A French Public Limited Company (*Société Anonyme*), with share capital of € 266,554.46
Registered office: 10 rue Mercœur 75011 Paris
Paris Trade & Companies Registry No. 349 694 893

2020 HALF YEAR FINANCIAL REPORT

For the period from 1 January to 30 June 2020

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I- CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF FINANCIAL POSITION

(in thousands of euros)

ASSETS	*Note*	06/30/20	12/31/19
Goodwill	3.1	5 131	5 131
Intangible assets	3.2	8 889	8 488
Rights of use	3.3	4 246	4 386
Property, plant, and equipment	3.4	1 868	2 068
Financial assets		206	197
Total non-current assets		**20 341**	**20 271**
Inventories and work in progress	3.5	14 400	13 513
Trade receivables	3.6	13 915	17 698
Other current assets	3.7	3 519	5 215
Cash and cash equivalents	3.8	9 889	8 186
Total current assets		**41 723**	**44 613**
TOTAL ASSETS		**62 063**	**64 884**

LIABILITIES		06/30/20	12/31/19
Share capital		267	266
Treasury shares		(508)	(448)
Share premiums		165	6 916
Reserves		11 192	22 782
Translation reserves		1 014	991
Consolidated income attributable to the parent		(4 919)	(18 429)
Total equity	3.9	**7 210**	**12 078**
Provisions	3.10	910	1 144
Financial liabilities	3.11	25 629	24 646
Lease liabilities	3.3	3 779	3 912
Total non-current liabilities		**30 318**	**29 702**
Financial liabilities	3.11	1 036	1 738
Lease liabilities	3.3	552	531
Trade payables	3.12	3 619	3 969
Other current liabilities	3.13	19 327	16 866
Total current liabilities		**24 535**	**23 104**
TOTAL LIABILITIES		**62 063**	**64 884**

2. STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)

	Note	Period End	
		06/30/20	**06/30/19**
Revenue from ordinary activities			
Revenue		9 785	6 003
Other income		1 289	1 008
Total revenue	*4.1*	**11 074**	**7 011**
Operating expenses			
Direct cost of sales	4.2	(4 238)	(2 972)
Indirect costs of production and service	4.2	(2 061)	(2 031)
Research and development	4.2	(2 584)	(2 291)
Sales, clinical and marketing	4.2	(3 220)	(5 321)
Regulatory	4.2	(328)	(444)
Administrative costs	4.2	(2 746)	(2 588)
Share-based payments	3.9 & 4.3	(23)	(436)
Total expenses		**(15 199)**	**(16 083)**
OPERATING PROFIT (LOSS)	*4.4*	**(4 125)**	**(9 072)**
Financial expenses	4.5	(823)	(904)
Financial revenue	4.5	28	2
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAXES		**(4 919)**	**(9 974)**
Income tax expense			
NET PROFIT (LOSS) FOR THE PERIOD - Attributable to the parent		**(4 919)**	**(9 974)**
Translation differences on foreign entities		23	134
TOTAL PROFIT (LOSS) FOR THE PERIOD		**(4 896)**	**(9 840)**
Earnings per share (in €)		(0.19)	(0.38)

3. STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)

Equity of EOS IMAGING	Capital	Share premium	Treasury shares	Consolidated reserves	Translation differences	Consolidated profit (loss)	Total
12/31/18	**262**	**21 559**	**(412)**	**20 196**	**642**	**(13 038)**	**29 210**
Appropriation of profit (loss) N-1				(13 038)		13 038	
Capital increase	1	77					78
Allocation of loss carry-forward to issue premium		(14 766)		14 766			
Change in translation differences					170		170
Change in actuarial differences				(37)			(37)
Profit (loss) for period N						(9 974)	(9 974)
Payments in shares				436			436
Treasury shares			(96)				(96)
06/30/19	**263**	**6 870**	**(508)**	**22 325**	**812**	**(9 974)**	**19 788**
12/31/19	**266**	**6 916**	**(448)**	**22 782**	**991**	**(18 429)**	**12 078**
Appropriation of profit (loss) N-1				(18 429)		18 429	
Capital increase	1	65					66
Allocation of loss carry-forward to issue premium		(6 816)		6 816			
Change in translation differences					23		23
Change in actuarial differences							
Profit (loss) for period N						(4 919)	(4 919)
Payments in shares				23			23
Treasury shares			(59)				(59)
06/30/20	**267**	**165**	**(508)**	**11 192**	**1 014**	**(4 919)**	**7 210**

4. STATEMENT OF CASH FLOWS

(in thousands of euros)

	2020 *6 months*	2019 *6 months*
CASH FLOWS RELATING TO OPERATING ACTIVITIES		
Net profit/(loss)	(4 919)	(9 974)
Elimination of depreciation, amortisation and provisions	1 277	783
Calculated expenses and income linked to share-based payments	23	436
Financial expenses - Lease liabilities	70	62
Financial expenses - Bond borrowings		
Financial expenses - OCEANE convertible bonds	(137)	(74)
Financial expenses - Repayable advances	2	2
Sub-total (“capacité d'autofinancement”)	**(3 684)**	**(8 765)**
Inventories and work in progress	(887)	(5 801)
Trade receivables	3 780	12 276
Other current assets	1 695	(2 269)
Trade payables	(302)	(1 499)
Other current liabilities	2 655	(2 997)
Change in WCR	**6 941**	**(290)**
Net cash from/(used in) operating activities	**3 256**	**(9 055)**
CASH FLOWS RELATING TO INVESTMENT ACTIVITIES		
Acquisition of property, plant, and equipment and intangible assets	(1 759)	(1 472)
Acquisition of property, plant, and equipment and intangible assets		10
Change in financial assets	(9)	(44)
Net cash from/(used in) investing activities	**(1 768)**	**(1 506)**
CASH FLOWS RELATING TO FINANCING ACTIVITIES		
Capital increase	65	78
Loan US	405	
Loan Canada	20	
Repayments of advances and interest-free loans	(8)	(160)
Lease liabilities	(182)	(326)
Recognition of receivables		
Acquisition/disposal of treasury stock	(59)	(96)
Net cash from/(used in) financing activities	**241**	**(503)**
Impact of exchange rate fluctuations	(27)	40
Change in cash	**1 702**	**(11 025)**
Cash and cash equivalents at beginning of the year	8 186	19 719
Cash and cash equivalents at year-end	9 889	8 694
CHANGE IN CASH	**1 702**	**(11 025)**

The changes in cash flows are described in Note 5 to the half-year consolidated financial statements

5. NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

Note 1 : Overview and significant events

The company

Formed in 1989, EOS Imaging SA develops and sells 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.

Significant events

1.1. 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 have consisted of a principal tender offer in cash at a price of €2.80 per EOS share (the "Cash Offer") and, alternatively, of 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 have strengthened their position in the global orthopaedic market.

The deal was also backed by EOS's major shareholders.

The EOS Board of Directors set up an ad hoc committee composed of two independent members and appointed an independent expert to draw up a fairness opinion on the financial terms of the Offer.

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

The transaction remained subject to the usual conditions precedent. Under the terms of the tender offer agreement, EOS had also agreed to a standard non-solicitation undertaking. Under the terms of the tender offer agreement, EOS had agreed to pay, in certain scenarios, a break-up fee of €2.5m to ATEC, and ATEC had agreed to pay, in other cases, a reverse break-up fee of the same amount as EOS.

