EOS IMAGING

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PARIS Trade and Companies Register No. 349 694 893

Summary half-year consolidated financial statements

For the period from 1 January to 30 June 2014

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I. HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION *(thousands of euros)*

ASSETS	*Note*	30 June 2014	31 December 2013
Goodwill	*3.3*	5,131	5,131
Non-current intangible assets	*3.4*	1,611	1,552
Property, plant and equipment	*3.5*	1,064	1,113
Financial assets		163	85
Total non-current assets		**7,969**	**7,882**
Inventory and work in process	*3.6*	3,368	3,215
Accounts receivable	*3.7*	9,044	10,839
Other current assets	*3.8*	4,480	3,909
Cash and cash equivalents	*3.9*	13,696	20,749
Total current assets		**30,588**	**38,712**
TOTAL ASSETS		**38,557**	**46,594**

LIABILITIES	*Note*	30 June 2014	31 December 2013
Share capital		184	180
Treasury shares		(352)	(282)
Share-based bonuses		62,025	62,015
Reserves		(31,622)	(25,917)
Translation reserves		(19)	(45)
Consolidated income attributable to the parent		(3,905)	(5,884)
Total shareholder's equity	*3.10*	**26,311**	**30,067**
Provisions	*3.11*	198	171
Financial liabilities	*3.12*	4,283	3,916
Total non-current liabilities		**4,481**	**4,087**
Short term bank loans	*3.13*		5,007
Accounts payable - trade	*3.14*	4,523	4,021
Other current liabilities	*3.15*	3,242	3,412
Total current liabilities		**7,765**	**12,440**
TOTAL LIABILITIES		**38,557**	**46,594**

STATEMENT OF NET INCOME AND OTHER COMPREHENSIVE INCOME

(thousands of euros)

	Note	Six-month period ended on	
		30 June 2014	**30 December 2013**
Revenue from ordinary activities			
Total sales	*3.16*	7,119	4,914
Other revenue	*3.16*	1,001	656
Total revenue from ordinary activities		**8,120**	**5,570**
Operating expenses			
Direct costs of sales		(4,024)	(2,966)
Indirect cost of production and service	*3.17*	(1,281)	(919)
Research and development	*3.17*	(1,702)	(979)
Sales and marketing	*3.17*	(2,903)	(2,251)
Regulatory	*3.17*	(261)	(266)
Administration	*3.17*	(1,566)	(1,142)
Share-based payments	*3.18*	(198)	(558)
Total operating expenses		**(11,934)**	**(9,081)**
OPERATING INCOME		**(3,814)**	**(3,511)**
Financial expenses	*3.19*	(97)	(75)
Financial revenue	*3.19*	6	364
INCOME FROM ORDINARY ACTIVITIES BEFORE INCOME TAXES		**(3,905)**	**(3,222)**
Income tax expense			
NET INCOME FOR THE PERIOD - Attributable to the parent		**(3,905)**	**(3,222)**
Items that will subsequently be reclassified in net profit or loss			
Translation adjustment on foreign entities		26	(20)
Items that will not be reclassified in net profit or loss			
Actuarial difference on pension commitments			11
COMPREHENSIVE INCOME FOR THE PERIOD		**(3,879)**	**(3,231)**
Basic and diluted net income per share (in €)	*23*	(0.21)	(0.19)

STATEMENT OF CHANGES IN EQUITY

(thousands of euros)

EOS IMAGING shareholders' equity	Capital	Share-based bonuses	Treasury shares	Consolidate d reserves	Translation reserves	Consolidate d income attributable to the parent	Total
31 December 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
Change in accounting method				(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**
31 December 2013	**180**	**62,015**	**(282)**	**(25,917)**	**(45)**	**(5,885)**	**30,066**
Appropriation of income from the previous year				(5,885)		5,885	
Capital increase	4	8					12
Issuance of share purchase warrants		2					2
Change in translation adjustments					26		26
Other changes							
Change in accounting method							
Income for the current period						(3,905)	(3,905)
Share-based payments				181			181
Treasury shares			(70)				(70)
30 June 2014	**184**	**62,025**	**- 352**	**- 31,622**	**- 19**	**- 3,905**	**26,311**

STATEMENT OF CASH FLOWS

(thousands of euros)

