



2013

HALF-YEAR FINANCIAL REPORT

CONTENTS

I. HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED INCOME STATEMENTS	4
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	6
NOTES — HALF-YEAR ENDED ON 30 JUNE 2013	7

II. HALF-YEAR MANAGEMENT REPORT

HIGHLIGHTS OF H1 2013	19
EVENTS AFTER 30 JUNE 2013	20
CONSOLIDATED FINANCIAL STATEMENTS FOR H1 2013	21
MAIN RISKS AND UNCERTAINTIES	25
OUTLOOK	25

III. STATUTORY AUDITORS' REPORT ON HALF-YEAR FINANCIAL INFORMATION AT 30 JUNE 2013

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

30

I. HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(thousands of euros)

ASSETS	Note	30-june-2013	31-dec-2012
Non-current intangible assets	3.3	1 183	880
Property, plant and equipment	3.4	1 080	537
Financial assets		61	58
Total non-current assets		2 324	1 475
Inventory and work in process	3.5	2 321	1 103
Accounts receivable	3.6	6 414	5 973
Other current assets	3.7	2 900	2 109
Cash and cash equivalents	3.8	21 680	26 975
Total current assets		33 315	36 160
TOTAL ASSETS		35 639	37 635

LIABILITIES	Note	30-june-2013	31-dec-2012
Share capital	3.9	174	174
Treasury shares	3.9	(251)	(336)
Share-based bonuses		58 521	58 513
Reserves		(26 467)	(19 810)
Translation reserves		141	161
Consolidated income attributable to the parent		(3 222)	(7 223)
Total shareholder's equity		28 896	31 478
Provisions	3.10	136	129
Financial liabilities	3.11	912	752
Total non-current liabilities		1 048	881
Financial liabilities			
Accounts payable - trade	3.12	3 446	2 330
Other current liabilities	3.13	2 249	2 945
Total current liabilities		5 696	5 275
TOTAL LIABILITIES		35 639	37 635

STATEMENT OF NET INCOME AND OTHER COMPREHENSIVE INCOME

(thousands of euros)

	Note	June 30, 2013 (6 months)	June 30, 2012 (6 months)
Revenue from ordinary activities			
Sales	3.14	4 914	2 327
Other revenue	3.14	656	517
Total revenue from ordinary activities		5 570	2 844
Operating expenses			
Direct cost of sales	3.15	(2 966)	(1 709)
Indirect cost of production and service	3.15	(919)	(775)
Research and development	3.15	(979)	(1 282)
Sales and marketing	3.15	(2 251)	(1 584)
Regulatory	3.15	(266)	(314)
Administration	3.15	(1 142)	(1 132)
Share-based payments	3.16	(558)	(750)
Total operating expenses		(9 081)	(7 546)
OPERATING INCOME		(3 511)	(4 702)
Financial expenses	3.17	(85)	(36)
Financial revenue	3.17	374	336
INCOME FROM ORDINARY ACTIVITIES BEFORE INCOME TAXES		(3 222)	(4 401)
Income tax expense			
NET INCOME FOR THE PERIOD - Attributable to the parent		(3 222)	(4 401)
Other comprehensive income for the period, net of taxes Items subsequently reclassifiable to profit or loss		(9)	92
COMPREHENSIVE INCOME FOR THE PERIOD		(3 231)	(4 309)
Basic and diluted net income per share (in €)		(0,18)	(0,28)

STATEMENT OF CHANGES IN EQUITY

(thousands of euros)

EOS IMAGING shareholders' equity	Capital	Share-based bonuses	Treasury shares	Consolidated reserves	Translation reserves	Consolidated income attributable to the parent	Total
31-dec-2011	116	22 272		(14 100)	99	(6 653)	1 733
Appropriation of income from the previous year				(6 653)		6 653	
Change in translation adjustments					(8)		(8)
Capital increase	58	39 781					39 839
Cost of capital increase		(3 539)					(3 539)
Income for the current period						(4 401)	(4 401)
Share-based payments				404			404
Treasury shares			(373)				(373)
30-june-2012	174	58 513	(373)	(20 350)	92	(4 401)	33 655
31-dec-2012	174	58 513	(336)	(19 810)	161	(7 223)	31 478
Appropriation of income from the previous year				(7 223)		7 223	
Issuance of share purchase warrants		8					8
Change in translation adjustments					(20)		(20)
Change in actuarial adjustments				11			11
Impact of applying IAS19				(3)			(3)
Income for the current period						(3 222)	(3 222)
Share-based payments				558			558
Treasury shares			84				84
30-june-2013	174	58 521	-	251	-	26 467	141
						-	3 222
							28 896