In addition to the 50% threshold below which the Offer would lapse, as provided for in Article 231-9, I of the AMF's General Regulation, the Offer was conditional on being accepted by those holding two-thirds of 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 intended to carry out a squeeze-out following the Offer at the price of the Cash Offer (€2.80 per EOS share) if the conditions for doing so were met.

The Offer was scheduled to be filed with the AMF at the end of April 2020.

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 impact the company's long-term prospects.

On **29 June 2020**, at the general meeting, the Board of Directors informed the shareholders of its intention to file a claim against Alphatec in order to recover the penalty for breach of contract it considers it is owed.

1.2. COVID-19 health crisis

The various regions in which the Company operates were gradually affected by the COVID-19 health crisis in the first quarter of the year. The initial business impact was seen in Asia in early January, before spreading to Europe and North America in mid-March. 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.

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

Equipment installations that had been scheduled during the lockdown period were delayed and rescheduled for a date after the lockdown measures were eased. The impact could 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.

Maintenance activities were limited to emergencies at establishments that were open during the lockdown period, and gradually resumed with the resumption of imaging activities. The Company has, however, entered into annual flat-rate service agreements with most of its customers, covering annual maintenance and preventive monitoring. Maintenance revenues were therefore not impacted by the pandemic.

Lastly, the Company adapted its production programme to the lag in its installation schedule and revised its procurement schedules with its suppliers. It should be noted that, since the Company's key suppliers are mainly based in France, Canada and Europe, the Company has not identified any specific supply-related risks.

The Company carried out a full assessment of the effects of the crisis and took the necessary corrective measures to adapt its expenditure in the short and medium term in order to mitigate the impact of the crisis on its results and cash flow.

The Company has therefore reduced the hours of its European and North American employees by using short-time working and furlough..

The Company has also used the available measures to alleviate short-term cash flow pressures: deferring the payment of employer's social security contributions; accelerating the payment of research tax credits; obtaining partially forgivable employment support --US$816,000 in the United States, and CA$40,000 in Canada --; obtaining employment subsidies in Singapore and Australia.

EOS imaging has also implemented a major cost reduction programme, consisting partly of reductions linked to the pandemic such as reduced travel and the cancellation of professional conferences; and partly of structural measures such as a hiring freeze and a significant reduction in consultants and temporary workers.

All these factors helped to improve EOS imaging's cash position during the first half of the year.

1.3. First installations of the new EOSedge system

Following the two pilot EOSedge installations in 2019, at the *Centre d'imagerie du Créqui* in Lyon (France) and the *Centre Hospitalier Universitaire Mère-Enfant* in Montreal (Canada), the Company commissioned two of its new EOSedge systems during the first half of the year at the *Polyclinique de Bordeaux Nord* (France) and the *Clinique Asklepios* in Hamburg (Germany).

By way of reminder, EOSedge received 510(k) approval from the U.S. Food and Drug Administration ("FDA") in 2019 and regulatory approvals in Europe (CE marking), Canada (Health approval), and Australia (TGA). The global commercial launch took place in late November 2019, at the RSNA conference in Chicago (United States).

This system has supplemented 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. In particular, the system incorporates new Flex Dose™ technology to modulate and thus optimise radiation dose along the patient's body, together with photon-counting detection technology that delivers high-resolution musculoskeletal imaging exams. With its open cabin and motorised lifting platform, EOSedge enables easy patient entry and positioning, which, together with faster image capturing, reduces the length of the examination. This new system will enable musculoskeletal disorders to be managed more comprehensively.

Note 2 : Accounting principles and methods

Basis of preparation of the financial statements

The condensed consolidated financial statements for the first half of 2020 were approved by the board of directors on 23 September 2020 and were prepared in accordance with the international financial reporting standard IAS 34 "Interim Financial Reporting".

As condensed statements, the half-year consolidated financial statements do not include all of the financial information required to be disclosed in the full-year financial statements and must be read in conjunction with the group's financial statements for the year ended 31 December 2019, subject to the provisions specific to the preparation of interim financial statements as described below.

Principal accounting methods

The accounting principles used in preparation of the 2019 half-year financial statements comply with the international financial reporting standards and interpretations as adopted by the European Union at 30 June 2020. These are available on the European Commission's website at:
https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en

The accounting principles used are identical to those used in preparation of the annual consolidated financial statements for the year ended 31 December 2019.

Changes in accounting rules and methods

Standards, amendments and interpretations which must be applied from 1 January 2020
New texts or amendments as adopted by the EU, which must be applied from 1 January 2020, entered into force on 1 January 2020:

- Amendments to references to the IFRS conceptual framework;
- Amendments to IAS 1 and IAS 8: "definition of material".
- Amendment to IFRS 3 - Definition of a business - Business combinations
- Amendment to IFRS 9, IAS 39 and IFRS 7 on reforming interbank offered rates (IBORs)

These amendments did not have a material impact on the Group's financial statements for the period ended 30 June 2020.

Other standards, amendments and interpretations published but not yet mandatory
The standards, amendments and interpretations published by the IASB and not yet adopted by the EU are listed below:

- Amendments to IAS 1 - Presentation of financial statements - Classification of Liabilities as Current or Non-current
- Amendment to IAS 16 - Property, plant and equipment - Proceeds before Intended Use
- IAS 37 – Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts — Cost of Fulfilling a Contract
- IFRS 17 Insurance contracts including amendments to IFRS 17
- Amendments to IFRS 4 Insurance contracts – Applying IFRS 9
- IFRS annual improvements (2018-2020);
- Amendments to IFRS 3 – Business combinations – Reference to the conceptual framework

The Group has chosen not to apply those standards and interpretations for which application is not mandatory at 30 June 2020. Management does not expect application of these standards to have a material impact on the consolidated financial statements.

Estimates and judgements

The preparation of the condensed half-year consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities recognised at the closing date, the income and expenses for the period and the notes to the financial statements. Management also needs to exercise judgement in applying the Group's accounting policies. Actual results may differ significantly from these estimates depending on the various assumptions or conditions. The estimates and assumptions used are reviewed on an ongoing basis, based on past experience and any other information deemed critical to the environment and circumstances.
The uncertainty introduced by the Covid-19 health crisis has made the use of these estimates more critical to the preparation of the half-year consolidated financial statements for the period ended on 30 June 2020. In this context, the principal areas requiring significant estimates or a greater degree of judgement are:
- estimating the recoverable amount of goodwill and intangible assets and, in connection with the COVID-19 crisis, taking account of the uncertainties associated with estimating these recoverable amounts and their sensitivity to potential changes in key assumptions (Notes 3.1, 3.2 and 3.4);
- the measurement of the recoverable amounts of current assets (Notes 3.5, 3.6 and 3.7);
- the capitalisation of development costs (Note 3.2)
- the amount of provisions (Notes 3.10 and 3.13)

Going concern

The financial statements were approved in accordance with the going concern principle in the following context:
At 30 June 2020, the Group held cash of €9.9m, covering its estimated financing needs for the next twelve months.
At the same time, the company is also continuing to explore various financing options. In particular:
- continued reductions to its working capital requirements,
- the use of factoring, already in place and not used in 2020,
- the application for a French State-guaranteed loan (PGE) for EOS imaging SA and Onefit SAS to mitigate the impacts of the COVID crisis on its business and cash flow,
- the use of the financial authorisations obtained at the general meeting, allowing it to increase its share capital to finance its research programmes and its longer-term growth.