	Six-month period ended on	
	30 June 2014	30 June2013
CASH FLOWS RELATED TO OPERATING ACTIVITIES		
Consolidated net income	(3,905)	(3,222)
Elimination of amortisation and provisions	407	277
Calculated revenue and expenditure related to share-based payments	181	558
Internal financing capacity	**(3,318)**	**(2,387)**
Change in working capital requirements related to operations	**1,333**	**(2,136)**
Inventory and work in process	(153)	(1,217)
Accounts receivable	1,828	(441)
Other current assets	(570)	(792)
Accounts payable - Trade	420	1,063
Other current liabilities	(191)	(749)
Net cash flow related to operating activities	**(1,984)**	**(4,523)**
CASH FLOWS RELATED TO INVESTMENT ACTIVITIES		
Acquisitions of property, plant and equipment and non-current intangible assets	(373)	(1,057)
Disposals of property, plant and equipment and non-current intangible assets	(2)	
Change in financial assets	(78)	(3)
Net cash flow related to investment activities	**(453)**	**(1,060)**
CASH FLOWS RELATED TO FINANCING ACTIVITIES		
Capital increase	12	
Issuance of share purchase warrants	2	8
Reimbursable advances and financial interest	367	160
Acquisition of treasury shares	(175)	(158)
Disposal of treasury shares	105	242
Net cash flow related to financing activities	**310**	**253**
Impact of currency rate fluctuations	81	35
Change in cash	**(2,046)**	**(5,295)**
Cash and cash equivalents at beginning of period	20,749	26,975
Short term bank loans at beginning of period	(5,007)	
Cash at beginning of period	**15,742**	**26,975**
Cash and cash equivalents at close of period	13,696	21,680
Short term bank loans at close of period		
Cash at close	**13,696**	**21,680**
Change in cash	**(2,046)**	**(5,295)**

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

Note 1 : Significant events

In April 2014, the company confirmed its eligibility for the French PEA-SME (small-business stock-savings plan) tax regime, in accordance with decree No. 2014-283, effective on 6 March 2014 (implementing decree published in the Journal Officiel on 4 March 2014).

Also in April 2014, the Taiwanese regulatory authorities authorised the marketing of EOS in that country. Prior to this authorisation, EOS imaging also entered into a distribution agreement with the Taiwan-based company Unison Co. Ltd.

June 2014 saw the company issue 1,800 share purchase warrants to Société Générale as part of the implementation of a PACEO programme (capital increase through the exercise of stock options). Société Générale thereby undertook to subscribe, at the exclusive request of the company, to capital increases in successive tranches over a 36-month period, up to a total of 1,800,000 shares. The maximum discount on the issue price for each tranche is 5% of the volume-weighted average price during the three previous trading sessions.

Note 2 :Accounting methods and principles

2.1. Basis of preparation of financial statements

The summarised consolidated financial statements for H1 2014, approved by the Board of Directors on 29 August 2014, 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 2013, 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 2014 half-year financial statements comply with IFRS standards and interpretations as adopted by the European Union as at 30 June 2014. These are available on the website of the European Commission at the following address:
http://ec.europa.eu/internal_market/accounting/ias/index_en.htm..

The accounting principles applied are identical to those used to prepare the annual consolidated financial statements for the year ended on 31 December 2013.

Changes to accounting policies and methods

The following standards and amendments, published in the Official Journal of the European Union on the interim reporting date, are first-time adopted from 1 January 2014:

- IFRS 10 "Consolidated Financial Statements", IFRS 11 "Partnerships", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 "Separate Financial Statements", and IAS 28 "Investments in Associates and Joint Ventures": the body of standards that relate to consolidation;
- The amendments to the transitional provisions of IFRS 10, 11 and 12;
- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities";
- Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities";
- Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting";
- Amendments to IAS 36 "Impairment of Assets - Disclosure of the Recoverable Value of Non-financial Assets".

The first application of these standards has no material impact on the consolidated financial statements at 30 June 2014.

Moreover, the Group elected not to early-adopt the standards and interpretations not yet mandatory as at 30 June 2014.

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. Accordingly, net income is correlated with this seasonal variation.

2.3.1. Impairment testing

In the absence of indicators of impairment at 30 June 2014 and in accordance with IAS 36, the Group did not test goodwill, non-current tangible and intangible assets for impairment.

2.3.2 Discount rate

The change in discount rates during H1 2014 was not taken into account in the summarised interim consolidated financial statements.

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

3.1. Change in the scope of consolidation

The consolidated financial statements prepared as at 30 June 2014 include the financial statements of OneFit Medical, a company acquired by the Group in November 2013.

3.2. Effects of acquisitions (takeovers)

No acquisitions were made during first-half 2014.

