Annual Financial Report

DECEMBER 31, 2019

A French *société anonyme* with a Board of Directors
and share capital of €2,402,949.40
Registered office: 510, rue René Descartes – Les Jardins de la Duranne Bât E & Bât F
13857 Aix-en-Provence Cedex 3
481 581 890 RCS Aix-en-Provence

Annual Financial Report for the year ended December 31, 2019

Note

In this document, the terms "**SuperSonic Imagine**" and "**Company**" refer to SuperSonic Imagine, a French limited company (*société anonyme*) with a Board of Directors, whose registered office is located at 510, rue René Descartes, Les Jardins de la Duranne Bât E & Bât F, 13857 Aix-en-Provence Cedex 3, France, registered with the Trade and Companies Register of Aix-en-Provence under number 481 581 890. The term "**Group**" refers to the group of companies made up of the Company and all its subsidiaries.

Summary

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL REPORT

PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

Mr. Antoine Bara, CEO of SuperSonic Imagine

STATEMENT OF THE RESPONSIBLE PERSON

"I certify that, to my knowledge, the financial statements were prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and results of the Company and all companies within its scope of consolidation, and that the management report presents an accurate picture of the changes to the business, earnings and financial position of the Company and all companies within its scope of consolidation and that it describes the principal risks and uncertainties they face."

Done in Toulouse on April 8, 2020

Antoine Bara
CEO

1. MANAGEMENT REPORT ON THE FISCAL YEAR ENDED DECEMBER 31, 2019

To the Shareholders:

Before submitting the annual and consolidated financial statements for the year ended December 31, 2019 and the allocation of the results for your approval, we hereby present you with our consolidated results of operations, our activities over the past fiscal year, and our future prospects and other information required by law.

1.1. SUPERSONIC IMAGINE GROUP

1.1.1. Business and results of the Group

1.1.1.1. PRESENTATION OF THE GROUP

The Group is specialized in the research and development and the sale of ultrasound medical imaging systems.

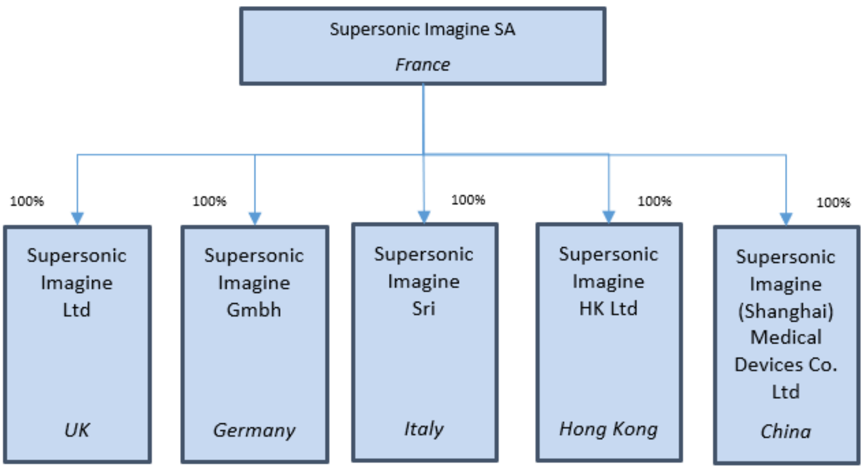
In 2009, it put on the market a third generation ultrasound device called Aixplorer®, with a radically new, entirely software-based architecture that integrates several technological innovations. It developed the corresponding software (which forms an integral part of its Aixplorer® ultrasound system), allowing breast, thyroid, prostate, liver and abdominal lesions to be diagnosed in real time by measuring tissue elasticity (elastography).

In 2018, SuperSonic Imagine brought a new generation of the Aixploror® to the market: the MACH 30, followed in 2019 by the MACH 20, a version designed to target the mid-market radiology segment.

The Group owns or co-owns numerous patents that it developed, acquired or operates under license.

The Group has sold products in the Aixplorer® line since 2009 and subcontracts the production of the ultrasounds that it sells.

As of the date of this document, the Group comprises the Company and five subsidiaries[1] as follows:



SuperSonic Imagine SA: formed in March 2005 and with its registered office in Aix-en-Provence. The Company is specialized in the research and development and the sale of ultrasound medical

[1] On December 27, 2019, the Company sold all of the shares of its U.S. subsidiary, SuperSonic Imagine Inc., to Hologic Inc. (a U.S. company indirectly holding all of the share capital of Hologic Hologic Hub Ltd., the majority shareholder of the Company). This sale is more fully described in Sections 1.1.1.3 and 1.1.1.4.

imaging systems. As of December 31, 2019, the Company had 117 employees. The Company has a representative office in Beijing, China.
SuperSonic Imagine, Gmbh: a German subsidiary incorporated in March 2008 and headquartered in Munich. This entity markets the Group's product offering in Germany and develops and manages a network of distributors covering the Northern Europe region. Represented by Antoine Bara[2], this subsidiary had two employees as of December 31, 2019.

SuperSonic Imagine (HK) Ltd.: formed in June 2011 in Hong Kong, the purpose of this subsidiary is to develop the Group's business activities in the Asia-Pacific region excluding China. Represented by Antoine Bara[3], this subsidiary had three employees as of December 31, 2019.

SuperSonic Imagine Ltd.: formed in March 2008 in the United Kingdom, it is represented by Antoine Bara[4], and had no employees as of December 2019.

SuperSonic Imagine Srl: formed in October 2009, this Italian subsidiary is currently dormant, as the proposal to develop a direct sales force has been abandoned. It had no employees as of December 31, 2019.

SuperSonic Imagine (Shanghai) Medical Devices Co. Ltd.: a Chinese subsidiary created in December 2015 in order to develop sales in that country. Represented by Antoine Bara[5], this subsidiary had 51 employees as of December 31, 2019.

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[2] As of the date of this report, the process of appointing a new manager is in progress.
[3] As of the date of this report, the process of appointing a new manager is in progress.
[4] As of the date of this report, the process of appointing a new manager is in progress.
[5] As of the date of this report, the process of appointing a new manager is in progress.

Key figures for the subsidiaries as of December 31, 2019 are as follows:[6]

In thousands of euros		SuperSonic Imagine Ltd	SuperSonic Imagine, GmbH	SuperSonic Imagine Srl	SuperSonic Imagine (HK) Ltd	SuperSonic Imagine (Shanghai) Medical Devices Co. Ltd
Share capital		1	25	10	1	2,002
Shareholders' equity other than share capital		(2,264)	(3,109)	(31)	227	(342)
Percentage of share capital held		100%	100%	100%	100%	100%
Carrying amount of shares held	Gross	2	25	10	1	2,000
	Net	-	-	-	-	1,657
Loans and advances provided and outstanding, net		-	-	-	(274)	(2,608)
Securities and guarantees provided by the company		-	700	12	-	-
2019 Revenue		95	929	-	461	5,038
2019 Net income (loss)		(144)	(60)	(2)	38	(137)
Dividends received by the company		-	-	-	-	-

1.1.1.2. PRESENTATION OF THE GROUP'S ACTIVITIES

- **Research and Development ("R&D"):**

The R&D division broadly consists of five divisions working together very closely.

The "Ultrasound" division
The objective of this first division is to develop innovative imaging methods based on clinical needs.

The "Hardware" division
Aixplorer® is a platform that includes mechanics and electronics to which software is added. This requires software developments to ensure that the platform's components function properly together and provide integrated measurement, computation and signal processing functions.

The "Software" division
One of the Company's major assets is its choice of software architecture for its ultrasound imaging, enabling a reduction in the use of electronic boards (which have less processing power, thus limiting the development of new applications). SuperSonic Imagine, with its UltraFast™ technology, uses video game technology able to process a large quantity of data with a rapid, high-quality display.