STATEMENT OF CASH FLOWS

(thousands of euros)

	June 30, 2013 (6 months)	June 30, 2012 (6 months)
<u>CASH FLOWS RELATED TO OPERATING ACTIVITIES</u>		
Consolidated net income	(3 222)	(4 401)
Elimination of amortisation and provisions	277	203
Calculated revenue and expenditure related to share-based payments	558	404
Internal financing capacity	(2 387)	(3 794)
Change in working capital requirements related to operations	(2 136)	(1 275)
<i>Inventory and work in process</i>	<i>(1 217)</i>	<i>(347)</i>
<i>Accounts receivable</i>	<i>(441)</i>	<i>356</i>
<i>Other current assets</i>	<i>(792)</i>	<i>(448)</i>
<i>Accounts payable - Trade</i>	<i>1 063</i>	<i>(708)</i>
<i>Other current liabilities</i>	<i>(749)</i>	<i>(128)</i>
Net cash flow related to operating activities	(4 523)	(5 069)
<u>CASH FLOWS RELATED TO INVESTMENT ACTIVITIES</u>		
Acquisitions of property, plant and equipment and non-current intangible assets	(1 057)	(117)
Disposals of property, plant and equipment and non-current intangible assets		
Change in financial assets	(3)	5
Net cash flow related to investment activities	(1 060)	(112)
<u>CASH FLOWS RELATED TO FINANCING ACTIVITIES</u>		
Capital increase		36 299
Reimbursable advances and financial interest	160	16
Acquisition of treasury shares	(158)	(373)
Disposal of treasury shares	242	
Issuance of share purchase warrants	8	
Bond issue		(1 919)
Net cash flow related to financing activities	253	34 023
Impact of currency rate fluctuations	35	77
Change in cash	(5 295)	28 919
Cash and cash equivalents at beginning of period	26 975	1 712
Cash and cash equivalents at close of period	21 680	30 631
Change in cash	(5 295)	28 919

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

Note 1 : SIGNIFICANT EVENTS

UFG-Siparex, represented by Marlène Rey, resigned its directorship with effect from 4 February 2013.

Note 2 : ACCOUNTING METHODS AND PRINCIPLES

2.1. Basis of preparation of financial statements

The summarised consolidated financial statements for H1 2013, approved by the Board of Directors on 28 August 2013, were prepared in accordance with the international financial reporting standard IAS 34 "Interim Financial Reporting".

Since these are summarised financial statements, the half-year consolidated financial statements do not include all of the financial information required for the complete annual financial statements and should be read in conjunction with the Group's financial statements for the year ending 31 December 2012, subject to the specific features required for the interim financial statements described below.

2.2. Principal accounting methods

The accounting principles applied to prepare the 2013 half-year financial statements comply with IFRS standards and interpretations as adopted by the European Union as at 30 June 2013. These are available on the European Commission's website at the following address:
http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

The accounting principles applied are identical to those used to prepare the annual consolidated financial statements for the year ended on 31 December 2012.

Changes to accounting policies and methods

The following standard and amendments, published in the Official Journal of the European Union on the interim reporting date, are first-time adopted from 1 January 2013:

- IFRS 13, Fair Value Measurement;
- Amendments to IFRS 1, Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters - Government Loans;
- Amendment to IFRS 7, Disclosures regarding Transfers of Financial Assets;
- Amendment to IAS 1, Presentation of Other Items of Comprehensive Income;
- Amendments to IAS 12, Deferred Taxes: Recovery of Underlying Assets;
- Amendments to IAS 19, Employee Benefits.

First-time application of this standard and amendments has no material impact on the financial statements for the period ended on 30 June 2013 (the impact of the amendments to IAS 19 on equity totalled €8,000 as

at 30 June 2013). The impact on the financial statements as at 30 June 2012 is not detailed, since it is considered immaterial.