3.3. Goodwill

Goodwill may be analysed as follows:

Goodwill	31 December 2013	Increase	Decrease	30 June 2014
ONEFIT Medical goodwill	5,131			5,131
Total gross goodwill	**5,131**			**5,131**
Impairment of goodwill				
Total net goodwill	**5,131**			**5,131**

3.4. Non-current intangible assets

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

Non-current intangible assets	31 December 2013	Increase	Decrease	30 June 2014
Development costs	2,097	254		2,351
Software	841	14		856
Patents	431			431
Gross total - non-current intangible assets	**3,369**	**268**		**3,638**
Development costs	1,083	198		1,281
Software	691	38		730
Patents	43	(27)		16
Total amortisation and depreciation	**1,817**	**209**		**2,027**
Net total - non-current intangible assets	**1,552**	**59**		**1,611**

In the first half of 2014, the Group continued to develop new functionalities for EOS, medical imaging stations, and SterEOS, its 3D reconstruction station. Following the acquisition of OneFit Medical, developments also related to software packages for scheduling knee and hip surgery.

3.5. Property, plant and equipment

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

Property, plant and equipment	31 December 2013	Increase	Decrease	30 June 2014
Fixtures and fittings	772	11		785
Fittings and technical equipment	1,260	68		1,331
Office and computer equipment	507	25		534
Furniture	4			
Gross total - Property, plant and equipment	**2,544**	**105**		**2,650**
Fixtures and fittings	411	28		441
Fittings and technical equipment	609	96		706
Office and computer equipment	409	30	(2)	439
Furniture	2			
Total amortisation and depreciation	**1,431**	**155**	**(2)**	**1,586**
Net total - property, plant and equipment	**1,113**	**(50)**	**2**	**1,064**

No signification investments in property, plant and equipment were made during the period.

3.6. Inventory and work in process

Inventory and work in process (in thousands of euro)	**30 June 2014**	**31 December 2013**
Inventory and finished products in process	3,368	3,215
Depreciation		
Net total of inventory and work in process	**3,368**	**3,215**

Inventories recognised at 30 June 2014 consist of work-in-process inventory and spare parts for maintenance. The increase in inventories was contained at 5% relative to 31 December 2013, despite the substantial increase in business volume. This moderation reflects the Group's drive to reduce the working capital, especially through its supply chain improvements.

3.7. Accounts receivable

Accounts receivable (in thousands of euro)	30 June 2014	31 December 2013
Accounts receivable	9,118	10,913
Depreciation of accounts receivable	(74)	(74)
Net total accounts receivable	**9,044**	**10,839**

All unimpaired trade accounts receivable mature within one year.

The reduction in accounts receivable from 31 December 2013 is due to the strong seasonal component in sales: the fourth quarter accounts for a relatively high percentage of annual sales volume, which is reflected in the high accounts receivable at 31 December each financial year.

During the period ended 30 June 2014, no customer individually accounted for more than 10% of consolidated sales.

3.8. Other current assets

Other current assets may be analysed as follows:

Other current assets (in thousands of euro)	30 June 2014	31 December 2013
Research tax credit	1,734	2,142
Advance to suppliers	13	13
Assets to receive	243	241
Value added tax	1,034	586
Prepaid expenses	524	367
Subsidies to be received	829	458
Other receivables	59	101
Total other current assets	**4,480**	**3,909**

The research tax credit recognised at 30 June 2014 is equal to the income recognised on the same date for eligible expenditure during the period, but also to the research tax credit for EOS imaging recognised for the previous year, and not repaid as at 30 June 2014.

The VAT receivable relates to a VAT repayment claim of €581 K, and the balance is equal to the VAT deductible on goods and capital assets.

Prepaid expenses mainly relate to rent, conference and clinical trial expense, and insurance premiums.

3.9. Cash and cash equivalents

Cash and cash equivalents (in thousands of euro)	30 June 2014	31 December 2013
Short-term bank deposits	13,696	20,531
Money market funds (SICAV)		218
Total	**13,696**	**20,749**

Short-term bank deposits primarily consist of term deposit accounts in the amount of €10 million.
To recap, and as explained in section 3.13, the Group's net cash position at 31 December 2013 was a total of €15,742 K, including the €5 million overdraft negotiated at the end of the prior financial year, which was repaid on 28 February 2014, coinciding with the maturity of a term deposit.

3.10. Equity

3.10.1. 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
28/01/2014	Capital increase as a result of exercising options	120	11,880	12,000
25/02/2014	Capital increase as a result of bonus share grants	3,600	(3,600)	360,000
23/05/2014	Issuance of share purchase warrants		1,800	
	Total at 31 December 2013	**183,779**	**62,025,038**	**18,377,878**

The company's share capital stood at €183,779 at 30 June 2014. It is divided into 18,377,878 ordinary shares fully subscribed and paid up, with a par value each of €0.01.

3.10.2. Treasury shares

Under the liquidity contract signed following the IPO, the Company held 53,299 treasury shares at 30 June 2014. These shares reduced consolidated equity by €290 K.