Recoverable amount of the Group's intangible assets

An impairment test was carried out at 30 June 2020 to assess the impact of the Covid-19 crisis.
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, or 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 2020 to 2029 taken from the company's forecasts.

The principal parameters used are set out below:

- 10-year forecast hori
- zon;
- 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 infinity.

As at 30 June 2020, 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.

Methods of preparing the half-year financial statements

Information on the seasonal nature of the Group's equipment business

The change in the sales cycle implemented at the beginning of the 2019 financial year had the effect of unevenly distributing sales revenue from the sales of equipment in 2019.

- In the first half of 2019, only two orders for equipment taken in 2019 were delivered and invoiced, as preparatory installation work had not yet been carried out on customers' premises
- In the second half of 2019, as preparatory installation work progressed at customers' premises, 22 orders placed since the beginning of 2019 were delivered and invoiced.

The first quarter of 2020 was also impacted by this transition effect.

From the second quarter of 2020 onwards, a more regular distribution of quarterly revenue is expected.

However, equipment sales are sales that are low in number and with a high unit cost. Deliveries are dependent on customers' plans, which can result in uneven quarters in terms of equipment revenue. This irregularity is heightened in a pandemic.

In contrast, EOS's maintenance and service revenue is not seasonal.

Impairment tests

Pursuant to the provisions of IAS 36, the group performed impairment tests on all its consolidated intangible assets at 30 June 2020. No impairment provisions were considered necessary at 30 June 2020.

Changes in consolidation scope

The consolidation scope at 30 June 2020 is identical to that of the year ended 31 December 2019.

Impact of acquisitions (acquisition of controlling interests)

The group made no acquisitions in the first half of 2020.

Note 3 : Statement of financial position

Note 3.1: Goodwill

Goodwill	12/31/19	Increases	Reductions	Change in exchange rates	06/30/20
ONEFIT Médical goodwill	5 131				5 131
Total gross goodwill	**5 131**				**5 131**
Impairment of goodwill					

Note 3.2: Intangible assets

Intangible assets	12/31/19	Increases	Reclassifications	Reductions	Change in exchange rates	06/30/20
Development costs	11 604	1 328	(857)			12 075
Software	1 409	39	(93)		3	1 357
Patents	721	132	950			1 803
Gross total intangible assets	**13 735**	**1 498**			**3**	**15 236**
Development costs	3 913	963				4 876
Software	1 205	11				1 216
Patents	129	126				255
Total amortisation	**5 247**	**1 100**				**6 347**
Net total intangible assets	**8 488**	**399**				**8 889**

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 licences linked to partnerships.

Project development expenditure is capitalised in accordance with IAS 38, “Intangible Assets”.

At 30 June 2020, the Group capitalised expenditure directly attributable to project development in the amount of €1.3m. These investments are mainly in projects relating to imaging equipment and the sterEOS workstation. During the first half of 2020, EOS imaging depreciated all its capitalised projects by €0.5m, including the EOSedge project announced to the market at the end of 2019.

A licence was capitalised during the first half of the year for €950k following the launch of EosEdge and is being depreciated over the term of the contract with the partner.

A project review led to an impairment of €275k relating to an external development project whose probability of success has not been established.

Note 3.3: Rights of use and lease obligations

Rights of use	12/31/2019	Increases	Reductions	Change in exchange rates	06/30/2020
Real estate usage rights	4 787	168		(2)	4 953
Furniture usage right	220				220
Total leases	**5 008**	**168**		**(2)**	**5 173**
Real estate usage rights	545	278		(4)	820
Furniture usage right	77	30			107
Total depreciation and impairment	**621**	**309**		**(4)**	**926**
Total net Rights of Use	**4 386**	**(141)**		**1**	**4 246**

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

The discount rates for the rental liabilities are between 3.22% and 4.74% for immovable property and between 1.35% and 4.24% for movable property.

Net rights of use (in thousands of euros)	06/30/20	12/31/19
France	3 899	4 164
North America	347	223
Total net rights of use	**4 246**	**4 386**

Change in lease liabilities (in thousands of euros)	Offices	Equipment	Total
As at 1 January 2020	4 298	144	4 443
New lease	168		168
Repayments	(250)	(30)	(280)
	-	-	-
As at 30 June 2020	**4 216**	**114**	**4 331**

Maturity of lease liabilities (in thousands of euros)	06/30/20	12/31/19
Lease liabilities due in more than one year	3 779	3 912
Lease liabilities due within one year	552	531
Total liabilities	**4 331**	**4 443**

Note 3.4: Property, plant, and equipment

Property, plant, and equipment	12/31/19	Increases	Reductions	Change in exchange rates	06/30/20
Fixtures and fittings	1 274			1	1 275
Technical installations and equipment	3 726	20			3 746
Office and computer equipment	1 197	19			1 216
Furniture	71				72
Fixed assets in progress	303	54			357
		-	-	-	
Gross total property, plant & equipment	**6 571**	**93**		**1**	**6 665**
Fixtures and fittings	877	49			926
Technical installations and equipment	2 390	258			2 649
Office and computer equipment	952	68			1 020
Furniture	21	5			25
Fixed assets in progress	263		(86)		177
Total amortisation	**4 503**	**380**	**(86)**		**4 797**
Net total property, plant & equipment	**2 068**	**(287)**	**86**	**1**	**1 868**

Note 3.5: Inventories and work in progress

Inventories and work in progress (in thousands of euros)	06/30/20	12/31/19
Component Parts	7 934	7 558
Finished Products	6 079	6 032
Inventories waiting for return	658	
Depreciation	(271)	(77)
Total net des stocks et en-cours	**14 400**	**13 513**

The on-going transition to the sales cycle should have led to a decrease in the level of inventory in the first half of the year. However, this did not happen due to the the slowdown in installations and maintenance interventions during the lockdown period. Overall inventory remained stable.
Slow-moving components are the subject of value adjustment for impairment of €271k in June 2020.
At 30 June 2020, this line item also included the value of four items of equipment, in the amount of €658k, following negotiations to take back those items with customers who were unable to comply with a payment schedule. These products are awaiting their return to inventory.

Note 3.6: Trade receivables

Trade receivables (in thousands of euros)	06/30/20	12/31/19
Customers and related accounts	15 534	19 564
Impairment of customers and related accounts	(1 619)	(1 866)
Net total of customer receivables	**13 915**	**17 698**

At each balance sheet date, a review is carried out of any impairment losses on trade receivables, which takes account of the expected installation dates of the relevant equipment. This assessment affects revenue for the period if the Group considers that there is a probability of a material adjustment to expected inflows. At 30 June 2020, the Group recognised

- a negative adjustment of €647k for risks of renegotiation concerning old receivables relating to items not installed and
- a positive adjustment of €833k following the increase in expected inflows as a result of certain items of equipment being taken back, an adjustment partially offset by a liability in respect of the equipment being returned, recognised in other current liabilities, of €2,069k.

The difference between the initial receivables and their valuation at 30 June 2020 was €1,619k, i.e. 10.4% of their gross amount.