Moreover, the Group elected not to early-adopt the standards and interpretations not yet mandatory as at 30 June 2013.

2.3. Methods for preparing the half-year financial statements

2.3.1. Information on the seasonal nature of the business

Sales are generally subject to strong seasonal variation, reflected in substantial differences between the first and second half of the calendar year, with the fourth quarter contributing significantly to annual sales. Net income is correlated with this seasonal variation.

2.3.2. Impairment testing

In the absence of indicators of impairment at 30 June 2013 and in accordance with IAS 36, the Group did not test non-current tangible and intangible assets for impairment.

2.3.3. Discount rate

The change in discount rates during H1 2013 was taken into account in the summarised interim consolidated financial statements. The discount rate used to calculate the provision for employee benefits at 30 June 2013 is 3.30% (compared with 2.80% at 31 December 2012).

Note 3 : COMMENTS ON THE STATEMENT OF FINANCIAL POSITION, THE INCOME STATEMENT AND STATEMENT OF CASH FLOWS

3.1. Change in the scope of consolidation

The scope of consolidation remained unchanged during the first half.

3.2. Effects of acquisitions (takeovers)

The Group did not acquire any companies during H1 2013.

3.3. Non-current intangible assets

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

Non-current intangible assets (in thousands of euro)	31 December 2012	Increase	Decrease	Exchange rate variation	30 June 2013
Development costs	1 353	370			1 723
Software	607	15			622
Patents	339	18			356
Gross total - non-current intangible assets	2 299	403			2 702
Development costs	812	88			900
Software	574	7			581
Patents	33	4			37
Total amortisation and depreciation	1 419	99			1 518
Net total - non-current intangible assets	880	303			1 183

The Company continued its development programmes during first-half 2013, focusing on developing new EOS hardware and software functions aimed specifically at osteoarticular conditions.

3.4. Property, plant and equipment

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

Property, plant and equipment (in thousands of euro)	31 December 2012	Increase	Decrease	Exchange rate variation	30 June 2013
Fixtures and fittings	596	104		(3)	697
Fittings and technical equipment	687	524			1 211
Office and computer equipment	434	27		(2)	459
Gross total - Property, plant and equipment	1 718	654		(4)	2 368
Fixtures and fittings	364	25		(3)	387
Fittings and technical equipment	462	58			520
Office and computer equipment	355	28		(1)	381
Total amortisation and depreciation	1 181	111		(4)	1 288
Net total - property, plant and equipment	537	543			1 080

Investments during the first half were primarily for test equipment associated with the development of new applications for EOS equipment. Investments were also related to expanding the company's production capacity, in particular, the contribution to financing an additional EOS equipment line.

3.5. Inventory and work in process

Inventory and work in process (in thousands of euro)	30 June 2013	31 December 2012
Inventory and finished products in process	2 389	1 103
Depreciation	(68)	
Net total of inventory and work in process	2 321	1 103

The change in inventory and work in progress is mainly due to the increase in the Group's production volume, as well as advance production during first-half 2013 to ensure the company's ability to deliver orders in the portfolio during the second half of the year.

Inventories recognised at 30 June 2013 consist of work-in-process inventory in the amount of €2.2 million, and spare parts for maintenance totalling €0.1 million.

3.6. Accounts receivable

Accounts receivable (in thousands of euro)	30 June 2013	31 December 2012
Accounts receivable	6 488	6 048
Depreciation of accounts receivable	(75)	(75)
Net total accounts receivable	6 414	5 973

All unimpaired trade accounts receivable mature within one year.

During the period year ended on 30 June 2013, no customer individually accounted for more than 10% of consolidated sales.

3.7. Other current assets

Other current assets may be analysed as follows:

Other current assets (in thousands of euro)	30 June 2013	31 December 2012
Research tax credit	1 497	992
Advance to suppliers	5	305
Assets to receive	160	178
Value added tax	674	379
Prepaid expenses	398	223
Subsidies to be received	122	(12)
Other receivables	45	44
Total other current assets	2 900	2 109

The Research Tax Credit recognised as at 30 June 2013 is equal to the income entered on this date in respect of expenditures during the period, as well as the Research Tax Credit receivable from the previous financial year.