3.10.3. Stock options and bonus shares

Using the authorisation granted by the Ordinary and Extraordinary General Meeting of 13 June 2013, the Board of Directors, meeting on 23 May 2014, granted the CEO the requisite authority to issue 180,000 share purchase warrants at a price of €0.10 each, and set the main terms and conditions for the exercise of the warrants, which authority the CEO exercised pursuant to the decision of 16 June 2014.

The characteristics of the warrants issued are:

- The warrants may be exercised by Société Générale at the exclusive request of the company for 36 months from the date of issue;
- Each warrant gives the right to purchase 10 shares;
- The share price will be at least 95% of the weighted average price during the three consecutive trading sessions following receipt by Société Générale of a request to purchase shares.

Using the authorisation granted by the Ordinary and Extraordinary General Meeting of 16 January 2012, the Board of Directors, meeting on 23 May 2014, issued 223,000 stock options to the employees of the company and its subsidiaries. These stock options grant the right to purchase one ordinary share at a price of €6.14.

At 30 June 2104, the following plans were issued by the company:

Type	Date granted	Strike price	Price	In progress at 30.06.2014
SO 2009	07/07/2009	1.00 €	2.16 €	474,325
SO 2010	06/07/2010	1.00 €	1.75 €	326,125
SO 2010	20/05/2011	1.00 €	1.75 €	48,375
Bonus shares	15/02/2012			360,000
SO 2012	21/09/2012	4.07 €		304,891
Warrants	31/12/2012	4.24 €		40,000
SO 2014	23/05/2014	6.14 €		223,000
				1,776,716

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

3.11. Provisions

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

3.12. Non-current financial liabilities

Financial liabilities (in thousands of euro)	30 June 2014	31 December 2013
BPI France advances	1,633	1,416
Other advances	150	
Zero-rate loan	1,500	1,500
Earn-out on OneFit Medical acquisition	1,000	1,000
Total	**4,283**	**3,916**

BPI France advances

In the context of its participation in the Industrial Strategic Innovation project, EOS imaging received a reimbursable advance from OSEO in July 2009, for a maximum of €1,275 K. As at 30 June 2014, payments made totalled €822 K. They relate to the share of contractual financing for expenses incurred by the company, which were less than the expenditure estimated on the date of signature of the programme. There is no balance on the programme for these items.
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. As a result, this advance is entered in the balance sheet liabilities in the amount of €946 K. The first repayments of this grant will therefore begin in second-half 2014.

As part of its development of a patient-specific instrumentation for orthopaedic knee surgery, OneFit Medical received a reimbursable advance of €250 K. In the event the project is technically or commercially successful, the reimbursement of the advance granted will be made over a 45 month period starting September 2015. Should it fail, these repayments will be capped at €98 K and made over a 21 month period, starting September 2015.

OneFit Medical also received an innovation partnership loan of €150 K for eight years including a three-year deferred amortisation period and granted at Euribor 3-month rate plus 5.6%, plus another 3.8% during the deferred amortisation. This loan is repayable in five years starting 31 May 2015.

OneFit Medical is developing new-generation knee surgery instrumentation and as such received a zero-interest advance of €250 K in June 2014. In the event that the project is technically or commercially successful, the reimbursement of the advance granted will be made over a 96 month period starting in September 2017. Should it fail, these repayments will be capped at €100 K and made over a 33 month period, starting in September 2017.

Other advances

OneFit Medical received a reimbursable advance of €100 K in February 2014 from the Régie régionale ARDEA. The loan is repayable in 17 equal quarterly payments over a five-year period, including a six-month deferred amortisation period.

OneFit Medical also received a €86 K reimbursable advance in 2013 to aid recruitment.

BPI France zero-interest loan

EOS imaging received a zero-rate loan of €1.5 million from BPI France in May 2013, paid in July 2013.

Earn-out on acquisition of OneFit Medical shares

On 27 November 2013 EOS imaging acquired all of the shares of OneFit Medical for €4 million, of which €0.5 million was paid to OneFit in cash and €3.5 million in 603,449 warrants for EOS imaging shares.

The acquisition agreement calls for a €1 million earn-out tied to the achievement of regulatory objectives and revenues, which will be paid to OneFit Medical in the form of 1,810,347 warrants to subscribe 172,416 new shares of EOS imaging.

The acquisition of OneFit Medical, recognised at €5 million, includes all of the earn-out. This valuation is provisional in nature and may be adjusted to the degree that the objectives defined in the earn-out provision are achieved.

OneFit Medical has been consolidated into the Group's financial statements since it was acquired, by the full consolidation method.