During the period ended 30 June 2020, no customer individually accounted for more than 10% of consolidated revenue.

Note 3.7: Other current assets

Other current assets (in thousands of euros)	06/30/20	12/31/19
Research tax credit / CICE / CII	739	1 899
Suppliers - receivables	381	231
Value added tax	807	646
Prepaid expenses	573	593
Subsidies receivable	553	783
Other receivables	466	1 063
Total other current assets	**3 519**	**5 215**

The "Research tax credit" item comprises research tax credits recognised in respect of expenses incurred during the period by EOS imaging and OneFit. The research tax credit payment for 2019 was received in the first half of 2020 thanks to the measures put in place by the French government in connection with Covid-19.

The item “Suppliers - receivables” mainly concerns goods returned.

‘Prepaid expenses’ correspond mainly to rent, insurance premiums and commitments in respect of trade shows.

The “Subsidies receivable” line item corresponds to the expected financing under collaborative projects involving various partners on the development of highly innovative work. This subsidy income is recognised in expenses incurred up to 30 June 2020 but not yet paid as at that date.

At 30 June 2020, EOS imaging recognised an impairment of €167k on a receivable relating to a partnership as it was estimated to be worthless at that date.

Note 3.8: Cash and cash equivalents

Cash and cash equivalents (in thousands of euros)	06/30/20	12/31/19
Short-term bank deposits	9 846	8 084
Money market SICAVs	43	102
Total	**9 889**	**8 186**

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

- Current accounts in the amount of €9.8m, €7.6m of which is held by the American, Canadian, Singaporean and German subsidiaries;
- Liquid assets in the amount of €43k. These amounts comprise funds committed under a liquidity agreement that had not been invested in treasury shares at 30 June 2020.

Note 3.9: Equity

Share capital issued

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

Date	Transaction	Capital	Issue premium	Number of shares forming the capital
	Total at 31 December 2019	**265 700**	**6 915 879**	**26 569 946**
2020-06-30	Allocation of loss carry-forward to issue premium		(6 815 879)	
2020-02-05	Capital increase following the allocation of bonus shares	200	(200)	20 000
2020-06-30	Capital increase following the exercise of options	655	64 845	65 500
	Total at 30 June 2020	**266 555**	**164 645**	**26 655 446**

Capital increases result from the following transactions:

- The exercise of 65,500 stock options, leading to the issue of 65,500 new shares;
- The creation of 20,000 new ordinary shares, each with a nominal value of one euro cent, allocated free of charge to certain employees.

At 30 June 2020, the Company's share capital was €266,554.46. It was divided into 26,655,446 ordinary shares, fully subscribed and paid up, each with a par value of €0.01.

Treasury shares

Under the liquidity agreement, the Company held 95,932 of its own shares at 30 June 2020. These shares have been deducted from equity in an amount of €508k.

Stock subscription options

The company has issued the following plans:

Type	Fair value of option	Number of shares granted	Fair value of the plan (in thousads 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
Bonus shares	€ 5.15	360 000	1 854
SO 2012 (a)	between 1,61€ and 1,84€	376 916	651
SO 2012 (b)	between 2,02€ and 2,18€	40 000	84
SO 2014	between 3,92€ and 4,33€	223 000	380
Bonus shares	between 1,97€ and 2,26€	181 500	593
BSA 2015	€ 2.25	120 000	270
BSA 2016	between 0,68€ and 0,77€	190 000	137
Bonus shares	between 3,86€ and 4,24€	133 000	432
Performance shares	between 0,74€ and 1,47€	280 000	353
Bonus shares	€ 5.82	50 000	291
Performance shares	between 2,20€ and 2,37€	190 000	427
Bonus shares	between 4,58€ and 4,89€	208 500	794
Performance shares	€ 1.27	40 000	51
Bonus shares	between 4,78€ and 5,14€	20 000	101
SO 2019	between 0,09€ and 0,11€	1 112 000	82
Total			**9 119**

The impact on the statement of comprehensive income of share-based payments is described in note 4.3.

Note 3.10: Provisions

Obligation to pay retirement bonuses

(in thousands of euros)	12/31/19	Increases	Reductions	06/30/20
Retirement benefits	574	23		597
Total	**574**	**23**		**597**

Disputes

(in thousands of euros)	12/31/19	Increases	Reductions	06/30/20
Disputes	570		(257)	313
Total	**570**		**(257)**	**313**

Three disputes were identified and remained ongoing at 30 June 2020.

Note 3.11: Current and non-current financial liabilities

Financials liabilities (in thousands of euros)	06/30/20	12/31/19
Bond loans	25 890	26 028
BPI advances - Ardea	351	356
Loan	424	-
Total liabilities	**26 666**	**26 384**

Maturity schedule of financial liabilities	Carrying amount	At up to 1 year	>1 yr up to 5 years max.	Over 5 years
Bond loans	25 890	749	25 142	-
BPI advances - Ardea	351	153	198	-
Loan	424	135	289	-
Total liabilities	**26 666**	**1 036**	**25 629**	**-**

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”.

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

BPI advances

- In the context of its participation in the Industrial Strategic Innovation project, EOS imaging received a reimbursable advance from OSEO in July 2009, for a maximum amount of €1,275k. Payments made amounted to €822k. They correspond to the contractually financed portion of expenditure committed by the company, which was lower than the amount forecast on signing of the agreement.

  On 2 February 2016 BPI formally recognised a partial commercial success for EOS imaging, waived a €269k receivable and restructured the financing. The Company was therefore required to pay the amount of €553k. Repayments made since 2016 amount to €451k. The discounting of this debt under IFRS reduced its balance to €101k at 30 June 2020.

- Onefit Medical 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 within five years of 31 May 2015. The first repayments were made in 2017. The final payments made during the first half of 2020 have enabled the loan to be repaid.

- As part of its development of a new generation of knee instrumentation, OneFit Medical also received an interest-free repayable advance of €250k granted in June 2014. The agreement associated with this advance was amended in January 2017, so that it was switched to a grant-funded project focused on the shoulder. Repayments under the amended advance agreement were deferred for 2 years and should restart in September 2019, over 58 months. In the event that the project is not successful, repayments are to be made over a period of 34 months beginning in September 2019. In view of the project's characteristics, OneFit Medical requested, on 29 January 2019, that the programme be technically recognised as having failed. At 30 June 2020, the partner had made no decision.

Bank loans

The Eos imaging Group benefited from loans granted as part of the measures introduced by governments during the Covid-19 crisis.

- The forgivable portion of the US$816k loan obtained by the US subsidiary, i.e. US$363k, was recognised as a subsidy, with US$453k therefore remaining on the balance sheet.
- The forgivable portion of the CAD$40k loan obtained by the Canadian subsidiary, i.e. CAD$10k, was recognised as a subsidy, with CAD$30k therefore remaining on the balance sheet.

Note 3.12: Trade payables

Trade payables (in thousands of euros)	**06/30/20**	**12/31/19**
Trade payables	3 619	3 969
Total	**3 619**	**3 969**

Note 3.13: Other current liabilities

Provisions for amounts due within one year

(in thousands of euros)	12/31/19	Increases	Reductions	06/30/20
Provision - miscellaneous	91			91
Provision for installation costs	327		(15)	312
Guarantees given to customers	810		(178)	632
Total	**1 229**		**(194)**	**1 035**

The provision for customer warranties changes based on the number of items of equipment under warranty, taking into account equipment installations 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 equipment 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.