[6] On December 27, 2019, the Company sold all of the shares of its U.S. subsidiary, SuperSonic Imagine Inc., to Hologic Inc. (a U.S. company indirectly holding all of the share capital of Hologic Hologic Hub Ltd., the majority shareholder of the Company). This sale is more fully described in Sections 1.1.1.3 and 1.1.1.4.

The "Systems" division
The Systems division is responsible for technical specifications, integration of the various subsystems into the complete system, and verification of the system in light of customer and functional needs expressed by marketing.
It also provides support, for both production and after-sale service operations.

The "IP" division
The IP division manages all of the Group's intellectual property activities.

In 2018, the Company brought to market a new generation of ultrasound scanner, the Aixplorer® MACH® 30, with a brand new modular architecture and design incorporating several technological innovations.

The Group's R&D strategy covers not only these technological innovations (software architecture for conventional and innovative imaging modes), but also clinical investigations, which demonstrate the advantages of these innovations in addressing specific issues relating to diagnosis, screening and therapeutic follow-up, and thus broadening the role of imaging in medicine. This clinical innovation strategy is a strong and very effective differentiator in a market historically shared by four major imaging players (GE, Philips, Siemens and Toshiba). It also allows it to target specific medical specialty markets, which are gradually starting to use imaging (such as cardiology, hepatology, urology and endocrinology).

From 2005 to 2016, a large proportion of the Company's resources was dedicated to the development of Aixplorer®. In the 2017 fiscal year, the Company decided to upgrade its technology platform, involving a major investment. This investment materialized in 2018 with the launch of the new flagship product, the Aixplorer MACH® 30, designed to replace the Aixplorer®. For 2019 alone, the total gross expenditure on research and development eligible for the Research Tax Credit amounted to €6.9 million and the net amount of grants received was €2.4 million. Some of these research and development activities were conducted through collaborative projects with public research laboratories (particularly the Langevin Institute, CNRS and Inserm), independent laboratories, university hospital centers, higher education and research establishments and private companies, for which the Company received subsidies, grants and repayable advances (Bpifrance, formerly OSEO, ANR). These collaborative projects dovetail with the Company's technological development strategy since they enable it to conduct feasibility studies which, if positive, may lead to the innovation being integrated into the Aixplorer MACH® product family.

The Group plans to continue investing in R&D for future versions of the new platform and to implement a new ERP project with the Hologic group.

- **Direct and indirect distribution:**

Since it began marketing Aixplorer®, the Group has implemented a roll-out strategy based on the combination of several approaches, depending on the specificities and potential of each target country and based on a model that has been widely tested in the medical device sector.

Three models coexist today:

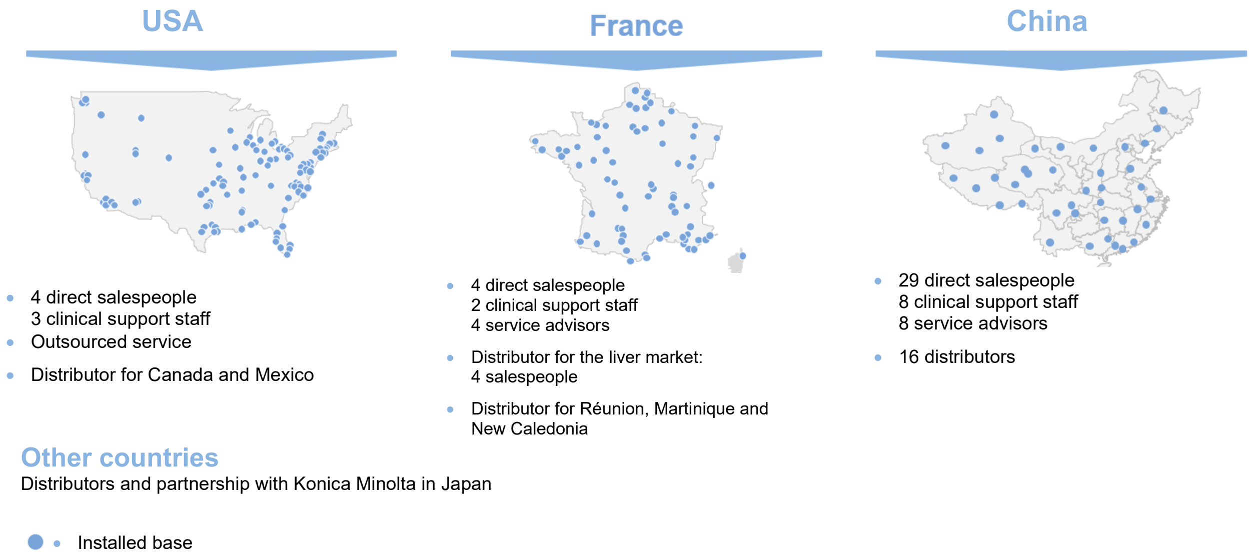
- A "direct" approach (through the Group's entities or those of the Hologic group), primarily in France and the United States[7];
- An indirect approach comprising a network of distributors; and
- A specific approach in China, through a representative office in Beijing, and a subsidiary (WFOE) based in Shanghai.

The current sales network:

The entire sales force receives regular training on technical and purely clinical topics, which are always evolving, and in particular on Aixplorer®'s new medical applications, the many sales support tools developed by the marketing department (such as brochures, videos, and clinical validation reports) and considerable support from the Company to enable them to be strongly involved in the promotion of technology:

- Participation at the local level in professional conferences and industry and trade shows;
- Organization of workshops to train existing and prospective customers; and
- Organization of on-site demonstrations at targeted medical centers.

As of December 31, 2019, the global sales network was as follows, covering 54 countries (including French overseas departments and territories) and divided into three main geographical areas:



The aim is to implement a strategy of wide-scale roll-out of its equipment and make the most of the opportunities offered by a Premium/High-end market estimated to be worth almost USD 4.3 billion in 2019 (source: IHS Markit 2018).

[7]On December 27, 2019, the Company sold its U.S. subsidiary, SuperSonic Imagine Inc., in order to monetize a receivable whose repayment was uncertain and to improve the Group's overall sales performance. From a sales and organizational standpoint, this sale (which was followed by the subsidiary's merger into the Hologic group) enables the Group's sales forces to combine with the sales forces of the Hologic group's Breast and Skeletal Health division (of which the SuperSonic Imagine products are now a part). SuperSonic Imagine Inc. had experienced difficulties in fully penetrating the U.S. ultrasound products market, while the Hologic group is a leader in the United States in mammography and has significant resources to serve as the Company's U.S. distributor.

After-sales service:

After-sales support is based at the Company headquarters and provided at different levels:

- The distributors provide an after-sales service and can request support from headquarters in the event of technical problems, software changes or process changes;
- The technical training for future distributors who are required to be certified is provided by the Group;
- Each installed system is inspected on average twice a year by an after-sales engineer, either for the purposes of preventive maintenance when an upgrade is installed, or when there are difficulties with the software or equipment.

The Group also has after-sales engineers based in China, France, Taiwan, and Germany. The Group uses the services of a partner to perform maintenance on systems installed in the United States.

Marketing

With ten employees dedicated to marketing, the department handles marketing communications and organizes the training of the sales team, distributors, and customers, and monitors clinical studies by physicians.

Product Management

Product managers are between end users, scientists and internal R&D teams. They act both upstream of the creation of a product or application, as well as downstream by being responsive to end users. The product manager has contacts "on the ground" and works with the clinical sites to obtain the clinical benefits and define the clinical strategy. The "product management" division is active at the global level.

Training, Clinical and Market Analysis

The main functions of this division are:

- Training of sales staff and distributors worldwide. The training sessions are conducted in a one-week online conference or seminar, as the case may be, when new products and applications are introduced and when new sales staff and distributors join the Group;
- Monitoring clinical activities and liaising with opinion leaders; and
- Analyzing market data and feedback from users of SuperSonic Imagine products to identify future development opportunities.