In accordance with IFRS 3 as revised, the Group undertook to measure the fair value of the identifiable assets and liabilities acquired. The values assigned to the identifiable assets and liabilities were determined provisionally, in light of the factors available. They might change in light of new possible information relating to the facts and circumstances prevailing at the acquisition date.

3.13. Short term bank loans

Short term bank loans (in thousands of euro)	30 June 2014	31 December 2013
Short term bank loans		5,007
Total		**5,007**

The €5 million overdraft negotiated at the end of the prior financial year was repaid on 28 February, coinciding with the maturity of a term deposit.

3.14. Accounts payable - Trade

Accounts payable - Trade (in thousands of euro)	30 June 2014	31 December 2013
Accounts payable - trade	4,523	4,021
Total	**4,523**	**4,021**

The 12% rise in trade accounts payable during the first half of 2014 relates directly to the increase in business volume and associated purchases.

3.15. Other current liabilities

3.15.1. Provisions under one year

	31 December 2013	Increase	Decrease	31 December 2013
Customer warranties	503	114	(99)	518
Total	**503**	**114**	**(99)**	**518**

The increase in the provision for warranties during H1 2014 is related to the increase in the number of systems under warranty, in line with the volume of equipment sold during the period.

3.15.2. Other current liabilities

Other current liabilities (in thousands of euro)	30 June 2014	31 December 2013
Tax liabilities	415	415
Social security liabilities	1,128	1,634
Other liabilities	656	523
Deferred revenue	525	337
Total other current liabilities	**2,724**	**2,909**

Other debts at 30 June 2014 include in particular royalties payable in the amount of €486 K.

3.16. Revenue from ordinary activities

3.16.1. Sales and other revenue

Sales and other revenue	Six-month period ended on	
(in thousands of euro)	30 June 2014	30 June 2013
Sales of equipment	5,863	4,312
Sales of services	933	602
Sales of consumables and related services	322	
Total sales	**7,119**	**4,914**
Subsidies	640	151
Research tax credit	362	504
Total revenue from ordinary activities	**8,120**	**5,570**

The Group made a total of 15 EOS® equipment sales during the first half of 2014, compared with 11 for the same period the previous year. With sale prices stable at €391 K, equipment sales rose 36% to €5.86 million. At comparable exchange rates, the average selling price was €395 K.

Buoyed by the increase in EOS® equipment under contract, sales of services soared 55% to €0.93 million, up from €0.60 million in the prior year.

Sales of consumables and related services by the OneFit Medical subsidiary came in at €0.32 million in first-half 2014.

3.16.2. Sales by geographical area

Sales by geographical area (in thousands of euro)	Six-month period ended on 30 June 2014	30 June 2013
France	1,816	1,717
EMEA ex-France	1,404	2,634
North America	1,182	562
Asia	2,717	
Total sales by geographical area	**7,119**	**4,914**

Sales by the Group in Asia in H1 2014 were excellent with seven systems sold for a total of €2.72 million.
This buoyant performance in Asia offset the slowdown observed in the North American market, where sales fell by 55% in H1 2014 to €1.18 million, compared with €2.63 million at end-June 2013.

The Group sustained its dynamic growth in the EMEA region, recording a rise of 41% and sales totalling €3.22 million, up from €2.28 million one year earlier.

3.17. Breakdown of operating expenditure by function

3.17.1. Direct costs of sales

Direct costs of sales (in thousands of euro)	Six-month period ended on 30 June 2014	30 June 2013
Purchasing and subcontracting	3,594	2,570
Payroll	270	242
Royalties	145	110
Amortisation and provisions	15	44
Total Direct cost of production and service	**4,024**	**2,966**

Direct costs of sales consist primarily of costs of production, transportation, and installation of equipment sold during the period, as well as maintenance costs for equipment installed and maintained by EOS imaging.

As the system integration phase is sub-contracted, production costs are mainly purchasing and sub-contracting costs, the increase in which is directly related to the increase in system production volumes over the period. The changes in maintenance costs are also related to the growth in the number of systems maintained.

Production costs of equipment, combined with transport costs, were stable year-on-year.

Continuing the effort to increase the reliability of certain components made it possible to obtain new cost reductions in maintaining installed bases, leading to a three-point improvement in direct margins compared with H1 2013.

Payroll expenses, consisting of wages and salaries for personnel who install and maintain the systems, rose 12% in the period, despite growth of more than 45% in volumes installed and maintained. This cost control resulted in an additional one-point improvement in the margin on direct costs.

Lastly, the inclusion of the sales of OneFit Medical, which deliver a larger margin than for equipment sales, resulted in an additional one point gain for the margin on direct costs.