Other current liabilities

Other current liabilities (in thousands of euros)	06/30/20	12/31/19
Tax debts	420	716
Social debts	3 043	3 184
Other debts (including royalties & subsidies)	1 373	1 137
Down-Paiements customers	4 236	2 018
Refund liabilities	2 069	
Prepaid income	7 152	8 582
Total other current liabilities	**18 292**	**15 637**

Tax liabilities principally comprise VAT and payroll-based taxes.

Employment liabilities comprise salaries, social security charges, holiday pay and bonuses. In connection with the Covid-19 crisis, Eos imaging received government support, in particular an extended payment deadline for social security contributions in France of €0.9m at 30 June 2020.

Other liabilities principally comprise royalty fees payable on equipment sold.

The amount received from customers in the form of advances on current equipment orders was €4.2m, compared to €2.0m at the end of 2019. This change is explained by an improvement in payment terms.

Prepaid income principally comprises maintenance charges in respect of a future period. These liabilities under contracts represent the Company's obligation 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.

Lastly, refund liabilities for items of equipment in the process of being returned were €2,069k at 30 June 2020 and follow negotiations over the return of four items of equipment where customers were unable to comply with a payment schedule. This commitment is offset by a positive adjustment in the valuation of trade receivables of €833k and by the value returned equipment being taken to inventory in the amount of €658k.

Note 4 : Details of the Income Statement

Note 4.1: Revenue from ordinary activities

Sales revenue and other income

Revenue (in thousands of euros)	06/30/20	06/30/19
Sales of equipement	5 716	772
Sales of services	5 762	4 657
Sales of consumables and related services	468	575
Provisions on aged receivables	(10)	
Return	(2 151)	
Total Revenue from Sales	**9 785**	**6 003**
Subsidies	569	74
Research tax credit	721	934
Total Revenue from Ordinary Activities	**11 074**	**7 011**

The increase in revenue compared with the first half of 2019 can be explained by:

- The significant increase in revenue from equipment compared with the first half of 2019, when only two items of equipment were delivered as a result of the transition to a new sales cycle model.

  In the first half of the year, the company:
  - Delivered 12 items of equipment, including 3 EOS® Edge systems for an amount of €5,716k
  - Took back five items of equipment sold in previous financial years, where customers were unable to comply with a payment schedule, generating a net impact after reversals of provisions of €1,318k on revenue.
  - Recognised €647k of additional provisions for payment risk.
- Significant growth (24%; +€1.1m) in maintenance service revenue, linked to the increase in the installed base. Maintenance revenue, derived principally from annual flat-rate agreements, was not impacted by the pandemic.
- A 19% decrease (-€0.1m) in revenue from orthopaedic services and consumables, linked to the suspension of non-urgent surgery during the pandemic.

The research tax credit is lower than in the first half of 2019, which is explained by the decrease in expenditure eligible for capitalisation linked mainly to the completion of the development of the new EOS® Edge system and also to the introduction of short-time working.

The increase in subsidies is mainly associated with the various Covid-19 support mechanisms put in place in France, the United States and Canada (short-time working, non-refundable portion of loans).

Note 4.2: Analysis of operating costs by function

Direct costs of production and services

Direct costs of production and service (in thousands of euros)	Period ended 06/30/20	06/30/19
Purchasing and subcontracting	4 269	2 174
Staff costs	664	857
Royalties	135	20
Amortization and provisions	109	(80)
Return inventories	(939)	
Total direct costs of production and service	**4 238**	**2 971**

The direct costs of production and services essentially comprise the costs of production, transport and installation of equipment sold over the period, as well as the maintenance costs of installed equipment maintained by EOS imaging.

The gross margin on direct costs was equal to 56.7% of revenue at 30 June 2020, compared with 50.5% at 30 June 2019. This improvement is due mainly to the reduction in maintenance interventions during the Covid-19 crisis.

Indirect costs of production and service

Indirect costs of production and service (in thousands of euros)	Financial year ended 06/30/20	06/30/19
Purchasing and subcontracting	510	641
Travelling expenses	301	488
Staff costs	1 176	825
Amortization and provisions	73	78
Total indirect costs of production and service	**2 061**	**2 031**

Indirect costs of production and service were stable. The reduction in purchases and travel expenses associated with the lower levels of activity during the pandemic was offset by reclassifying two members of the sales department as members of the maintenance/after-sales service department, based on their activities.

Research & development

Research and development (in thousands of euros)	Financial year ended 06/30/20	06/30/19
Purchasing and subcontracting	788	1 106
Travelling expenses	29	67
Staff costs	1 214	699
Amortization and provisions	554	418
Total research and development	**2 584**	**2 291**

Research and development costs were up by €0.3m, as a result of the decrease in the number of projects eligible for capitalisation (launch of the EOSedge at the end of 2019), and despite a 29% decrease in subcontracting (-€0.3m).

Sales, clinical and Marketing

Sales, clinical and marketing (in thousands of euros)	Financial year ended 06/30/20	06/30/19
Purchasing and subcontracting	450	819
Studies	52	70
Travelling expenses	310	710
Trade shows and congresses	55	342
Payroll costs	2 352	3 381
Total marketing and sales	**3 220**	**5 321**

Sales and marketing expenses fell as a result of:

- the €1.0m decrease in payroll expenses linked mainly to the decrease in the workforce (-11 people, including the reclassification of two members of the sales department as members of the maintenance/after-sales service department) and to the temporary partial reduction in salaries in the United States during the activity reduction period relating to the pandemic.
- the cancellation of trade shows and events and the decrease in travel expenditure as a result of the pandemic.

Regulatory

Regulatory (in thousands of euros)	Financial year ended 06/30/20	06/30/19
Purchasing and subcontracting	58	127
Travelling expenses	3	10
Staff costs	267	307
Total regulatory	**328**	**444**

Quality and regulatory costs fell, principally as a result of the launch of EOS Edge at the end of 2019.

Administrative costs

Administrative costs (in thousands of euros)	Financial year ended 06/30/20	06/30/19
Purchasing and subcontracting	1 742	1 679
Travelling expenses	23	34
Staff costs	812	755
Amortization and provisions	169	119
Total administrative costs	**2 746**	**2 588**

The increase in administrative costs (+€0.16m) is linked to the full-period effect of 2019 recruitment and the decrease in professional services, partly offset by exceptional professional fees related to Alphatec's tender offer. The action brought by EOS imaging against Atec on their termination of the tender offer, which provides for a penalty for breach of contract, was not reflected in the accounts as at 30 June 2020.

