as the interests of the Company requires.

The members of the Board are called to Board meetings by the Chairman. The notice to convene may be made by all means, in writing or orally.

The Chief Executive Officer may also ask the Chairman to call the Board of Directors to discuss a specific agenda.

Furthermore, directors who represent at least one-third of the members of the Board may validly call a meeting of Board. In that case, they must indicate the agenda for the meeting.

When a Works Council has been formed, the representatives of that committee, appointed in compliance with the provisions of the French Labour Code (Code du Travail), must be called to all the meetings of the Board of Directors.

The meetings of the Board take place either at the registered office of the Company or at any other place in France or outside of France.

For the deliberations of the Board to be valid, the number of members present must be equal to at least one-half of the members.

The decisions of the Board of Directors are made by majority vote; in the case of a tie vote, the Chairman presiding the meeting does not have a casting vote.

Any rules of procedure that may be adopted by the Board of Directors may stipulate, in particular, that for the calculation of quorum and majority, Board members who participate in a Board meeting via video-conference or telecommunications in compliance with the regulations in effect shall be deemed to be present. This provision is not applicable to the adoption of decisions coming under Articles L. 232-1 and L. 233-16 of the French Commercial Code.

Each Board member receives the information necessary to perform his or her mission and term and may have transmitted to him or her all the documents that he or she deems to be relevant.

Any member of the Board of Directors may give, by letter, telegram, telex, fax, e-mail, or any electronic means, a proxy to another member of the Board of Directors to represent him or her at any meeting of the Board, but each member of the Board may have only one proxy during a meeting.

The copies of or excerpts from the minutes of the Board of Directors' meetings may be validly certified by the Chairman of the Board of Directors, the Chief Executive Officer, a member of the Board to whom the position of Chairman has been delegated temporarily, or a proxy-holder authorised for this purpose.

d. Powers of the Board of Directors (Article 13 of the Articles of Association)

The Board of Directors determines the strategic directions for the business activity of the Company and ensures that they are implemented. Subject to the powers expressly awarded to the General Meetings and within the limitations of the corporate purpose, any issue concerning the proper operation of the Company can be referred to the Board, which settles matters concerning the Company by its deliberations.

In its relationships with third parties, the Company is bound even by the acts of the Board of Directors that do not fall within the corporate purpose, unless it proves that the third party knew that the act went beyond that purpose and the third party could not have been unaware of that, in view of the circumstances; the mere publication of the Articles of Association is not sufficient to constitute that proof.

The Board of Directors conducts the assessments and verifications that it deems appropriate.

Moreover, the Board of Directors exercises the special powers that are conferred upon it by law.

3.2.2 Chief Executive Officer (Article 14 of the Articles of Association)

The general management of the Company is assumed, under his/her responsibility, either by the Chairman of the Board of Directors or by another natural person appointed by the Board of Directors and bearing the title of Chief Executive Officer (CEO).

The CEO is invested with the broadest powers to act in all circumstances on behalf of the Company. The CEO exercises his or her powers within the limits of the corporate object and subject to the powers expressly reserved by law to the General Meeting of Shareholders and to the Board of Directors.

He or she represents the Company in its relationships with third parties. The Company is bound even by the acts of the Chief Executive Officer that do not fall within the corporate object, unless it proves that the third party knew that the act was *ultra vires* or could not have been unaware of it in view of the circumstances; the mere publication of the Articles of Association is not sufficient to constitute that proof.

The Chief Executive Officer may not be more than 65 years old. If the Chief Executive Officer reaches this age limit, he or she will be deemed to have resigned automatically. His or her term will be extended, however, until the next meeting of the Board of Directors during which the new Chief Executive Officer is appointed.

When the Chief Executive Officer is also a member of the Board of Directors, his or her term may not exceed that of his or her term as member of the Board of Directors.

The Board of Directors may revoke his mandate at any time. If such revocation is decided without just cause, it may give rise to damages, except when the CEO assumes the functions of Chairman of the Board of Directors.

In an ordinary decision made by a majority vote of the members of the Board of Directors present or represented, the Board of Directors chooses between the two management options mentioned in the first paragraph.

The shareholders and third parties are informed of this choice under the legal and regulatory conditions.

The choice of the Board of Directors remains in effect either until the Board decides otherwise, or, at the choice of the Board, for the term of the Chief Executive Officer.

When the position of Chief Executive Officer of the Company is held by the Chairman of the Board of Directors, the provisions that are applicable to the Chief Executive Officer are applicable to him or her.

In compliance with the provisions of Article 706-43 of the French Code of Criminal Procedure, the Chief Executive Officer may validly delegate to any person of his or her choosing the power to represent the Company in criminal legal proceedings that might be brought against the latter.

Upon a proposal by the Chief Executive Officer, the Board of Directors may give a mandate to one or more natural persons to assist the Chief Executive Officer in the capacity of Executive Vice President.

In agreement with the Chief Executive Officer, the Board of Directors determines the scope and the term of the powers granted to the Executive Vice Presidents. The Board of Directors sets their compensation. When an Executive Vice President is a member of the Board of Directors, his or her term may not exceed that of his or her term as member of the Board of Directors.