As a result of the favourable trend in manufacturing variables and in the product mix, there was a five-point improvement in gross direct margin. After accounting for the unfavourable euro to dollar exchange rate, which shaved a point off the margin in the period, the improvement in gross direct margin was four points on the year.

Thus, the gross margin on direct costs was 43.5% of sales at 30 June 2014, up from 39.6% at 30 June 2013.

3.17.2. Indirect cost of production and service

Indirect cost of production and service (in thousands of euro)	**Six-month period ended on** 30 June 2014	30 June 2013
Purchasing and subcontracting	419	343
Travel expenses	230	208
Payroll	617	365
Amortisation and provisions	15	3
Total Indirect cost of production and service	**1,281**	**919**

The indirect cost of production and service increased by 39% year-on-year in first-half 2014, primarily due to beefing up support functions (supply chain, methods, industrial production and service back office) during the second half of 2013 and early in 2014.

3.17.3. Research & development

Research and development (in thousands of euro)	Six-month period ended on 30 June 2014	30 June 2013
Purchasing and subcontracting	290	409
Travel expenses	34	30
Payroll	1,243	421
Amortisation and provisions	135	119
Total research and development	**1,702**	**979**

R&D expenditure increased by 74% during H1 2014 in comparison with H1 2013. This €723 K increase was mainly due to the reduction of the development costs, which were recognized as a reduction in payroll costs. They were also due to the consolidation of OneFit Medical, in the amount of €162 K during the six months.
Like-for-like and before the inclusion of development costs, the year-on-year increase in H1 2014 was only 7%.

3.17.4. Sales and marketing

Sales, clinical and marketing (in thousands of euro)	Six-month period ended on 30 June 2014	30 June 2013
Purchasing and subcontracting	653	570
Studies	59	115
Trade fairs and exhibitions	247	143
Travel expenses	393	351
Payroll	1,551	1,072
Total Sales and marketing	**2,903**	**2,251**

Sales, clinical and marketing expenditure increased by 29% during H1 2014 in comparison with H1 2013. The increase mainly resulted from the increase in payroll costs, which reflects new hires in H2 2013 and at the start of the 2014 financial year.

3.17.5. Regulatory

Regulatory	Six-month period ended on	
(in thousands of euro)	**30 June 2014**	**30 June 2013**
Purchasing and subcontracting	95	126
Travel expenses	9	8
Payroll	157	132
Total regulatory	**261**	**266**

Regulatory expense was stable year-on-year.

3.17.6. Administration

Administration	Six-month period ended on	
(in thousands of euro)	**30 June 2014**	**30 June 2013**
Purchasing and subcontracting	900	674
Income and other taxes	132	60
Travel expenses	75	45
Payroll	342	258
Amortisation and provisions	117	105
Total administration costs	**1,566**	**1,142**

Administrative costs increased by 37% in first-half 2014, compared with first-half 2013. The increase primarily reflects the rise in external purchasing and higher payroll costs as a result of the hires early in the 2014 financial year.

3.18. Share-based payments

The stock plans issued by the company and current as at 30 June 2014 are described in note 3.10.3.

<u>Share purchase warrants</u>

Using the authorisation granted by the Extraordinary General Meeting of 16 January 2012, the Board of Directors of 31 December 2012 issued 270,000 warrants to four directors. The warrants entitle the holders to purchase one ordinary share for €4.24. A single beneficiary subscribed 40,000 warrants under the plan on 15 March 2013.

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 2014 for these warrants amounted to €13 K.

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

Bonus shares

The vesting period for the bonus shares granted on 15 February 2012 ended on 15 February 2014. The expense recognised at 30 June 2014 for these shares amounted to €114 K.

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 2014 for these stock options amounted to €57 K.

The Board of Directors granted 223,000 stock options to employees on 23 May 2014 according to the same rules described in the previous paragraph. No expense was recognised at 30 June 2014 for these warrants since the amount was considered to be immaterial.

At 30 June 2014, the value of the plans issued by the Company was:

Type	Option fair value	Number of shares granted	Plan fair value (in € thousands)
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	€1.61 to €1.84	376,916	651
SO 2013	€2.02 to €2.18	40,000	84
Total			**5,207**

3.19. Comments on operating profit/(loss)

At €11,934 K in H1 2014, the increase in operating expense was contained at 31%, up from €9,081 K in H1 2013, while operating income grew 46%.

The operating result for the first half was a loss of €3,814 K, compared with €3,511 K at 30 June 2013. As indicated in 2.3.1 above, 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. Operating profit/(loss) is also correlated with this seasonal variation and only partially reflects annual performance.