Marketing/Communications

The team is responsible for the development of messaging and its implementation in the form of various communications and marketing media such as conventions and exhibitions, press relations, brochures, e-mail campaigns, video and social networks.

Partner training sites
In France, the United States, and China, the Group has set up spaces dedicated to the training of core clients, to provide training sessions to all physicians who have access to Aixplorer® in their establishments.

A strong presence in major international conferences
The Company participates in international conferences that correspond to its priority targets. Since 2011, SuperSonic Imagine has participated in 40 international conventions per year. The most representative annual conferences are:

- European Congress of Radiology (ECR);
- Les Journées Françaises de Radiologie (JFR), where the Company unveiled the Aixplorer MACH® 30 to radiologists in 2018 and the MACH® 20 for the first time in 2019;
- Annual Meeting of the Radiology Society of North America (RSNA);
- European Federation of Societies for Ultrasound in Medicine and Biology Ultrasound (Euroson);
- World Federation for Ultrasound in Medicine and Biology (WFUMB), held every two years;
- EASL (European Association for the Study of the Liver);
- AASLD (American Association for the Study of the Liver); and
- AIUM (American Institute of Ultrasound in Medicine).

Prior to these conferences, the Company encourages practitioners to submit scientific communication projects to a selection committee, which contain the results of studies to be presented to their peers. In addition, an increasing number of excerpts from the work of specialists concerning the use of Aixplorer® and Aixplorer MACH® applications are presented at these conferences.

For the major conferences, the Company organizes a symposium where it invites practitioners to present the results of their experience with Aixplorer® and Aixplorer MACH®.

Press relations are an important communication channel for the Company, which primarily targets the trade press, but also develops relationships with the general public.

The Company attaches particular importance to communication with the general public, which, once educated, can start to recommend its products. For that reason, the Company plans to more extensively target women's magazines, men's magazines, health magazines and magazines read by retirees.

- **<u>Production:</u>**

Subcontracting of assembly to a "top" subcontractor for increased production flexibility

Since 2013, the production of the Aixplorer® platform has been fully subcontracted to Plexus, a global leader in medical device assembly (with an FDA GMP (Good Manufacturing Practice) certificate), with direct provision by suppliers of some components, such as printed circuit boards or plastic parts. It is the largest manufacturer of electronic medical devices worldwide for companies in the ultrasound sector and also supplies other major clients (such as CISCO). The Plexus plant in Malaysia has been responsible for production since 2014.

Plexus produces Aixplorer® devices in their standard configuration. This represents approximately 95% of assembly, in accordance with the specifications defined by SuperSonic Imagine to ensure high-end quality.

The Group's teams are responsible for final quality control and product configuration, according to each customer's specifications, in addition to final product testing before shipping.

SuperSonic Imagine wishes to continue transferring the steps it currently handles in-house to its partners, in order to improve response times to customers while achieving further savings on transport costs.

The Group will ultimately focus on product design, control of manufacturing processes, quality testing and supply chain, including selection, and relationships with critical suppliers.

Carefully selected subcontracting partners

To maximize customer satisfaction, the production of the most complex and technical sub-assemblies is outsourced to SuperSonic's strategic partners. SuperSonic is responsible for monitoring and liaising with these partners. (This is particularly the case for the power supply, control panels and probes).

SuperSonic Imagine strives to identify and select suppliers that have the industrial capacities to support its commercial ambitions. The choice of partners is driven by technical, regulatory and environmental constraints, by production capacity, in line with the Group's ambitions, and by economic considerations and profitability. The selection of partners is made jointly by each of the subgroups in the R&D division in close communication with the procurement department. The R&D department works upstream with subcontractors to produce the first prototypes. The development work is thus done in partnership with them, so as to ensure that the design of the product is compatible with the constraints of their manufacturing processes. Once the pre-manufacturing phase (subcontractor manufacturing processes) has been validated by the R&D teams, the Supply Chain function takes over.

In terms of logistics, SuperSonic Imagine uses different service providers depending on local (country) constraints. Delays in manufacturing are taken into account in order to minimize inventories while ensuring delivery times to customers in line with market standards.

Quality Assurance

SuperSonic Imagine has been ISO 13485 certified since 2008. The outside body that issued the ISO 13485 certificate is LNE/G-MED, which is based in Paris, France. The most recent certificate for the 2016 version of the standard is dated November 8, 2019. Certification covers activities related to the design, development, production, distribution, installation and after-sales service of the products.

In this context, any major changes in the production chain (subcontracting, relocation, etc.) have to be notified to the independent body and may be subject to an audit in order to ensure that the certification is retained.

The Group has also implemented a process of monitoring and evaluation of its suppliers. Critical subcontractors (which supply custom products or have a significant impact on product quality and safety) are committed to a close relationship with the Company. They are required to comply with the specifications established by the Group and to notify or submit for approval any change in their manufacturing chain (raw materials, manufacturing methods and processes, relocation or subcontracting, etc.).

In parallel, the Group's subcontractors are subjected to regular assessments based on various criteria (organization, financial exposure, etc.) by means of assessment questionnaires, and sometimes by means of audits performed by SuperSonic Imagine at their site, depending on their criticality and their own certification.

Since Q4 2019, SuperSonic Imagine has also been ISO 14001 certified, confirming and formalizing the Company's environmental approach. This certification covers the same activities as ISO 13485: 2016.

In addition to this business certification, SuperSonic Imagine products are certified under the CB Scheme program in accordance with IEC 60601-1-2, IEC 60601-1-6, IEC 60601-1 and IEC 60601-2-37.

SuperSonic Imagine products also comply with the applicable U.S. standards under the NRTL (Nationally Recognized Test Laboratory) mark. In addition, they meet the compliance requirements of products imported into Brazil defined by the National Institute of Metrology, Quality and Technology (INMETRO). This certification signals our commitment to product safety to regulators and to our customers.

The SuperSonic Imagine laboratory is on the list of laboratories recognized by TUV SUD. It is certified under TPS ACT program, which certifies that the laboratory meets the requirements of the ACT program based on certification and testing standards.

1.1.1.3. PRESENTATION OF THE GROUP'S RESULTS AND KEY PERFORMANCE INDICATORS

The information below concerning the review of the Group's results and financial position is solely based on the consolidated financial statements under IFRS that appear in Section 4 (Consolidated Financial Statements and Notes) of this annual financial report.

i. Income statement

The income statement for the period can be summarized as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Revenue	26,411	24,290
Other income	343	338
Income	**26,754**	**24,628**
Cost of sales	(14,303)	(13,530)
Gross margin	**12,451**	**11,098**
Gross margin on revenue (1)	**12,108**	**10,760**
Gross margin as a % of revenue (2)	***45.8%***	***44.3%***
Research and development expenses	(2,894)	(3,178)
Selling and marketing expenses	(12,319)	(11,685)
General and administrative expenses	(4,039)	(4,374)
Operating expenses	(1,634)	(1,497)
Other operating income/(expenses)	8	21
Current operating income (loss)	**(8,426)**	**(9,615)**
Other non-current operating income/(expenses)	(9,326)	(1,674)
Operating income (loss)	**(17,752)**	**(11,290)**
Financial income	537	16
Financial expenses	(5,276)	(1,960)
Financial income (loss)	**(4,740)**	**(1,944)**
Income (loss) before tax	**(22,492)**	**(13,234)**
Income tax expense	(16)	(61)
Net income (loss)	**(22,508)**	**(13,294)**