Note 4.3: Share-based payments

The plans issued by the company and in force at 30 June 2020 are described in Note 3.9. and were as follows:

Type	Date awarded	Excercice price	In force at 06/30/2020
SO 2010	2010-07-06	1.00 €	166 125
SO 2010	2011-05-20	1.00 €	7 500
SO 2012	2012-09-21	4.07 €	253 307
BSA Administrateur	2012-12-31	4.24 €	40 000
SO 2014	2014-05-23	6.14 €	201 875
BSA IPF	2015-03-31	4.71 €	120 000
BSA Administrateur	2016-03-01	3.42 €	190 000
Performance shares	2018-02-05	- €	40 000
SO 2019	2019-01-30	2.68 €	1 063 500
			2 082 307

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 Sept 2018	Performance shares 2019	Bonus shares Sept 2019	SO 2019	Total
2017-12-31	43	253	44	356	46	49	119	-	-	-	-	910
2018-12-31	14	- 43	19	171	-	-	201	408	-	-	-	770
2019-06-30	-	-	1	-	-	190	108	-	51	71	16	436
2019-12-31	-	-	1	-	4	217	309	172	-	-	40	743
2020-06-30								3	-	-	20	23

Note 4.4: Comments on operating profit

Operating expenses were €15,199k compared with €16,083k at 30 June 2019.

The operating loss over the period was €4,125k, compared with €9,072k at 30 June 2019.

Note 4.5: Financial income

At the end of the first half of 2020, the Company recorded a financial loss of €794k, compared with a loss of €902k at 30 June 2019.

Note 5 : Comments on the cash flow statement

At the end of June 2020, EOS imaging's cash stood at €9.9m compared with €8.2m at 31 December 2019, an increase of €1.7m.

Net cash outflows from operating activities were €3.3m in the first half of 2020, compared with €9.1m in the first half of 2019. They include generated cash from the change in working capital requirement over the period by €6.9m, compared with cash consumed from change in working capital requirement by €0.3m in the first half of 2019.

- This change in the Company's cash position is the result of the gradual and structural reduction in operating working capital requirement following the change in the business cycle. Trade receivables, which were €17.7m at 31 December 2019, fell by €3.8m to €13.9m at the end of the first half of 2020.
- Other current assets also fell by €1.7m. They were €3.5m at the end of June 2020 compared with €5.2m at 31 December 2019.
- Advance payments received from customers before delivery also generated additional cash of €2.2m.

Furthermore, the Company has made full use of the measures to alleviate short-term cash flow pressures: deferring the payment of employer's social security contributions; accelerating the payment of research tax credits, partially forgivable loans in the US and Canada.

Note 6 : Comments on off-balance sheet commitments

Between 31 December 2019 and 30 June 2020, there was no significant change in off-balance sheet commitments.

Note 7 : Information on 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 Period Ended	
	06/30/20	**06/30/19**
Remuneration and benefits in kind	1 084	1 035
Payments in shares		
Directors' fees		65
Total	**1 084**	**1 100**

In light of the resolutions passed at the General Meeting of 30 June 2020, the members of the Board of Directors, as a result of the COVID-19 pandemic, have waived their attendance fees for the 2020 financial year.

a. Further installations of the new EOSedge platform, and first installation in the United States

On 30 July, the company announced that the 'Gillette Children's Specialty Healthcare' Hospital in St Paul, Minnesota was the first US site to image patients using EOSedge. Gillette Children's was the first hospital in the US to provide specialist care for severely disabled children. Always at the forefront of innovation, the hospital chose the next-generation EOSedge platform to expand its imaging capabilities at its St Paul campus. The installation of EOSedge extends a partnership between EOS imaging and Gillette Children's, with the first-generation EOS system installed at the facility in 2016.

In July, the Company also commissioned the new EOSedge platform at the Madonuccia medical centre in Ajaccio (France).

b. Gradual recovery of the business in an environment of COVID-19 health precautions

Installation and marketing activities have begun to resume since 30 June.

With regard to installations, customers' projects have been delayed, due to the level of work required to prepare rooms, or the ability of the EOS teams to travel to certain regions. However, all these projects are continuing at a rate that is around a quarter lower than the rate seen in the previous year.

Our sales representatives are again working with their customers and prospective customers on new projects to acquire imaging platforms. The recovery only began recently and should firm up into stronger orders in the coming months.

Maintenance activities have resumed. Our teams have been working alongside customers to restart their systems, which had been shut down. Maintenance revenue continues to remain unaffected, as our services are mainly provided via flat-rate annual contracts.

EOS's management team has continued to closely monitor the situation and has adapted employees' activities to the needs of customers.

EOS has continued with the implementation of the cost management plan, by continuing to reduce the use of consultants and external contractors and by extending its hiring freeze. All trade shows scheduled for the end of 2020 and for 2021 are virtual, which significantly reduces costs, without any major impact on our ability to communicate with our market.

The company has therefore implemented, with flexibility, all the adjustment options available in order to protect its financial resources, while continuing to promote its technologies.

c. *Proceedings brought against Alphatec Holdings*

On 9 September 2020, EOS imaging S.A. issued proceedings against Alphatec Holdings Inc. before the Paris Commercial Court. The Paris Commercial Court is asked to find that the coronavirus pandemic does not constitute, for the purposes of the Agreement between EOS and Alphatec, a Material Adverse Effect and, consequently, to find that Alphatec was not entitled to unilaterally terminate the Agreement without paying EOS the compensation for unilateral termination agreed by the parties where no Material Adverse Effect has occurred, and to order Alphatec to pay EOS the compensation for unilateral termination of €2,500,000 provided for in the agreement. The initial hearing will be held on 3 December 2020.

II- HALF-YEAR ACTIVITY REPORT

1. HIGHLIGHTS OF THE FIRST HALF OF 2020

1.1. 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 have consisted of a principal tender offer in cash at a price of €2.80 per EOS share (the "Cash Offer") and, alternatively, of 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 have strengthened their position in the global orthopaedic market.

The deal was also backed by EOS's major shareholders.

The EOS Board of Directors set up an ad hoc committee composed of two independent members and appointed an independent expert to draw up a fairness opinion on the financial terms of the Offer.

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

The transaction remained subject to the usual conditions precedent. Under the terms of the tender offer agreement, EOS had also agreed to a standard non-solicitation undertaking. Under the terms of the tender offer agreement, EOS had agreed to pay, in certain scenarios, a break-up fee of €2.5m to ATEC, and ATEC had agreed to pay, in other cases, a reverse break-up fee of the same amount as EOS.

In addition to the 50% threshold below which the Offer would lapse, as provided for in Article 231-9, I of the AMF's General Regulation, the Offer was conditional on being accepted by those holding two-thirds of 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 intended to carry out a squeeze-out following the Offer at the price of the Cash Offer (€2.80 per EOS share) if the conditions for doing so were met.

The Offer was scheduled to be filed with the AMF at the end of April 2020.

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 impact the company's long-term prospects.

On **29 June 2020**, at the general meeting, the Board of Directors informed the shareholders of its intention to file a claim against Alphatec in order to recover the penalty for breach of contract it considers it is owed.

1.2. COVID-19 health crisis

The various regions in which the Company operates were gradually affected by the COVID-19 health crisis in the first quarter of the year. The initial business impact was seen in Asia in early January, before spreading to Europe and North America in mid-March. 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.

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

Equipment installations that had been scheduled during the lockdown period were delayed and rescheduled for a date after lockdown measures were eased. The impact could 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.

Maintenance activities were limited to emergencies at establishments that were open during the lockdown period, and gradually resumed with the resumption of imaging activities. The Company has, however, entered into annual flat-rate service agreements with most of its customers, covering annual maintenance and preventive monitoring. Maintenance revenues were therefore not impacted by the pandemic.