3.20. Financial result

The financial result at the end of first-half 2014 was a loss of €91 K, mainly due to interest expense and foreign exchange losses. At 30 June 2013, the financial result was a gain of €289 K, corresponding to income from investments in funds raised through the company's IPO.

3.21. Comments on the statement of cash flows

Net cash requirements from operating activities totalled €1,984 K in first-half 2014. This sum includes a loss of €3,905 K, from which the IFRS2 expense and amortisation and depreciation booked for the period in the amount of €587 K must be deducted.

Net cash resources linked to changes to working capital requirements stood at €1,333 K at 30 June 2014 vs. a need of €2,136 K at 30 June 2013. This fall in WCR stems mainly from the reduction in accounts receivable during H1 2014, as a significant per cent of Q4 2013 sales were paid, which, to recap, accounted for almost 50% of annual sales for the 2013 financial year.

Net cash requirements from investments totalled €453 K in first-half 2014, mainly for development activities during the period.

Net cash resources from investments totalled €310 K in first-half 2014. They mainly comprise €350 K in reimbursable advances paid during the period.

The reduction in cash was limited to €2 million during first-half 2014.

Note 4 : COMMENTS ON OFF-BALANCE SHEET COMMITMENTS

There was no significant change in off-balance sheet commitments between 31 December 2013 and 30 June 2014.

Note 5 : INFORMATION ON RELATED PARTIES

There was no material change in transactions with related parties during first-half 2014 compared with first-half 2013.

Note 6 : SUBSEQUENT EVENTS

None

II. HALF-YEAR MANAGEMENT REPORT

1. Highlights of H1 2014

1.1. Expansion in Asia

The Group continued its commercial development in Asia during the first half of 2014. With four systems installed in Japan, the Group also obtained approval from the regulatory authorities to market products in Taiwan.

1.2. Product development

The Group is pushing ahead with its product development plan, committing a total of €1.7 million for R&D in the period. These developments are concentrated on EOS equipment and EOS-related software functions developed under the sterEOS platform, as well as the technology of OneFit Medical, acquired by EOS imaging at the end of 2013. In the context of developing EOS applications aimed at providing surgeons with high-performance tools for their practice, the Group introduced "HipEOS", an online scheduling solution for hip replacement surgery based on EOS images. The application was granted CE marking in March 2014 and will be rolled out in Europe during second-half 2014. Other application modules will be launched during the period 2014-2016.

1.3. Regulatory

As indicated above, during the first half of 2014, the Group obtained regulatory authorisations to market EOS systems in Taiwan and the CE marking for the HipEOS application developed by OneFit Medical.

1.4. Miscellaneous

In April 2014, the company confirmed its eligibility for the French PEA-PME (share savings plan for small and medium enterprises) tax scheme, in accordance with decree No. 2014-283, effective on 6 March 2014 (implementing decree published in the Journal Officiel on 4 March 2014).

June 2014 saw the company issue 1,800 share purchase warrants to Société Générale in the framework of carrying out a capital increase through the exercise of stock options (PACEO). Société Générale undertook to subscribe to capital increases in successive tranches over a 36-month period, up to a total of 1,800,000 shares. The maximum discount on the issue price for each tranche is 5% of the volume-weighted average price during the three previous trading sessions.

2. Events after 30 June 2014

None

3. Examination of the consolidated financial statements for H1 2014

3.1. Examination of the consolidated income statements

Total sales

Total sales (in thousands of euro)	Six-month period ended on 30 June 2014	30 June 2013
Sales of equipment	5,863	4,312
Sales of services	933	602
Sales of consumables and related services	322	
Total sales	**7,119**	**4,914**

The Group made a total of 15 EOS equipment sales during the first half of 2014, compared with 11 for the same period the previous year. With sale prices stable at €391 K, equipment sales rose 36% to €5.86 million. At comparable exchange rates, the average selling price was €395 K.

Buoyed by the increase in EOS® equipment under contract, sales of services soared 55% to €0.93 million, up from €0.60 million in the prior year.

Sales of consumables and related services by the OneFit Medical subsidiary came in at €0.32 million in first-half 2014.

Other operating income

Other operating income (in thousands of euro)	Six-month period ended on 30 June 2014	30 June 2013
Subsidies	362	151
Research tax credit	640	504
Total other revenue from ordinary activities	**1,002**	**656**

Other operating income includes public financing, comprising subsidies and Research Tax Credits. The marked increase in subsidies during the period illustrates the Group's strategy for financing its research expenditure.

GROSS MARGIN

Gross Margin (in thousands of euro)	Six-month period ended on 30 June 2014	30 June 2013
Total sales	7,119	4,914
Direct costs of sales	(4,024)	(2,966)
Gross Margin	**3,095**	**1,948**

At €3.1 million euros at 30 June 2014, the gross margin increased 59% year-on-year. Thus, the gross margin on direct costs was 43.5% of sales at 30 June 2014, up from 39.6% at 30 June 2013.
This rise stems from the increase in sales together with the pursuit of improvements in production and maintenance costs (see section 3.17.1).