(1) Gross margin on revenue = Revenue – Cost of sales

(2) Percentage gross margin on revenue = Gross margin on revenue/Revenue

ii. REVENUE AND OTHER OPERATING INCOME

Breakdown of revenue by type of income

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018	Change Amount	%
Revenue	26,411	24,290	+2,121	+9%
Other income	343	338	+5	+1%

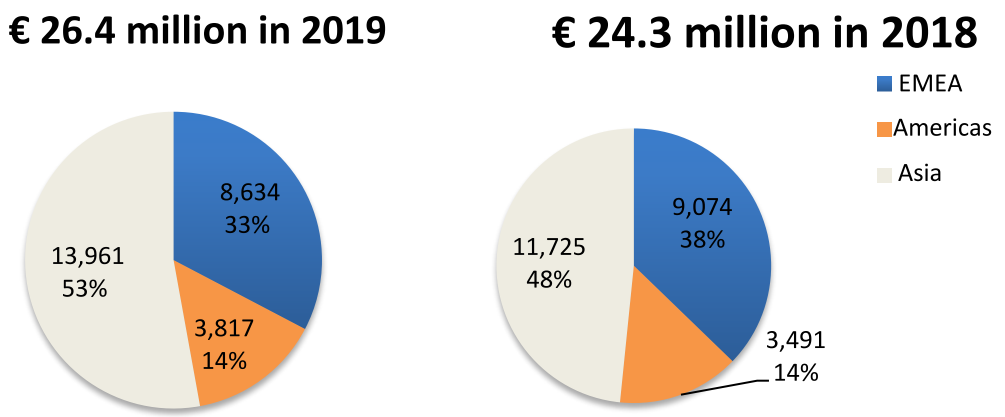
Group revenue, which was €26.4 million in 2019, was up 9% from 2018.

Other income essentially consists of income linked to the Group's technology and industrial partnerships that is not recurring in nature, as it is not part of normal business activities. In 2018, the company signed its first industrial partnership agreement with a U.S. company. In 2019, it continued, with stable income relating to this new activity, for a total of €343 thousand.

Geographical distribution of sales

In thousands of euros	Dec. 31, 2019	%	Dec. 31, 2018	%	Change	%
EMEA	8,634	33%	9,074	37%	(410)	-5%
Americas	3,817	14%	3,491	14%	+325	+9%
Asia	13,961	53%	11,725	48%	2,206	19%
Total	**26,411**	**100%**	**24,290**	**100%**	**+2 121**	**+9%**

The Asian share continues to increase, primarily due to sales growth in China.



Of the Group's three principal markets, China confirmed its position as the Group's largest market, with a strong 28% annual increase in income to €12.8 million. The United States also showed sustained annual growth, increasing 19% to € 3.8 million, including an excellent second half, while France had strong growth with sales up 17% to €3.5 million.

The EMEA region declined 5%, due to a sizable drop in sales in the Middle East region. The Asia region was up 19%, while the Americas region showed a 9% increase.

As of December 31. 2019, the Company had more than 2,700 systems deployed throughout the world, an increase of 16% in its installed base.

Revenue by sales channel

Revenue by distribution channel is as follows:

In thousands of euros	Dec. 31, 2019	%	Dec. 31, 2018	%
Direct	20,766	79%	16,309	67%
Indirect	5,645	21%	7,981	33%
Total	**26,411**	**100%**	**24,290**	**100%**

The share of direct sales increased significantly between the two fiscal years, with double-digit growth in the three principal markets where the Company sells directly (China, United States, and France).

Revenue by Product – Service

In thousands of euros	Dec. 31, 2019	%	Dec. 31, 2018	%
Sales of goods	22,540	85%	20,653	85%
Sales of services	3,871	15%	3,637	15%
Total	**26,411**	**100%**	**24,290**	**100%**

Product sales were up 9% to €22.5 million. Fifteen months after the launch of the Aixplorer MACH® platform, the results are very positive, as the movement of sales towards this new product occurred rapidly in all countries where it was certified.

At the same time, sales of services continued their steady growth, reaching €3.9 million, an increase of 6% compared with the previous year. This growth was the result of a steady increase in the installed base of Aixplorer® systems.

iii. COST OF SALES AND GROSS MARGIN

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Revenue from Products	22,540	20,653
Revenue from Services	3,871	3,637
Other income	343	338
Total income	**26,754**	**24,628**
Cost of sales	(14,303)	(13,530)
Gross margin on total income	**12,451**	**11,098**
Gross margin as a % of total revenue	*46.5%*	*45.1%*
Gross margin on revenue	**12,108**	**10,760**
Gross margin as a % of revenue	*45.8%*	*44.3%*

(1) Gross margin on revenue = Revenue – Cost of sales

(2) Percentage gross margin on revenue = Gross margin on revenue/Revenue

The percentage gross margin on total income rose 1.4 points to 46.5% in 2019, from 45.1% in 2018. Gross margin corresponds to total income (€26.754 million) minus the cost of sales (€14,303 million).

Gross margin on revenue corresponds to revenue (€26,411 million) minus the cost of equipment and service sales.

The cost of equipment sales includes:

- The cost of purchasing raw materials and components;
- The cost of manufacturing done in Malaysia and of assembly;
- The cost of the Group's Production department, which oversees the supply chain;
- The provision for warranties on systems sold;
- Royalties due; and
- Provisions for write-down of inventory due to obsolescence and scrapping.

The cost of services includes:

- The cost of purchasing spare parts;
- The provision for warranties;
- Overhead pertaining to after-sales service; and
- Provisions for impairment of spare part inventory for after-sales service and for parts sent back from the field.

The percentage gross margin on revenue improved to 45.8% in 2019, as compared with 44.3% in 2018. Gross margin on revenue from sales of systems improved due to the larger share represented by sales of our new product, Aixplorer MACH®, a platform designed to optimize its cost of sale. However, gross margin on revenue from services declined, due essentially to the increase in provisions on spare part inventory.

iv. Research and development expenses

The bulk of R&D expenses are capitalized provided they satisfy the criteria in IAS 38. An individual analysis must be done of R&D expenses incurred (regardless of the accounting treatment – expense or non-current asset) and expenses recorded (expenses incurred minus sums capitalized).

Total expenses incurred break down as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Total Expenditures	8,425	8,445
Grants and RTC	(2,059)	(2,033)
Total expenses incurred	**6,366**	**6,412**

R&D expenses were stable between 2018 and 2019.

The Company obtains grants and tax credits (research tax credit, innovation tax credit, and job competitiveness tax credit), which reduce the cost of research and development. The research tax credit represents virtually all of the tax credits obtained and is calculated on the basis of R&D-related expenditure.

Over the periods being compared, RTC recorded by the Company amounted to €2.2 million for 2019 and €1.8 million for 2018.

The sums capitalized, mainly comprising personnel costs, relate to the development of successive versions of the Aixplorer® platform, as well as the new Aixplorer MACH® platform. The portion capitalized as intangible assets amounted to €3.5 million in 2019 and €3.2 million in 2018.

R&D expenses (namely net expenses, after capitalization), break down as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
R&D expenses	3,670	3,550
Grants and RTC	(776)	(372)
Total R&D expenses	**2,894**	**3,178**

v. Sales and marketing expenses

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Personnel	5,735	5,546
Fees, External Services	2,521	2,152
Travel and entertainment expenses	2,795	2,649
Depreciation, amortization & provisions	519	694
Others	748	643
Total	**12,319**	**11,685**

Selling and marketing expenses mainly include the following costs:

- Commercial roll-out (sales force);
- Marketing; and
- They also include most of the overhead incurred by the sales subsidiaries.