The VAT receivable relates to a VAT repayment claim of €178,000, and the balance is equal to the VAT deductible on goods and capital assets.

Prepaid expenses chiefly relate to rent and insurance premiums.

3.8. Cash and cash equivalents

Cash and cash equivalents (in thousands of euro)	30 June 2013	31 December 2012
Short-term bank deposits	21 632	26 608
Money market funds (SICAV)	48	366
Total	21 680	26 975

Short-term bank deposits consist primarily of term deposits of €20 million and accrued interest amounting to €826,000. The mutual funds held by the company are money market funds with limited risk.

3.9. Equity

3.9.1. Issued capital

The table below shows the history of the company's capital during the period:

Date	Transaction	Capital	Issue premium	Number of shares constituting the share capital
	(In euros)			
Total at 31 Decembre 2012		174 025	58 512 589	17 402 429
15/03/2013	Issuance of share purchase warrants		8 400	
Total at 30 June 2013		174 025	58 520 989	17 402 429

As at 30 June 2013, the share capital amounted to €174,024. It is divided into 17,402,429 ordinary shares fully subscribed and paid up, with a par value each of €0.01.

3.9.2. Treasury shares

Under the liquidity contract signed following the IPO, the Company held 33,401 treasury shares at 30 June 2013. These shares reduced consolidated equity by €251,000.

3.9.3. Stock options and bonus shares

Using the authorisation granted by the Ordinary and Extraordinary General Meeting of 16 January 2012, the Board of Directors, meeting on 31 December 2012, issued 270,000 share purchase warrants to the directors, granting entitlement to purchase one ordinary share at a price of €4.24. 40,000 share purchase warrants were subscribed by the subscription deadline, 30 June 2013.

The stock plans issued by the company and current as at 30 June 2013 are:

Type	Date granted	Strike price	In progress at 30.06.2013
SO 2009	07/07/2009	1.00 €	495 389
SO 2010	06/07/2010	1.00 €	323 500
SO 2010	20/05/2011	1.00 €	49 625
Bonus shares	15/02/2012		360 000
SO 2012	21/09/2012	4.07 €	376 916
SPW 2012	31/12/2012	4.24 €	40 000
			1 645 430

The impact on the statement of comprehensive income of share-based payments is presented in note 3.16.

3.10. Provisions

The change in this item corresponds to the provision for retirement payment commitments.

3.11. Non-current financial liabilities

As part of its participation in France's Strategic Industrial Innovation (ISI) project, EOS received a reimbursable advance from OSEO totalling €822,000.

Reimbursements will be made according to the company's operating profit/loss, i.e. 0.5% of revenue from sales of products from the project, from the year following the year in which the company achieves aggregate sales of €30 million, then 0.75% once aggregate sales reach €50 million. The advance will be considered as fully reimbursable when the total payments made discounted at a rate of 4.47% equals the total amount of the aid paid discounted at the same rate.

This advance is entered in the balance sheet under debts in the amount of €912,000, which includes interest accrued on the advance.

3.12. Accounts payable - Trade

Accounts payable - Trade (in thousands of euro)	30 June 2013	31 December 2012
Accounts payable - trade	3 446	2 330
Total	3 446	2 330

This item has not been discounted since the amounts are not due for more than one year at the end of each period.

3.13. Other current liabilities

3.13.1. Provisions under one year

<i>(in thousands of euro)</i>	31 December 2012	Appropriations	Estimated liabilities	30 June 2013
Customer warranties	349	115	(71)	393
Total	349	115	(71)	393

The increase in the provision for warranties during H1 2013 is related to the increase in the number of systems under warranty, in line with the volume of equipment sold during the period.

3.13.2. Other current liabilities

Other current liabilities (in thousands of euro)	30 June 2013	31 December 2012
Tax liabilities	527	269
Social security liabilities	698	1 549
Other liabilities	248	491
Deferred revenue	383	287
Total other current liabilities	1 857	2 597

Other debts at 30 June 2013 include in particular royalties payable in the amount of €110,000.