OPERATING EXPENSES

Operating expenses (in thousands of euro)	Six-month period ended on 30 June 2014	30 June 2013
Direct costs of sales	4,024	2,966
Indirect cost of production and service	1,281	919
Research and development	1,702	979
Sales and marketing	2,903	2,251
Regulatory	261	266
Administration	1,566	1,142
Share-based payments	198	558
Operating expenses	**11,935**	**9,081**
Operating expenses (direct cost of sales and share-based payments excluded)	**7,713**	**5,557**

Please see section 3.17 for comments on the detailed analysis of operating expenses by type.

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 €7.7 million, up 39% compared with first-half 2013, while sales rose 45%.

These figures reflect control of operating expenses during first-half 2014. They also include the Group's continued measures to reduce its losses, started in 2012.

CONSOLIDATED NET INCOME

Taking into account the financial result, the Group's activities generated a loss of €3,905 K during H1 2014, compared with €3,222 K in H1 2013.

As indicated in section 2.3.1 above, 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. Operating profit/(loss) is also correlated with this seasonal variation and only partially reflects annual performance.

3.2. ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

At 30 June 2014, current assets amounted to €7,969 K, compared with €7,882 K at 31 December 2013. The stability of this line is due to limited investments during the period, as detailed in 3.3, 3.4 and 3.5.

CURRENT ASSETS

At 30 June 2014, current assets amounted to €30,588 K, compared with €38,712 K at 31 December 2013.
This development was primarily due to the repayment of €5 million in short-term bank loans negotiated at the end of the prior financial year on 28 February 2014, coinciding with the maturity of a term deposit.
It was also due to the €1.8 million reduction in trade accounts receivable. As pointed out in section 3.7, this reduction in accounts receivable is due to the strong seasonal component in sales: the fourth quarter accounts for a relatively high percentage of annual sales volume, which is reflected in the high accounts receivable at 31 December each financial year.
Lastly, it includes €2 million in cash consumption during the first half.

EQUITY

Equity amounted to €26,311 K at 30 June 2014, compared with €30,067 K at 31 December 2013. The change is mainly due to the loss in first-half 2014.

NON-CURRENT LIABILITIES

Non-current liabilities amounted to €4,481 K at 30 June 2014, versus €4,087 K at 31 December 2013. The increase in this line relates to the payment to OneFit Medical during the first half of two repayable advances for a total of €350 K, described in section 3.12.

CURRENT LIABILITIES

At 30 June 2014, current liabilities amounted to €7,765 K, compared with €12,440 K at 31 December 2013. The fall in this line stems primarily from the repayment of €5 million in short-term bank loans described in section 3.13.

4. Main risks and uncertainties

There was no material change in the risk factors to which the Group is exposed during first-half 2014, compared with those described in the 2013 Registration Document.

5. Outlook

The Group intends to continue to grow its business during the second half of 2014. Its forecasts are based primarily on sustained growth in the Asian and European markets, which is set to continue into the second half, combined with the expected recovery in North America, which has been characterised by substantially lower investment in medical equipment for the past 12 months.

III. STATUTORY AUDITORS' REPORT ON HALF-YEAR FINANCIAL INFORMATION AT 30 JUNE 2014

EOS imaging
French Société Anonyme

10, rue Mercœur
75011 Paris

STATUTORY AUDITORS' REPORT ON HALF-YEAR FINANCIAL INFORMATION AT 30 JUNE 2014

For the period from 1 January to 30 June 2014

Fi.Solutions
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75017 Paris

Deloitte & Associés
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EOS imaging

Société Anonyme

10, rue Mercœur
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Rapport des Commissaires aux comptes sur l'information financière semestrielle 2014

Période du 1er janvier 2014 au 30 juin 2014

Aux actionnaires,

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

- l'examen limité des comptes semestriels consolidés résumés de la société EOS imaging, relatifs à la période du 1er janvier 2014 au 30 juin 2014, tels qu'ils sont joints au présent rapport ;
- la vérification des informations données dans le rapport semestriel d'activité.

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

I- Conclusion sur les comptes

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

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

II- Vérification spécifique

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

Paris et Neuilly-sur-Seine, le 29 août 2014

Les Commissaires aux comptes

Fi.Solutions — Deloitte & Associés

Jean-Marc PETIT — Fabien BROVEDANI

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, 29 August 2014

Marie Meynadier, CEO of EOS imaging