Sales and marketing expenses increased 5% from 2018 to 2019.

vi. General and administrative expenses

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Personnel	1,937	2,213
Fees, External Services	1,682	1,668
Travel and entertainment expenses	152	175
Depreciation, amortization & provisions	362	421
Others	(94)	(104)
Total	**4,039**	**4,374**

General and administrative expenses mainly include the following costs:

- Salaries of Senior Management, Finance Department, Human Resources Department, IT Department, and Quality Assurance & Regulatory Affairs Department;
- Audit, legal and consultancy fees, costs of regulatory affairs and quality assurance (obtaining certification for Group products); and
- Insurance and rental costs (excluding those covered by the sales subsidiaries and accordingly presented under sales and marketing expenses).

General and administrative expenses fell sharply, down 8% to €4.0 million in 2019 from €4.4 million in 2018.

vii. Operating expenses

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Personnel	1,282	1,067
Fees, External Services	168	223
Travel and entertainment expenses	51	47
Depreciation, amortization & provisions	67	59
Others	66	101
Total	**1,634**	**1,497**

Operating expenses mainly include the following costs:

- Salaries of the manufacturing, purchasing, logistics, sales administration, service, and troubleshooting departments. These encompass production planning, inventory management, preparation and distribution of price lists, customer and distributor training as well as improvements in after-sales service processes.

Operating expenses increased 9% to €1.6 million in 2019 as compared with €1.5 million in 2018.

viii. Other operating income and expense

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018

Customer provisions	(243)	(420)
Losses on unrecoverable receivables	(1,127)	-
Other operating expenses	**(1,370)**	**(420)**
Reversal of used customer provisions	1,127	-
Reversal of unused customer provisions	160	265
Foreign currency exchange gains	91	176
Miscellaneous	-	-
Other operating income	**1,378**	**441**
Other operating income and expenses	**8**	**21**

In 2019, provisions for doubtful receivables (customer provisions) decreased from €420,000 in 2018 to €243,000 in 2019. In miscellaneous operating expense, €1,127,000 were related to unrecoverable receivables (including €537,000 for one Chinese client and €593,000 for one Brazilian client).
In parallel, there was a €1.287 million reversal of provisions for doubtful receivables in 2019, mainly due to the transfer of doubtful receivables into unrecoverable receivables.

ix. CURRENT AND NON-CURRENT OPERATING INCOME (LOSS)

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Current operating income (loss)	(8,426)	(9,615)
Other non-current operating income/(expenses)	(9,326)	(1,674)
Operating income (loss)	(17,752)	(11,290)

As of December 31, 2019, current operating income (loss) was up €1.2 million to €(8.4) million, as compared with €(9.6) million in 2018). The ratio of the loss to revenue was markedly improved at (31.5)%, as compared with (39.0)% in 2018. This improvement was mainly due to cost control combined with growth in income and margins.

Operating income (loss) was affected by a total net non-recurring expense of €9.3 million, explained by the following three factors:

- €5.3 million in net expenses for attorney fees and financial settlements in connection with the Verasonics dispute, described more fully in Section 1.1.1.4 of this report;
- €2.8 million in expenses incurred in connection with the change of majority shareholder; and
- €1.2 million in expenses incurred prior to the sale for a planned change in ERP that was cancelled as a result of the change of majority shareholder.

x. EBITDA

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
EBITDA	(4,887)	(6,470)

Overall, EBITDA increased by 24%, or an improvement of €1.58 million, for a loss of €(4.9) million in 2019 as compared with a loss of €(6.5) million in 2018.

2019 EBITDA represents the current operating loss of €(8.4) million, before taxes of €(888,000) and depreciation, amortization and provisions of €(2.6) million. 2019 EBITDA thus totaled €(4.9) million.

2018 EBITDA represents the current operating loss of €(9.6) million, before taxes of €(581,000) and depreciation, amortization and provisions of €(2.6) million. 2018 EBITDA thus totaled €(6.5) million.

xi. FINANCIAL INCOME (LOSS)

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Foreign currency exchange losses	(109)	-
Interest	(5,168)	(1,960)
Financial expenses	**(5,276)**	**(1,960)**
Foreign currency exchange gains	-	-
Interest	13	16
Gain on sale of the U.S. subsidiary	524	-
Financial income	**537**	**16**
Financial income (loss)	**(4,740)**	**(1,944)**

The 2019 fiscal year ended with a financial loss of €(4.7) million, as compared with a loss of €(1.9) million in 2018, a decline of €2.7 million, explained primarily by the early repayment of the bonds issued to Kréos (see Note 18.2 in Section 4 (Consolidated Financial Statements and Notes) of this document) and by the sale of our subsidiary, SuperSonic Imagine Inc., to Hologic for a price of €2.7 million (see Note 41 in Section 4 (Consolidated Financial Statements and Notes) of this document), which generated a gain with a book value of €524,000.

xii. INCOME TAX

Given the losses recorded for the last two years, the Company has not recorded any income tax expense, with the exception of a flat tax in China totaling €16,000 in 2019, as compared with €61,000 in 2018. It obtained a research tax credit, which is partly deducted from research and development expenses in the IFRS consolidated financial statements (see Section Note 3.22 in Section 4 (Consolidated Financial Statements and Notes of this document) and partly deducted from non-current operating expenses.

Available loss carryforwards totaled €155.7 million, primarily including €150.3 million for the French entity, €3.1 million for the German entity, and €2.3 million for the English subsidiary. These loss carryforwards were not used as deferred tax assets, due to the losses in recent years.

xiii. NET INCOME (LOSS) AND NET EARNINGS (LOSS) PER SHARE

Consolidated net loss totaled €(22,508,000) in 2019, as compared with €(13,294,000) in 2018. In the absence of non-controlling interests, the net loss attributable to the equity holders of the parent company is equal to the net loss.
The net loss per share issued (weighted average number of shares outstanding) was €0.96 in 2019 and €0.57 in 2018.

xiv. DEBT POSITION

As of December 31, 2019, the Group has the following debt level:

In thousands of euros	**Total**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Loans and other borrowings from	6,357	2,537	3,820	0

financial institutions				
Intragroup Hologic Loan	34,502	422	34,080	0
Contingent advances	2,148	219	1,117	812
Total	43,007	3,178	39,017	812

For more information on the Group's financial debt, see Note 18 in Section 4 (Consolidated Financial Statements and Notes) of this document.

During the periods presented, the Group has not engaged in any hedging operations.

1.1.1.4. Key Events of the Year

Shareholders/Change of Control

Following the August 1, 2019, off-market acquisition from its principal shareholders of a total of 10,841,409 shares of the Company at a price of €1.50 per share (representing as of the date hereof approximately 45.93% of the share capital and theoretical voting rights of the Company on a non-diluted basis),[8] Hologic Hub Ltd. filed a draft tender offer document with the AMF to acquire the Company's remaining shares, at the same price per share. The tender offer document was approved on October 8, 2019.

Following the definitive close of the tender offer on December 13, 2019, Hologic Hub Ltd. held 19,186,609 shares of the Company, representing approximately 79.85% of the Company's share capital and voting rights.[9]

To the Company's knowledge, as of the balance sheet date (March 17, 2020), Hologic Hub Ltd. held 19,208,807 shares of the Company, representing approximately 79.94% of the Company's share capital and voting rights.[10]

Corporate Governance/Board of Directors

At the Company's General Shareholders' Meeting on May 13, 2019, the shareholders voted to ratify the cooptations of the following:

• Danièle Guyot-Caparros, appointed as a director on an interim basis at the Board of Directors' meeting on June 21, 2018, to replace Sabine Lochmann, who resigned. Ms. Guyot-Caparros was appointed for the remainder of Ms. Lochmann's term, to expire at the close of the Annual Shareholders' Meeting called to vote on the financial statements for the fiscal year ended December 31, 2020.