3.14. Revenue from ordinary activities

3.14.1. Sales and other revenue

Sales and other revenue (in thousands of euro)	June 30, 2013 (6 months)	June 30, 2012 (6 months)
Sales of equipment	4 312	1 985
Sales of services	602	342
Total sales	4 914	2 327
Subsidies	151	51
Research tax credit	504	466
Total revenue from ordinary activities	5 570	2 844

Sales more than doubled to €4.91 million in H1 2013 (up 111%), versus €2.33 million in the same period in 2012.

Equipment sales jumped 117% to €4.31 million, from €1.99 million in first-half 2012. 11 EOS systems were sold in the first half of 2013, compared with 5 in H1 2012. The average sale price per system remained stable at €392,000.

Sales of services stood at €0.60 million, pushed up 76% by the sustained growth in systems under maintenance contracts.

3.14.2. Sales by geographical area

Sales by geographical area (in thousands of euro)	June 30, 2013 (6 months)	June 30, 2012 (6 months)
France	1 717	605
North America	2 634	876
Europe	562	482
Rest of world		364
Total sales by geographical area	4 914	2 327

Sales in France rose 183% to €1,717 million. Four systems were sold during the period.

Sales in North America climbed to €2.63 million, with growth of 194%. Six systems were sold during the first half in this region, increasing its percentage of Group sales from 39% at 30 June 2012 to 54%.

Sales in Europe (outside France) rose 16% in the period to €562,000, with one EOS system sold during the first half.

3.15. Breakdown of operating expenditure by function

3.15.1. *Direct costs of sales*

Direct cost of sales	June 30, 2013	June 30, 2012
(in thousands of euro)	(6 months)	(6 months)
Purchasing and subcontracting	2 570	1 503
Payroll	242	212
Royalties	110	42
Amortisation and provisions	44	(48)
Total direct cost of sales	2 966	1 709

The 74% year-on-year increase in the direct cost of sales in H1 2013 is mainly due to the 70% increase in the cost of purchases and subcontracting, directly related to the 120% increase in equipment production volumes during the period.

The 161% increase in royalties reflects the growth in system sales during the first half, and the adjustment in the royalty rate to 2.5% of sales vs. 2% in 2012, under a licence agreement for 3D reconstruction equipment.

Changes in provisions reflect the adjustment in the provision for warranties, explained in 3.13.1 above. In light of improved control of payroll and continued measures to reduce equipment maintenance costs, the margin on direct costs amounted to 40% of sales as at 30 June 2013, up from 27% for the same period in 2012. This performance is in line with the results observed at 31 December 2012.

3.15.2. *Indirect cost of production and service*

Indirect cost of production and service	June 30, 2013	June 30, 2012
(in thousands of euro)	(6 months)	(6 months)
Purchasing and subcontracting	551	404
Payroll	365	370
Amortisation and provisions	3	
Total indirect cost of production and service	919	775

Indirect costs of production and services rose 19% during the first half of 2013. This is essentially due to the increase in external costs linked to the continued deployment of the supply chain and the expansion of support functions.

3.15.3. Research and development

Research and development	June 30, 2013	
	(in thousands of euro)	
	30-juin-13	30-juin-12
Purchasing and subcontracting	409	305
Travel expenses	30	8
Payroll	421	831
Amortisation and provisions	119	138
Total research and development	979	1 282

For the most part, R&D expenses posted for the period consist of the R&D team's salaries and subcontracting costs, and the development costs component of these is entered under assets. Amortisation of these development costs is presented under Amortisation and provisions.

Net R&D expenditure declined 24% in the period. This change incorporates the activation of substantial development costs during the first half. Gross R&D expenditure, before restatement of development costs and related public funding, rose 24%. The total gross spend was €1,315 million, including payroll charges totalling €887,000, an increase due to the new hires made over the past 12 months.

3.15.4. Sales and marketing

Sales and marketing	June 30, 2013		June 30, 2012
	(in thousands of euro)	(6 months)	(6 months)
Purchasing and subcontracting		570	274
Studies		115	103
Trade fairs and exhibitions		143	150
Travel expenses		351	216
Payroll		1 072	840
Total Sales and marketing		2 251	1 584

Sales and marketing expenditure increased 42% during H1 2013 in comparison with H1 2012. The change relates first to recruitments during the second half of 2012, with a resulting 28% increase in payroll expense in the half-year.