Lastly, the Company has adapted its production programme to the lag in its installation schedule and has revised its procurement schedules with its suppliers. It should be noted that, since the Company’s key suppliers are mainly based in France, Canada and Europe, the Company has not identified any specific supply-related risks.

The Company carried out a full assessment of the effects of the crisis and took the necessary corrective measures to adapt its expenditure in the short and medium term in order to mitigate the impact of the crisis on its results and cash flow.

The Company has therefore reduced the hours of its European and North American employees by using short-time working and furlough.

The Company has also used the available measures to alleviate short-term cash flow pressures: deferring the payment of employer's social security contributions; accelerating the payment of research tax credits; obtaining partially forgivable employment support -- USD816,000 in the United States, and CAD40,000 in Canada --; obtaining employment subsidies in Singapore and Australia.

EOS imaging has also implemented a major cost reduction programme, consisting partly of reductions linked to the pandemic such as reduced travel and the cancellation of professional conferences and partly of structural measures such as a hiring freeze and a significant reduction in consultants and temporary workers.

All these factors helped to improve EOS imaging's cash position during the first half of the year.

1.3. First installations of the new EOSedge system

Following the two pilot EOSedge installations in 2019, at the Centre d'imagerie du Créqui in Lyon (France) and the Centre Hospitalier Universitaire Mère-Enfant in Montreal (Canada), the Company commissioned two of its new EOSedge systems during the first half of the year at the Polyclinique de Bordeaux Nord (France) and the Clinique Asklepios in Hamburg (Germany).

By way of reminder, EOSedge received 510(k) approval from the U.S. Food and Drug Administration ("FDA") in 2019 and regulatory approvals in Europe (CE marking), Canada (Health approval), and Australia (TGA). The global commercial launch took place in late November 2019, at the RSNA conference in Chicago (United States).

This system has supplemented 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. In particular, the system incorporates new Flex Dose™ technology to modulate and thus optimise radiation dose along the patient's body, together with photon-counting detection technology that delivers high-resolution musculoskeletal imaging exams. With its open cab and motorised lifting platform, EOSedge enables easy patient entry and positioning, which, together with faster image capturing, reduces the length of the examination. This new system will enable musculoskeletal disorders to be managed more comprehensively.

2. EVENTS AFTER 30 JUNE 2020

2.1. Further installations of the new EOSedge platform, and first installation in the United States

On 30 July, the company announced that the 'Gillette Children's Specialty Healthcare' Hospital in St Paul, Minnesota was the first US site to image patients using EOSedge. Gillette Children's was the first hospital in the US to provide specialist care for severely disabled children. Always at the forefront of innovation, the hospital chose the next-generation EOSedge platform to expand its imaging capabilities at its St Paul campus. The installation of EOSedge extends a partnership between EOS imaging and Gillette Children's, with the first-generation EOS system installed at the facility in 2016.

In July, the Company also commissioned the new EOSedge platform at the Madonuccia medical centre in Ajaccio (France).

2.2. Gradual recovery of the business in an environment of COVID-19 health precautions

Installation and marketing activities have begun to resume since 30 June.

With regard to installations, customers' projects have been delayed, due to the level of work required to prepare rooms, or the ability of the EOS teams to travel to certain regions. However, all these projects are continuing at a rate that is around a quarter lower than the rate seen in the previous year.

Our sales representatives are again working with their customers and prospective customers on new projects to acquire imaging platforms. The recovery began recently and should firm up into stronger orders in the coming months.

Maintenance activities have resumed. Our teams have been working alongside customers to restart their systems, which had been shut down. Maintenance revenue continues to remain unaffected, as our services are mainly provided via flat-rate annual contracts.

EOS's management team has continued to closely monitor the situation and has adapted employees' activities to the needs of customers.

EOS has continued with the implementation of the cost management plan, by continuing to reduce the use of consultants and external contractors and by extending its hiring freeze. All trade shows scheduled for the end of 2020 and for 2021 are virtual, which significantly reduces costs, without any major impact on our ability to communicate with our market.

The company has therefore implemented, with flexibility, all the adjustment options available in order to protect its financial resources, while continuing to promote its technologies.

2.3. Proceedings brought against Alphatec Holdings

On 9 September 2020, EOS imaging S.A. issued proceedings against Alphatec Holdings Inc. before the Paris Commercial Court. The Paris Commercial Court is asked to find that the coronavirus pandemic does not constitute, for the purposes of the Agreement between EOS and Alphatec, a Material Adverse Effect and, consequently, to find that Alphatec was not entitled to unilaterally terminate the Agreement without paying EOS the compensation for unilateral termination agreed by the parties where no Material Adverse Effect has occurred, and to order Alphatec to pay EOS the compensation for unilateral termination of €2,500,000 provided for in the agreement. The initial hearing will be held on 3 December 2020.

3. ANALYSIS OF THE HALF-YEAR FINANCIAL STATEMENTS

ANALYSIS OF THE STATEMENT OF COMPREHENSIVE INCOME

Analysis of revenue from ordinary activities

Revenue (in thousands of euros)	**06/30/20**	**06/30/19**
Sales of equipement	5 716	772
Sales of services	5 762	4 657
Sales of consumables and related services	468	575
Provisions on aged receivables	(10)	
Return	(2 151)	
Total Revenue from Sales	**9 785**	**6 003**
Subsidies	569	74
Research tax credit	721	934
Total Revenue from Ordinary Activities	**11 074**	**7 011**

The increase in revenue compared with the first half of 2019 can be explained by:

- The significant increase in revenue from equipment compared with the first half of 2019, when only two items of equipment were delivered as a result of the transition to a new sales cycle model.

  In the first half of the year, the company:
  - Delivered 12 items of equipment, including 3 EOS® Edge systems for an amount of €5,716k
  - Took back five items of equipment sold in previous financial years, where customers were unable to comply with a payment schedule, generating a net impact after reversals of provisions of €1,318k on revenue.
  - Recognised €647k of additional provisions for payment risk.
- Significant growth (24%; +€1.1m) in maintenance service revenue, linked to the increase in the installed base. Maintenance revenue, derived principally from annual flat-rate agreements, was not impacted by the pandemic.
- A 19% decrease (-€0.1m) in revenue from orthopaedic services and consumables, linked to the suspension of non-urgent surgery during the pandemic.

The research tax credit is lower than in the first half of 2019, which is explained by the decrease in expenditure eligible for capitalisation linked mainly to the completion of the development of the new EOS® Edge system and also to the introduction of short-time working.

The increase in subsidies is mainly associated with the various Covid-19 support mechanisms put in place. These subsidies of €0.6m mainly comprise short-time work in France, partially repayable loans in the United States and Canada and employment subsidies in Singapore.

Revenue by geographical area

Revenue by geographical region (in thousands of euros)	**06/30/20**	**06/30/19**
France	2 319	1 191
Europe Middle-East Africa (excl. France)	1 428	1 714
North America	4 058	2 735
Asia-Pacific	1 962	352
Latin America	18	11
Total revenue by geographical region	**9 785**	**6 003**

Revenue from services, which accounted for 58.8% of revenue over the six-month period, increased in all regions and particularly in North America. Revenue in that region grew by 18% from €2.3m to €2.83m, while revenue in the EMEA region grew by 13% from €2.47m to €2.79m, these increases being linked to the growth in the equipment installed base.