[8] The Company's principal shareholders – Bpifrance, Andera Partners, Auriga Partners, Mérieux Participations, and CDC PME Croissance – together holding 10,841,409 shares, sold all of the shares at a price of €1.50 per share; there was no additional price for the acquisition.
[9] On the basis of the Company's share capital as of December 31, 2019, namely 24,029,494 shares representing the same number of theoretical voting rights.
[10] On the basis of the Company's share capital as of December 31, 2019, namely 24,029,494 shares representing the same number of theoretical voting rights.

• Ghislaine Gueden, appointed as a director on an interim basis at the Board of Directors' meeting on February 13, 2019, to replace Alexia Perouse, who resigned. Ms. Gueden was appointed for the remainder of Ms. Perouse's term, to expire at the close of the Annual Shareholders' Meeting called to vote on the financial statements for the fiscal year ended December 31, 2020.

Following the closing of the off-market acquisition referred to above, the composition of the Company's Board of Directors changed, with (i) the successive resignations of Guy Frija, Danièle Guyot-Caparros, Bpifrance Investissement (represented by Philippe Boucheron), and Mérieux Participations (represented by Thierry Chignon) from their positions as members of the Board of Directors and of Maurizio Petitbon from his position as an observer; and (ii) the successive cooptations of Michelangelo Stefani, Patricia Dolan, and Antoine Bara, replacing three of the four departing directors. The cooptations of Michelangelo Stefani, Patricia Dolan, and Antoine Bara (as non-independent directors) will be submitted for ratification at the Company's Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2019, which is expected to be held on June 16, 2020.

The composition of the Board of Directors, as well as the rules governing preparation for and conduct of meetings, are as described in Section 2.1 of this document.

FINANCING

On August 21, 2019, the Company entered into a termination agreement with Kreos pursuant to which, following a payment of approximately €16.4 million, all of the financing agreements with Kreos – namely, the 2017 Venture Loan and the 2018 Venture Loan, together with all of the related documentation, including the agreements relating to the share subscription warrants issued by SuperSonic Imagine – were terminated. In accordance with the termination agreement, SuperSonic Imagine was definitively and fully released from any obligation to Kreos Capital V (UK) Ltd. and Kreos Capital V (Expert Fund) L.P. under the various financing agreements.

To enable the Company to finance its working capital requirement and to repay its debt, in particular to Kreos, the Company and Hologic Hub Ltd. entered into an English-language revolving loan agreement (the "Loan Agreement") on August 14, 2019, which was amended on November 22, 2019. As of December 31, 2019, the Company had drawn down €34.1 million under this loan agreement. In addition, in connection with its entry into the Loan Agreement in its capacity as a subsidiary of Hologic Hub Ltd., the Company acceded to an Intercompany Demand Promissory Note dated May 29, 2015, entered into by Hologic Inc. (the parent company of the Hologic group) and its subsidiaries in connection with a Credit and Guaranty Agreement dated May 29, 2015 (and later amended) between Hologic, Inc., Hologic GGO 4 Ltd., and Bank of America, N.A. The Intercompany Demand Promissory Note subordinates certain cash flows between members of the Group to the obligations arising under the Credit and Guaranty Agreement.

On May 29, 2019, the Company entered into a new innovation loan with BPI for €750,000, repayable quarterly beginning on September 30, 2021 and ending on June 30, 2026, with a fixed annual interest rate of 1.08%.

LITIGATION

On November 22, 2017, Verasonics Inc. ("Verasonics") filed a lawsuit against SuperSonic Imagine in the U.S. district court for the Western District of Washington. Verasonics claimed that the Company manufactures, uses, offers for sale, and imports its product Aixplorer, which allegedly infringed its U.S. patents Nos. 8,287,456, 9,649,094, and 9,028,411, and allegedly misappropriated Verasonics's trade secrets under Washington State's trade secrets legislation. The Company responded to the complaint, denying that it had infringed Verasonics's patents or misappropriated its trade secrets, further asserting that Verasonics's patents were invalid, and rejecting Verasonics's demands for financial compensation.

On October 8, 2018, the Company filed a complaint in the State of Washington claiming that Verasonics manufactures, uses, offers for sale, and imports an ultrasound imaging product that infringes its U.S. Patent No. 7,252,004; Verasonics responded to the complaint, arguing that the Company was infringing its patent.

On May 14, 2019, the Company reached an agreement with Verasonics to terminate the various legal proceedings and disputes between the companies concerning the property rights relating to Aixplorer®, resulting in the withdrawal of the complain filed by Verasonics Inc. in U.S. district court. Pursuant to the agreement, the Company paid indemnification to Verasonics in a total amount of €5.3 million (including the external costs incurred by Verasonics).

Following that agreement, the Company is permitted to continue marketing its innovative products Aixplorer® and Aixplorer MACH®, using its revolutionary elastography technology, ShearWave™.

The status of disputes or proceedings underway against a Chinese distributor and a Brazilian distributor are described in Note 13 of Section 4 (Consolidated Financial Statements and Notes) of this document.

As of the date of this document, the Company is not aware of any other administrative, judicial, or arbitral proceedings that are pending or threatened and that are likely to have or have had in the course of the last 12 months any material effect on the financial position or profitability of the Company and/or Group.

SALE OF SUPERSONIC IMAGINE, INC.

On December 27, 2019, the Company sold all of the shares of its U.S. subsidiary, SuperSonic Imagine Inc., and a receivable that the Company held against SuperSonic Imagine Inc., to Hologic Inc. (a U.S. company that indirectly holds all of the share capital and voting rights of Hologic Hub Ltd., the Company's controlling shareholder) for a total sale price of €2,718,000, subject to a possible upward price adjustment in the event of an increase in the amount of the assigned receivable.

The principal business of this subsidiary, formed in March 2007 and having its registered office in Weston, Florida (United States), was marketing and sales on behalf of the Company in the U.S. territory. At the time of the sale it had eight employees.

The sale of this subdiary enables the Company to monetize a receivable whose repayment was uncertain and to improve the Group's overall sales performance. The sale also made sense generally from a commercial and organizational standpoint, for the following reasons:

- The Company was required to financially support SuperSonic Imagine Inc. – which regularly recorded losses – each year, using resources that the Company could have used otherwise; and

- SuperSonic Imagine Inc. had experienced difficulties in fully penetrating the U.S. ultrasound products market, while Hologic is a leader in the United States in mammography and has significant resources to serve as the Company's U.S. distributor;

SuperSonic Imagine Inc.'s eight employees were integrated into the Hologic group and now have access to the same tools and resources that are available to all of the Hologic group's sales representatives and clinical specialists. These resources, combined with a strengthened sales team, will help the Company to grow as a manufacturer and distributor of ultrasound products.

Quality Assurance and Regulatory Obligations

In October 2019, the Company obtained Section 510(k) clearance from the FDA for the V2 version of Aixplorer MACH® 30, as well as for Aixplorer MACH 20®.