Purchasing and subcontracting also doubled in the period, driven up in particular by the increase in payments to sales agents and the company's intensified communication drive in its markets.

3.15.5. *Regulatory*

Regulatory	June 30, 2013	June 30, 2012
(in thousands of euro)	(6 months)	(6 months)
Purchasing and subcontracting	126	178
Travel expenses	8	5
Payroll	132	131
Total regulatory	266	314

Regulatory expenses remained stable in first-half 2013.

3.15.6. *Administration*

Administration	June 30, 2013	
(in thousands of euro)	30-juin-13	30-juin-12
Purchasing and subcontracting	674	549
Income and other taxes	60	35
Travel expenses	45	44
Payroll	258	391
Amortisation and depreciation	105	113
Total administration costs	1 142	1 132

Administration expense also remained stable in first-half 2013. The increase in external charges, primarily for listing fees and EOS's expanded Board of Directors, was offset by the reduction in payroll expense (exceptional bonus paid in 2012).

3.16. Share-based payments

Share purchase warrants

Using the authorisation granted by the Ordinary and Extraordinary General Meeting of 16 January 2012, the Board of Directors, meeting on 31 December 2012, issued 270,000 share purchase warrants to the directors, granting entitlement to purchase one ordinary share at a price of €4.24. 40,000 share purchase warrants were subscribed by the subscription deadline, 30 June 2013.

The main assumptions used to determine the charge resulting from share-based payments were:

- Expected maturity: 5.5 to 6.5 years;
- Volatility: 37.82%;
- Risk-free rate 1% to 1.29%;
- Dividend rate and turnover: zero.

33% of these warrants can be exercised from 31/12/2013, 33% from 31/12/2014 and the remainder from 31/12/2015.

The expense recognised at 30 June 2013 for these warrants amounted to €17,000.

In 2012, the company granted 360,000 bonus shares to a senior manager and 376,916 stock options to employees.

Bonus shares

Since the vesting period for the bonus shares granted on 15 February 2012 was two years from the grant date, the expense posted at 30 June 2013 for these shares was €440,000.

Stock options

Options granted to employees by the Board of Directors meeting on 21 September 2012 may only vest under the following conditions:

- 25% of the options granted from the allocation date;
- 25% of the options granted on each anniversary date following allocation;
- within ten years at the latest from the grant date.

The expense recognised at 30 June 2013 for these stock options amounted to €101,000.

3.17. Financial result

At the end of H1 2013, the financial result was a profit of €289,000, primarily composed of income from the investment of funds raised during the IPO (term deposits). At 30 June 2012, the financial result was €300,000.

3.18. Comments on the statement of cash flows

Net cash flow from operating activities was negative at -€4,523,000 for H1 2013, including a loss of €3,222,000, from which the IFRS 2 expense is deducted, as well as €835,000 in amortisation and depreciation recognised for the period. The working capital requirement rose by €2,136,000 at 30 June 2013, against €1,275,000 at 30 June 2012. The increase is due mainly to the higher inventory (€1,217,000), the increase in trade receivables (€441,000) and public funding receivables (€536,000).

Net cash flows from investment activities were negative at €1,060,000 for H1 2013, and represent development costs in the amount of €370,000, with the remainder accounted for by test and production equipment.

Net cash flows from financing were positive at €253,000. They mainly comprise the payment of the balance of the OSEO reimbursable advance in the amount of €160,000.

The net change in cash in the half-year was negative €5,295,000. The resulting cash position at 30 June 2013 was €21,680,000.

Note 4 : COMMENTS ON OFF-BALANCE SHEET COMMITMENTS

There was no significant change in off-balance sheet commitments between 31 December 2012 and 30 June 2013.

Note 5 : INFORMATION ON RELATED PARTIES

There was no material change in transactions with related parties during first-half 2013 compared with first-half 2012.

Note 6 : SUBSEQUENT EVENTS

A tax audit for 2010 and 2011 was notified to EOS Imaging SA in February 2013. The conclusions of this audit are not known at the reporting date.