With respect to third parties, Executive Vice Presidents have the same powers as the Chief Executive Officer; the Executive Vice Presidents have, in particular, the power to be a party in legal proceedings.

The number of Executive Vice Presidents may not be greater than five.

The Executive Vice President(s) may be dismissed at any time by the Board of Directors, upon a proposal by the Chief Executive Officer. If the dismissal is decided without reasonable grounds, it may result in damages.

An Executive Vice President may not be more than 65 years old. If an Executive Vice President reaches this age limit, he or she will be deemed to have resigned automatically. His or her term would be extended, however, until the next meeting of the Board of Directors during which a new Executive Vice President may be appointed.

When the Chief Executive Officer ceases to perform or is prevented from performing his or her duties, the Executive Vice President(s) retain their positions and their powers until the appointment of a new Executive Vice President, unless there is a decision to the contrary by the Board of Directors.

3.3 Rights, privileges, and restrictions attached to shares of the Company

3.3.1 Forms of securities (Article 7 of the Articles of Association)

The fully paid-up shares are in registered or bearer form, at the choice of each shareholder, subject, however, to the application of the legal provisions related to the form of the shares owned by certain natural persons or legal entities. The shares that are not fully paid up must be in registered form.

The shares are recorded in a registry under the conditions and in accordance with the procedures stipulated by the laws and regulations in effect.

Ownership of shares issued in registered form results from their being recorded in a registered account.

3.3.2 Voting rights (excerpt from Article 9 of the Articles of Association)

Except in cases where the law stipulates otherwise, each shareholder has as many voting rights and in Meetings casts as many votes as the number of fully paid-up shares that he, she, or it possesses. At equal par value, each capital share or dividend-right share entitles the holder to one vote.
The introduction of double voting rights for a certain category of shareholders under the Florange law was rejected as the 14th resolution at the Combined General Meeting of 17 June 2015.

3.3.3 Rights to dividends and profits (excerpts from Articles 9, 21 and 22 of the Articles of Association)

Each share entitles the shareholder, in terms of ownership of the corporate assets, the sharing of the profits, and the proceeds of liquidation, to a share in proportion to the number and par value of the existing shares.
Whenever it is necessary to own several shares, whether preference shares or not, or securities giving entitlement to exercise any right, the shareholders or the holders of securities are personally responsible for grouping together the required number of shares or securities.

A mandatory deduction of at least five percent (5%) must be made from the profit of the financial year, less any previous losses, and allocated to a reserve fund called the "legal reserve". This deduction ceases to be mandatory when the reserve has reached one-tenth of the Company's share capital.

The distributable profit is made up of the profit of the financial year, less prior losses and the deduction set out in the previous paragraph, plus retained earnings carried forward.

If there is a distributable profit in the financial statements at the end of the year, as approved by the General Meeting, that Meeting decides whether to post it to one or more reserve items, for which it controls the allocation or use, to retained earnings or to distribute it in the form of dividends.
After identifying the existence of reserves which it may have, the General Meeting may decide to distribute sums deducted from these reserves. In this case, the decision must expressly indicate the reserve items from which these deductions are to be made. However, dividends are deducted, first, from the distributable profit for the financial year.

The terms and conditions of the payment of dividends are set by the General Meeting, or, otherwise, by the Board of Directors.

Nevertheless, payment of the dividends must take place within a maximum time limit of nine months after the close of the financial year.

The General Meeting that votes on the financial statements for the year may grant to each shareholder, for some or all of the dividends to be paid, the option of dividend payment in cash or in shares.

Likewise, Ordinary General Meetings, ruling under the conditions stipulated in Article L. 232-12 of the French Commercial Code, may grant each shareholder an interim dividend and, for all or part of that interim dividend, an option between payment of the interim dividend in cash or in shares.

3.3.4 Preferential subscription rights

The shares of the Company's stock have a preferential right to subscribe to share capital increases under the conditions stipulated by the French Commercial Code.

3.3.5 Limits on voting rights

No clause in the articles of association limits the voting rights attached to the shares.

3.3.6 Identifiable bearer shares

The Company may, under the legal and regulatory conditions in effect, request at any time, in return for remuneration at its expense, from any authorised body, the name, or, if it concerns a legal entity, the corporate name, the nationality, and the address of the owners of securities conferring, immediately or in the future, the right to vote in its own General Shareholders' Meetings, as well as

the number of securities owned by each of them and, as applicable, the restrictions to which those securities may be subject.

3.3.7 Buyback by the Company of its own shares

Please refer to section 1.2 SHARE CAPITAL/Treasury shares.

3.3.8 Terms and conditions for modifying shareholders' rights

The rights of shareholders as they appear in the Company's articles of association may only be modified by an Extraordinary General Shareholders' Meeting of the Company.

3.3.9 General Shareholders' Meetings

a. *Holding the meetings (Article 19 of the Articles of Association)*

The General Meetings are called and convened under the conditions established by law.
When the Company wishes to call a meeting by electronic communication instead and in place of a postal mailing, it must obtain prior approval from the shareholders involved, who will indicate their e-mail addresses.