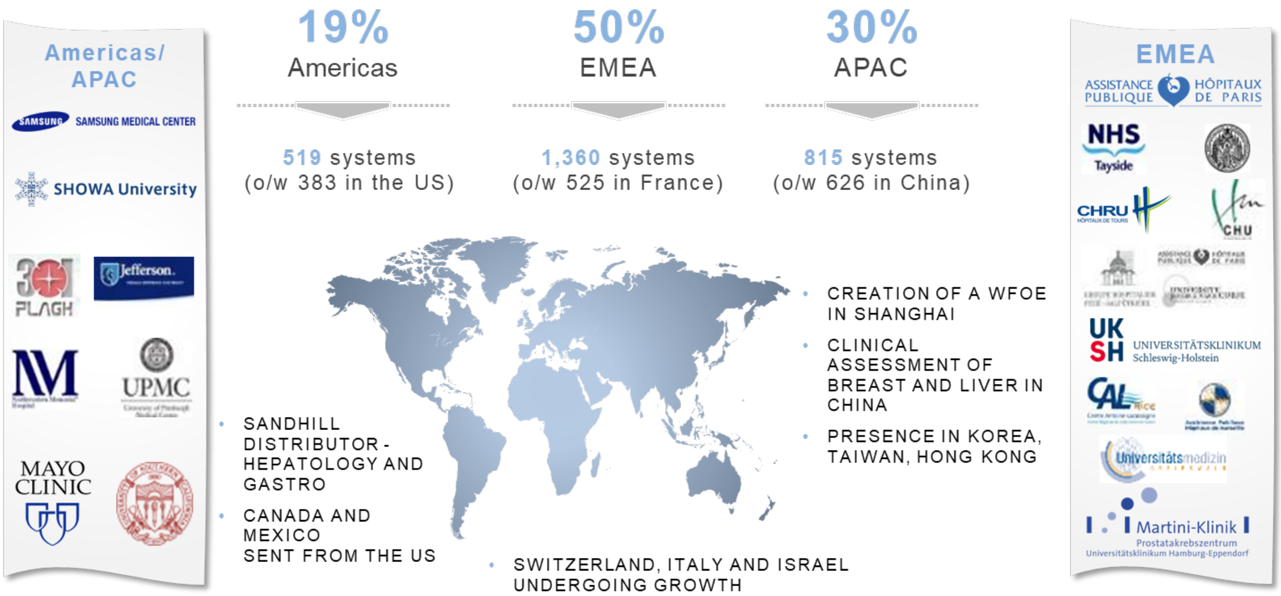
Commercial

Revenue for the fiscal year was €26.4 million in 2019, a 9% increase from 2018.

In 2019 the Company marketed two major products as part of its marketing strategy:

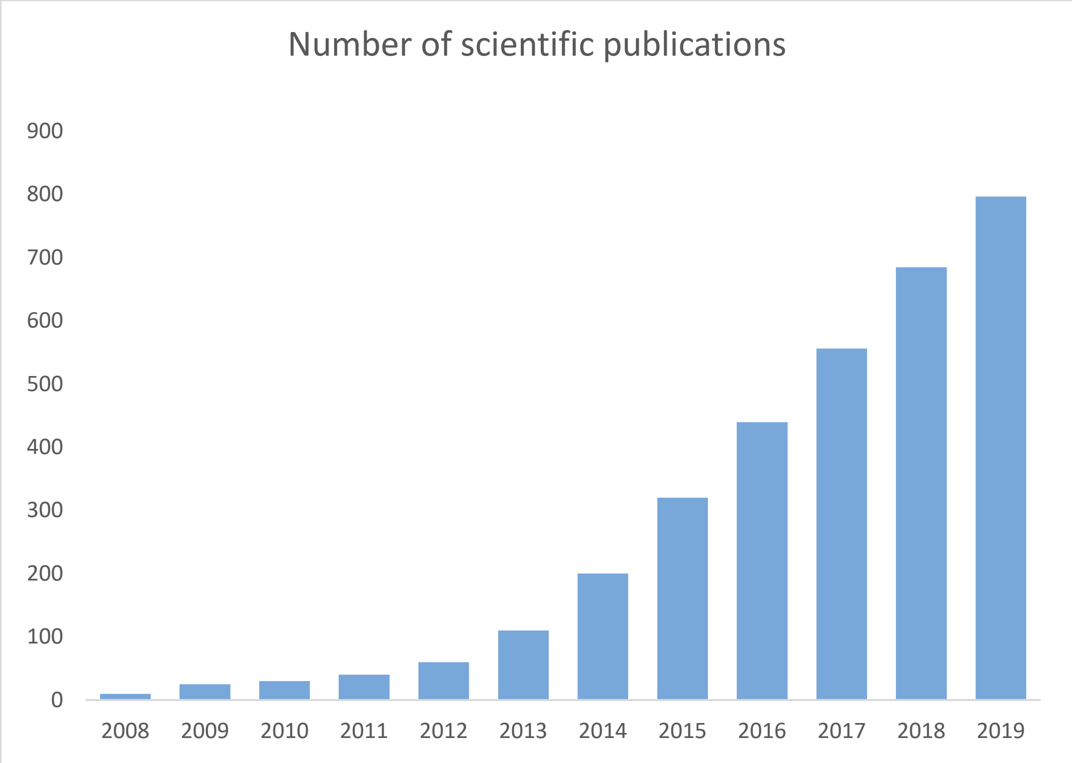
- Version 2 of the Aixplorer MACH® 30, a next generation ultrasound machine using Ultrafast™ imaging, introduced the previous year. It consolidated the product's high-end positioning, improving its performance and introducing new biomarkers (Att PLUS, SSp PLUS, and Vi PLUS) for chronic liver diseases; and
- The Aixplorer MACH® 20, designed to target a new segment, the mid-market radiology segment. It is based on the same technological platform as the Aixplorer MACH® 30 and offers this market segment excellent performance including SuperSonic Imagine's main innovations (in particular the ShearWave PLUS mode).

To date, the Company has close to 2,700 systems installed throughout the world, allocated as follows:



Technology and Clinical publications

Technological innovation is continually underpinned by new clinical publications in peer-reviewed journals worldwide. At present, there are over 800 publications on the breast and the liver.



1.1.1.5. SIGNIFICANT EVENTS SINCE THE END OF THE FISCAL YEAR

GOVERNANCE

At its meeting on January 23, 2020, the Company's Board of Directors decided to remove Michèle Lesieur as CEO and replace her with Antoine Bara. For more information on the financial terms of her departure, see Section 2.3 of this document.

Following her departure, Ms. Lesieur resigned from all of her positions within the Company's subsidiaries, and was replaced by Mr. Bara.

The Company entered into a settlement agreement with Ms. Lesieur following her removal as CEO, definitively ending the dispute between the parties regarding the reasons for the removal. For more information, see Section 2.3 of this document.

Independently of her removal, Ms. Lesieur agreed to assist the Company as a consultant for a specific period of time. For more information, see Section 2.3 of this document.

FINANCING

The Company and Hologic Hub Ltd. entered into the following agreements:

- on February 12, 2020, a second amendment to the revolving credit agreement dated August 14, 2019, in order to remove the acceleration events, so that the agreement remains in effect until August 12, 2014; and
- on March 17, 2020, a third amendment to the revolving credit agreement dated August 14, 2019, to increase the authorized maximum amount of the loan to €65 million.

1.1.1.6. FUTURE PROSPECTS

The Group continues to develop the functionality of its Aixplorer® ultrafast platform to make SuperSonic Imagine the benchmark for non-invasive care pathways for breast and liver conditions.

Accordingly, in late 2018 the Group launched its new Aixplorer MACH® 30 platform, which allows it to enrich its product offering, streamline its product cost (because it can be used across the range of products and applications), make the product more reliable, facilitate connectivity for remote maintenance, and develop future big data applications and artificial intelligence.

In parallel, the Group plans to continue prioritizing investment in sales teams in its three major markets (the United States, China and France) while continuing to grow in other regions.

Over the past four years, the Company has refocused its strategy along two main lines:

1) Clinical: liver and breast imaging; and

2) Geographic: direct sales in France and China.

Technological innovation is continually underpinned by new clinical publications in peer-reviewed journals worldwide.

The ongoing adoption of Aixplorer® in different regions of the world by more and more leading institutions reaffirms the company's strategy.

Since Hologic Hub Ltd.'s purchase of a majority stake in the Company, the Group has new vitality and new prospects.

This transaction should give the Company the resources to accelerate its sales growth, while continuing to invest in innovation and to improve its operational excellence. More specifically, the transaction should help the Company more rapidly penetrate new markets and strengthen its presence on others (in particular the U.S. and European markets), and to reinforce its capacities and prospects in terms of research and development.

The Company's priority is to develop its Ultrasounds business within a group that shares the Company's values – the importance of innovation, making a contribution to improving health, the importance of relationships with clinicians and patients.