II. HALF-YEAR MANAGEMENT REPORT

1. HIGHLIGHTS OF H1 2013

1.1. SALES EXPANSION IN SOUTH-EAST ASIA

The Group continued its commercial development in South-east Asia during the first half of 2013 and opened an office in Singapore, coinciding with the signature of new distribution agreements in the region and the recruitment of a Regional Sales Manager. The countries covered by existing distribution agreements represent 26% of the global medical imaging market. The corresponding regulatory applications are in process.

1.2. PRODUCT DEVELOPMENT

The Group is pushing ahead with its product development plan, committing a total of €1.3 million for R&D in the period, €0.3 million of which was capitalised. These developments are concentrated on EOS equipment and the effort to further reduce the required dose during orthopaedic imaging and bring down costs, as well as on EOS-related software functions developed using the sterEOS platform. With regard to these software functions, the company is pursuing the development of dedicated EOS system applications based on the specific nature of 3D data (clinical imaging and parameters). These applications aim to provide surgeons with high-performance tools. In the first half-year, the "Post-operative hip implant assessment" application was launched in the US, after obtaining FDA clearance. Other application modules will be launched starting in 2013 and during the period 2014-2016.

1.3. REGULATORY

In March 2013, the Group received FDA clearance to extend its sterEOS® software to post-operative hip implant assessment. The new software version extends the spectrum of calculation and analysis, with in particular, new functionality enabling 3D measurement of the position of the hip implant for the purposes of post-operative evaluation or surgical revision. It is the first 3D patient imaging solution to offer improved understanding and treatment of hip replacement surgery complications, such as dislocation and wear. It meets the growing need for post-operative assessment and monitoring in the field of orthopaedic surgery.

1.4. CLINICAL

In May 2013, a new study presented during the annual meeting of the Pediatric Orthopaedic Society of North America (POSNA) demonstrated the superior accuracy of the measurements delivered by the EOS® system, compared with conventional radiology or scanners. The aim of the study was to evaluate the measurements achieved using three different systems (conventional radiology, scanner and EOS) to compare their accuracy and the amount of radiation exposure. The study concluded that EOS® provided

more accurate measurements than a scanner or conventional radiology, as well as a far lower radiation exposure dose.

2. EVENTS AFTER 30 JUNE 2013

None

3. EXAMINATION OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR H1 2013

3.1. EXAMINATION OF THE CONSOLIDATED INCOME STATEMENTS

REVENUE

Sales (in thousands of euro)	June 30, 2013 (6 months)	June 30, 2012 (6 months)
Sales of equipment	4 312	1 985
Sales of services	602	342
Sales	4 914	2 327

Consolidated sales for H1 2013 amounted to €4.91 million, i.e. a 111% increase compared with 30 June 2012.

Equipment sales increased 117% compared to 30 June 2012, totalling €4.312 million, thus representing 88% of the Group's total sales.

Sales of services mainly comprise maintenance contracts. The 76% increase in the sale of services is directly linked to the increased number of systems entering a maintenance contract at the end of the warranty period.

OTHER OPERATING INCOME

Other revenue from ordinary activities (in thousands of euro)	June 30, 2013 (6 months)	June 30, 2012 (6 months)
Subsidies	151	51
Research tax credit	504	466
Total other revenue from ordinary activities	656	517

Other operating income includes public financing, comprising subsidies and Research Tax Credits.

GROSS MARGIN

Gross Marggin (in thousands of euro)	June 30, 2013 (6 months)	June 30, 2012 (6 months)
Revenue	4 914	2 327
Direct cost of sales	(2 966)	(1 709)
Gross margin	1 948	618

The gross margin stood at €1.9 million at 30 June 2013, up 300% from the level in H1 2012. This rise stems from the increase in sales together with the pursuit of improvements in production and maintenance costs (see section 3.15).

OPERATING EXPENSES

Operating expenses (in thousands of euro)	June 30, 2013 (6 months)	June 30, 2012 (6 months)
Direct cost of sales	2 966	1 709
Indirect cost of production and service	919	775
Research and development	979	1 282
Sales and marketing	2 251	1 584
Regulatory	266	314
Administration	1 142	1 132
Share-based payments	558	750
Operating expenses	9 081	7 546
Total operating expenses (direct cost of sales and share-based payments excluded)	5 557	5 087

Please see section 3.14 for comments on changes in operating expenses.