The 12 systems that were sold were distributed as follows: 5 NAM; 3 EMEA; 4 APAC

Analysis of the gross margin

Gross Margin (in thousands of euros)	**Fiscal Year End**	
	06/30/20	**06/30/19**
Revenue	9 785	6 003
Direct cost of sales	(4 238)	(2 972)
Direct gross margin	**5 547**	**3 032**
Margin	**56.7%**	**50.5%**

The gross margin was €5.5m in the first half of 2020 (56.7% of sales), compared with €3.0m in the first half of 2019 (50.5% of sales). The improvement in the gross margin as a percentage of sales is due to the decrease in the number of maintenance interventions during the lockdown period, while the related revenue was unaffected.

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

Operating expenses (in thousands of euros)	**Fiscal Year End** **06/30/20**	 **06/30/19**
Direct cost of sales	4 238	2 972
Indirect costs of production and service	2 061	2 031
Research and development	2 584	2 291
Sales, clinical and marketing	3 220	5 321
Regulatory	328	444
Administrative costs	2 746	2 588
Share-based payments	23	436
Total operating expenses	**15 199**	**16 083**

Excluding the direct cost of sales and the impact of share-based payments (award of bonus shares, stock options and stand-alone stock warrants), operating costs were €10.9m, down -€1.8m compared with €12.7m in the first half of 2019, while sales revenue rose.

The decrease in expenditure is mainly due to:

- the improvement in the margin partly explained by the reduction in maintenance interventions during the Covid-19 crisis.
- the general reduction in travel expenditure during the Covid-19 crisis for all Group teams.
- the cancellation of trade shows and events during the pandemic.
- the reduction in payroll costs for the sales department and the temporary partial reduction in salaries in the United States during the downturn relating to the pandemic.
- increase in the costs of the Research and Development department following the reduction in projects eligible for capitalisation (launch of EOSedge at the end of 2019), despite a decrease in subcontracting.
- the increase in payroll costs in certain departments related to the full-period effect of 2019 recruitment and the decrease in professional fees, partly offset by exceptional fees related to Alphatec's tender offer.

The operating loss at 30 June 2020 was therefore €4.1m, compared with €9.1m at 30 June 2019.

Analysis of the consolidated net loss

After taking account of financial income, the net consolidated loss from ordinary activities was €4,919k in the first half of 2020, compared with a loss of €9,974k in the first half of 2019.

ANALYSIS OF CASH FLOWS

The changes in cash flows are described in Note 5.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

Non-current assets

Non-current assets stood at €20.34m at 30 June 2020, compared with €20.27m at 31 December 2019.

Current assets

Current assets stood at €41.72m at 30 June 2020, down from €44.61m at 31 December 2019.

This change mainly reflects the decrease in trade receivables at the end of the reporting period and the increase in cash and cash equivalents.

Shareholders' equity

At 30 June 2020, equity amounted to €7.21m, compared with €12.08m at 31 December 2019.

This change reflects the loss in the first half of 2020.

Non-current liabilities

Non-current liabilities stood at €30.32m, compared with €29.70m at 31 December 2019.

They principally comprised the convertible bonds, the repayable advances and the lease liabilities, with amounts due within one year being reclassified as current liabilities.

Current liabilities

Current liabilities stood at €24.53m at 30 June 2020, up from €23.10m at 31 December 2019.

This mainly reflects the increase in advance payments received from customers, due to the improvement in payment terms.

4. MAIN RISKS AND UNCERTAINTIES

There have been no significant changes in the first half of 2020 to the risk factors to which the Group is exposed compared with those described in the 2019 Annual Financial Report.

5. OUTLOOK

In the second half of the year, the group expects deliveries of equipment to increase compared with the first half, without catching up to the levels seen in the previous year.

The Company considers that its maintenance revenue will continue to grow, in line with the increase in its installed base.

Lastly, the Company expects equipment orders, which slowed sharply in the first half of the year, to gradually resume over the coming months, in view of the interest that customers and prospective customers have shown in the new EOSedge imaging platform launched in November 2019.

In the longer term, the Company is continuing its developments in order to provide surgeons and orthopaedic doctors with the best possible information in connection with the diagnosis, surgical planning and post-operative monitoring of patients.

III- STATUTORY AUDITORS' REPORT ON THE HALF-YEAR FINANCIAL INFORMATION 2020

EOS Imaging

French public limited company (*société anonyme*)
10, Rue Mercoeur
75011 Paris

Statutory auditors' report on the half-year financial information

for the period from 1 January 2020 to 30 June 2020

DELOITTE & ASSOCIES

6 Place de la Pyramide
92908 Paris-la Défense

PKF FIDEA CONTROLE
A member of PKF International
101 rue de Miromesnil
75008 Paris

EOS Imaging

French public limited company (*société anonyme*)
10, Rue Mercoeur
75011 Paris

Statutory auditors' report on the half-year financial information

for the period from 1 January 2020 to 30 June 2020

To the Shareholders of EOS Imaging,

In fulfilment of the assignment entrusted to us by your general meeting and pursuant to Article L.451-1-2 III of the French Monetary and Financial Code, we have:

- carried out a limited review of the accompanying condensed half-year consolidated financial statements of EOS Imaging for the period from 1 January 2020 to 30 June 2020;

- verified the information provided in the half-year management report.

These condensed half-year consolidated financial statements were prepared by the Board of Directors on 23 September 2020 based on the information available at that date in a changing environment affected by the Covid-19 crisis and the difficulties involved in understanding its impact and the outlook for the Company. It is our responsibility, based on our limited review, to express an opinion on these financial statements.

I- Opinion on the financial statements

We carried out our limited review in accordance with professional standards applicable in France. A limited review mainly involves speaking with the members of management in charge of accounting and financial matters and applying analytical procedures. Such work is less extensive than the work required for an audit carried out in accordance with professional standards applicable in France. As a result, the assurance obtained through a limited review that the financial statements as a whole are free of material misstatements is limited, and at a lower level than an audit.

Based on our limited review, we have not identified any material misstatements that cause us to believe that the condensed half-year consolidated financial statements are not prepared in accordance with IAS 34, the IFRS standard as adopted by the European Union applicable to interim financial reporting.

II-Specific verification

We have also verified the information provided in the half-year management report prepared on 23 September 2020 commenting on the condensed half-year consolidated financial statements covered by our limited review. We have no comments concerning its fairness and consistency with the condensed half-year consolidated financial statements.

Paris-la Défense and Paris, 25 September 2020

The Statutory Auditors

Deloitte & Associés	PKF Fidea Contrôle *A member of PKF International*
Géraldine Segond	Aurélie Lafitte

IV- STATEMENT BY THE PERSON RESPONSIBLE

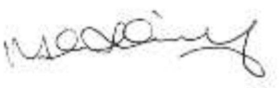
PERSON RESPONSIBLE FOR THE INFORMATION CONTAINED HEREIN

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

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

"I certify that, to the best of my knowledge, the condensed consolidated financial statements for the first six months of 2020 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the company and all its consolidated companies, and that the half-year activity report presents a true picture of the material events during the first six months of the year, their impact on the half-year financial statements, the main related-party transactions and a description of the main risks and uncertainties for the remaining six months of the year."

Paris, 25 September 2020



Mike Lobinsky, CEO of EOS imaging