The meetings are held at the Company's registered office or in any other place specified in the convocation notice.

The right to participate in the meetings is governed by the legal and regulatory provisions in effect and is subject, in particular, to the recording of the securities in the register in the name of the shareholder, or of the intermediary recorded on his or her behalf, on the third business day preceding the meeting as of 00:00 hours, Paris time, either in the securities registers held by the Company or in the bearer registers held by an authorised intermediary.

If a shareholder does not personally attend the meeting, he or she may choose one of the following three ways to participate, subject to the conditions stipulated by law and regulations:

- give a proxy in accordance with the conditions authorised by law and regulations;
- vote by postal vote, or
- send a proxy to the Company without indicating the proxy holder.

The Board of Directors may arrange, in accordance with the conditions stipulated by law and regulations in effect, for the participation and voting of the shareholders in the meetings by video conference or by telecommunications methods that allow them to be identified. If the Board of Directors decides to exercise this option for a given meeting, this decision is notified by the Board in the meeting and/or convocation notice. The shareholders, who participate in the meetings by video-conference or by any of the other telecommunication methods mentioned above, as the Board of Directors chooses, are deemed to be present for the calculation of quorum and majority.

The meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by the Chief Executive Officer, by an Executive Vice President if he or she is a member of the Board of

Directors, or by member of the Board of Directors who is specifically delegated for this purpose by the Board. Otherwise, the meeting elects its own chairman.

The positions of scrutineers are filled by the two members of the meeting who are present and accept these positions, who have the largest number of votes. The Executive Committee appoints the secretary, who may be chosen from among persons who are not shareholders.

An attendance sheet is maintained in accordance with the conditions stipulated by law.

An Ordinary General Meeting that is held upon the first calling may only deliberate validly if the shareholders present or represented own at least one-fifth of the shares that have voting rights. An Ordinary General Meeting that is held upon the second calling may deliberate validly regardless of the number of shareholders that are present or represented.

Decisions of the Ordinary General Meeting are made with a majority vote of the shareholders present or represented.

An Extraordinary General Meeting that is held upon the first calling may only deliberate validly if the shareholders present or represented own at least one-quarter of the shares that have voting rights. An Extraordinary General Meeting that is held upon the second calling may only deliberate validly if the shareholders present or represented own at least one-fifth of the shares that have voting rights.

Decisions of the Extraordinary General Meeting are made with a two-thirds majority vote of the shareholders present or represented.

Copies or excerpts from the minutes of the meeting may be validly certified by the Chairman of the Board of Directors, by a member of the Board of Directors who holds the position of Chief Executive Officer, or by the Secretary of the Meeting.

b. *Powers of the meetings (Article 19 of the Articles of Association)*

The Ordinary and Extraordinary General Meetings exercise their respective powers in accordance with the conditions stipulated by law

3.3.10 Mechanisms allowing a change of control to be delayed, deferred or prevented

The Articles of Association of the Company do not contain mechanisms that allow a change of control to be delayed, deferred, or prevented.

3.3.11 Breaching statutory thresholds (Article 8 of the Articles of Association)

Any natural person or legal entity, acting alone or in concert, who owns, in any manner whatsoever, under the meaning of Articles L. 233-7 et seq. of the French Commercial Code, directly or indirectly, a proportion equal to three percent (3%) of the share capital or voting rights of the Company, must transmit to the Company the information indicated in Article 233-7-I of the French Commercial Code (notably the total number of shares and voting rights that that person or entity holds) by means of registered letter with return receipt requested or by any other equivalent means for persons residing

outside of France, sent to the registered office within four trading days from the date the threshold is crossed.

This obligation also applies, under the conditions above, whenever a new threshold of 3% of the share capital or voting rights of the Company is reached or exceeded, regardless of the reason therefore, including beyond the legal threshold of 5%.

Any shareholder whose interest in the share capital or voting rights falls below one of the thresholds stipulated above is also required to inform the Company thereof within the same time limit of four trading days, in accordance with the same terms and conditions.

If this provision is not properly complied with, at the request of one or more shareholders holding at least five percent of the share capital or voting rights of the Company, the shares that exceed the threshold and that should have been declared are deprived of the voting rights for any shareholders' meeting that is held until the expiration of a time period of two years following the date the notification is brought into compliance.

3.3.12 Special stipulations governing changes in the share capital

There are no special stipulations in the Company’s Articles of Association that govern changes in its share capital.

X- AGENDA AND TEXT OF THE RESOLUTIONS PUT TO THE GENERAL MEETING OF 10 JUNE 2020

This document is an extract from the Annual Financial Report published on 30 April 2020, from which the section containing the agenda and the text of the resolutions to be put to the Shareholders at the General Meeting of 10 June 2020 has been removed. By a resolution passed on 15 May 2020, the board of directors decided to postpone the date of the combined shareholders' general meeting to 30 June 2020. The agenda and text of the resolutions to be put to the Shareholders at the Combined General Meeting of 30 June 2020 are available separately on the Company's website.