Stripping out the direct cost of sales and the impact of share-based payments (grant of bonus shares, stock options and share purchase warrants), operating expenses amounted to €5.6 million, up 9% compared with first-half 2012, while sales rose 111%.

The change results from the tight control of operating expenditure during the half, with only the sales and marketing component continuing to increase significantly, in direct correlation with the Group's commercial development. It reflects the gradual reduction in EOS Imaging's operating loss.

CONSOLIDATED NET INCOME

The Group's activities generated a loss of €3,231,000 during H1 2013, compared with €4,309,000 in H1 2012. This 25% reduction in losses reflects the improved margin on direct costs and tighter control of operating expenses, as indicated in the previous section. First-half 2013 marks a turning point in the Group's profitability and the start of a reduction in losses.

Net earnings per share, calculated based on the average number of shares in circulation, amounted to -€0.18 in H1 2013, versus -€0.28 in H1 2012.

3.2. EXAMINATION OF THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

At 30 June 2013, non-current assets amounted to €2,324,000, up from €1,475,000 at 31 December 2012, as a result of investments during the period (detailed in sections 3.3 and 3.4).

CURRENT ASSETS

At 30 June 2013, current assets amounted to €33,315,000, compared with €36,160,000 at 31 December 2012. This change is due primarily to cash outflows during the first half. The following is also to be noted:

- a €1.2 million increase in inventory and work in process in the period, as a result of advance production in the first half to allow the Group to deliver orders in the portfolio during the second half;
- an €800,000 increase in other current assets in the period, mainly due to the 2012 Research Tax Credit in the amount of €955,000, which is expected to be collected during H2 2013.

EQUITY

Equity amounted to €28,896,000 at 30 June 2013, compared with €31,478,000 at 31 December 2012. The change is mainly due to the loss in first-half 2013.

NON-CURRENT LIABILITIES

Non-current liabilities amounted to €1,048,000 at 30 June 2013, versus €881,000 at 31 December 2012. These comprise a provision for warranties amounting to €136,000 and a reimbursable advance from Oséo for the sum of €912,000.

CURRENT LIABILITIES

At 30 June 2013, current liabilities amounted to €5,696,000, compared with €5,275,000 at 31 December 2012. The €421,000 increase incorporates in particular the reduction in employee-related payroll charges and tax liabilities amounting to €593,000 and the €1,116,000 increase in the suppliers line item, in line with higher volumes.

4. MAIN RISKS AND UNCERTAINTIES

There was no material change in the risk factors to which the Group is exposed during first-half 2013, compared with those described in the 2012 Annual Financial Report.

5. OUTLOOK

Despite the persistent gloom in the European market, the Group plans to continue developing its activity in H2 2013, as initially forecast. These forecasts are based primarily on sustained growth in the North American market, combined with the recovery in Europe observed during first-half 2013, following the slowdown in 2012. The Asian market is expected to constitute a new growth driver, however forecast sales in this region will be limited in value in the 2013 financial year.

III. STATUTORY AUDITORS' REPORT ON HALF-YEAR FINANCIAL INFORMATION AT 30 JUNE 2013

EOS Imaging
Société Anonyme

10, rue Mercœur
75011 Paris

**Rapport des commissaires aux comptes sur
l'information financière semestrielle 2013**

Période du 1er janvier 2013 au 30 juin 2013

EOS Imaging
Société Anonyme

10, rue Mercœur
75011 Paris

Rapport des commissaires aux comptes
sur l'information financière semestrielle 2013

Période du 1er janvier 2013 au 30 juin 2013

Aux actionnaires,

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

- l'examen limité des comptes semestriels consolidés de la société EOS Imaging, relatifs à la période du 1^{er} janvier au 30 juin 2013, tels qu'ils sont joints au présent rapport ;
- la vérification des informations données dans le rapport semestriel d'activité.

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

I- Conclusion sur les comptes

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

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

II- Vérification spécifique

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

Paris et Neuilly-sur-Seine, le 28 août 2013

Les Commissaires aux Comptes

Fi.Solutions

Deloitte & Associés

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

"I certify that, to the best of my knowledge, the condensed financial statements at the end of the half year have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit and loss of the company and all its consolidated companies, and that the half-year management 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, 28 August 2013

Marie Meynadier, CEO of EOS Imaging