As of the date of this document, it is difficult to predict and quantify the impact of the Coronavirus (Covid-19) epidemic on the Company's 2020 results.

The Company's existing extra inventory in its supply chain can absorb disturbances for a few weeks, but the Company cannot exclude the possibility of breaks in the supply chain if the measures restricting movements of people and goods remain in place or are extended worldwide beyond a few weeks. A systematic analysis of supply-chain link risks is underway. In the event that a significant break in the supply chain should occur, the Company might be able to assert the *force majeure* provisions in its agreements to limit litigation resulting from late deliveries to its customers. Depending on the procurement delays that may occur, and once the situation stabilizes, the Company and its partners would have the capacity to institute a production catch-up program, if necessary, in order to cure the delays in delivering orders. The catch-up program could, however, result in additional unforeseen operating costs (such as overtime hours and express transport).

In that context, the Group has already recorded a decrease in activity in France and in China since the beginning of the year. With respect to our capacity to deliver, as of the date hereof the logistics flows remain active, although transit times may be a few days longer. In the short term, the Company does not have significant exposure, since invoicing occurs at the time of shipment (Ex Works).

This epidemic, which is affecting more and more countries throughout the world, the Group's companies could see their revenue, their profitability, and their cash position affected.

The SuperSonic Group's cash position (which was strengthened by the revolving loan entered into between Hologic Hub Ltd. and the Company, for a total maximum amount of €65 million) should enable the Group to manage the uncertainties relating to the current epidemic.

The Company's management is closely monitoring epidemic developments in each of the relevant geographic regions and is taking all necessary measures to protect its employees, customers, and partners (thus participating in the worldwide effort to slow the spread of the virus). Most of the Company's activities, including its R&D activities, are now conducted through telework. At the same time, the Company has taken all preventive health measures to continue its essential logistical activities in order to distribute and ship orders. In order to manage the confinement period ordered by the authorities, the Company has already begun to take partial layoff measures.

In a new, uncertain economic environment, the Company is implementing all necessary actions to protect the Group.

However, the Group can give no assurance that it will not be seriously affected, in particular due to confinement measures in France or in the other countries where the Group does business (in particular in the United States.)

1.1.1.7. RISK FACTORS

The principal risks and uncertainties faced by the Group are detailed below.

i. RISKS RELATED TO THE MARKETS ON WHICH THE GROUP OPERATES

There are alternatives to the Group's technologies, and the emergence of new competing technologies cannot be excluded.

The products developed by the Group are sold on markets in which there are already alternative solutions (X-ray and conventional radiology, scanner, nuclear medicine, MRI), whose use is widespread in the practices of physicians and other medical personnel. There are also alternative solutions to the innovations offered by SuperSonic Imagine in ultrasound imaging.

Even though the Company believes that other available solutions are less efficient to date than Aixplorer® and Aixplorer MACH®, especially since conventional ultrasound machines do not deliver with the same speed and same type of information as that which is provided by Aixplorer® and Aixplorer MACH®, competing technologies, whether already in existence, under development, or still unknown, could in the near or more distant future gain significant market share and reduce the Group's capacity to successfully market its products.

Group competitors with significant financial means or newcomers on the market could also develop new technologies that are more efficient and/or less expensive than those developed by the Group, thereby reducing the demand for existing Group products or lowering its sale and/or maintenance prices.

Maintaining the competitive position of the Group may also require additional significant investments in product improvement, new product development, distribution networks or in sales and marketing. These competitive pressures could have a material adverse impact on the Group's business, financial position, results, development and prospects in the medium and long term.

The Group competes with very large players.

The ultrasound medical imaging market is characterized by a strong concentration around a few large players with considerable financial means. Five of these (General Electric Healthcare, Philips Healthcare, Canon Medical Systems, Hitachi Aloka Medical and Siemens Healthcare) held a combined 76% of the market in 2017 (Source: IHS Markit Report 2018).

Although the new commercial partnership with the Hologic group, which offers breast and skeletal health products and services, has created new opportunities to reduce its competitive risk, the Group remains subject to competition from diversified groups with offerings that cover all imaging and associated service needs.

The possibility can not be excluded that a competitor with considerable financial means may sharply reduce the price of all or part of its products that compete with the Group's, in particular through economies of scale, to try to limit or curtail the penetration of the Group's products in such markets, and that Group will be unable to match the prices.

ii. RISKS RELATED TO THE GROUP'S BUSINESS

1. RISKS RELATED TO THE GROUP'S COMMERCIAL DEPLOYMENT

The Group's development will partly depend on its ability to step up its commercial deployment in its main existing markets and in new markets.

The Group's development will depend on the pace at which its innovative imaging technology is adopted by health professionals.

The Group's pace of development will depend heavily on its ability to persuade key opinion leaders and more generally, health professionals present on current and future markets. Its target customers are hospital radiology departments, private radiology offices, clinics or private imaging services and cancer centers.

Despite the compelling results of the clinical trials already conducted, the support of several learned societies all over the world, numerous scientific publications relating the benefits of the Group's innovative solutions in comparison with existing technologies, and the satisfaction of current users of its products, health professionals may be reluctant to change their medical ultrasound imaging practices and switch to the Group's technology and Aixplorer® and Aixplorer MACH®, particularly for the following reasons:

- The investment involved in acquiring an Aixplorer® or Aixplorer MACH® system;
- Their lack of experience in the use of Aixplorer® or Aixplorer MACH®; and
- An insufficient amount of favorable clinical data published.

The Group's ability to increase recognition of its brand among health professionals will depend mainly on clinical evidence demonstrating its diagnostic superiority. This will occur in particular through the conduct and results of future clinical studies, which are inherently uncertain. While the conduct of clinical studies is not a regulatory requirement in this case, the Group promotes and coordinates the conduct of such studies by its customers worldwide, as their results support its commercial development.

Moreover, should the Group fail to publish prominent scientific studies on a regular basis, acceptance by opinion leaders and professionals in the relevant medical fields would be delayed. The Group's ability to market its equipment would thereby be affected, which could have a material adverse effect on the Group's business, financial position, results, development and prospects.

User satisfaction will partly depend on the Group's capacity to preserve the quality of the maintenance service it provides for its ultrasound systems. The Group has a dedicated service for the maintenance of its ultrasound systems. The maintenance team is composed of repairers employed by the Company, as well as Company-trained external service providers operating in certain geographical areas.

In the geographical areas in which the Group does not yet have a strong commercial presence, the low number of Aixplorer® and Aixplorer MACH® systems sold by the Group has the automatic effect of limiting the amount of work to be carried out. As a result, maintenance providers may not have the same expertise and practice as those working in areas where the Group has a greater presence.

This situation could have a negative impact on the quality of maintenance service offered by these providers, who are trained by the Company.

In such geographical areas, there is therefore a risk that the Group may be unable to maintain high-quality maintenance services for its installed systems, which could have a material adverse effect on the Group and its business, financial position, results, development and prospects. Nevertheless, the recent partnership with the Hologic group's assistance department creates new opportunities to reduce these risks.

The Group may not be able to set up the required sales forces within the appropriate time frame or under the conditions required for its expansion. The Group's commercial deployment is reliant on direct and/or indirect sales forces, depending on the geographical region.

The Group cannot guarantee that it will be able to hire, train, and retain:

- A skilled direct sales force within a time frame and under financial conditions compatible with its expansion in the countries in which it sells its products directly, in particular in France;
- The employees needed to hire and manage distributors in countries that are covered by an indirect sales force.

Moreover, in geographical regions where it relies on, or intends to rely on, distributors, the Group cannot guarantee that it will be able to keep its existing distributors and enter into new distribution agreements, or that the available distributors will have the required ultrasound imagery skills and dedicate the resources required for the successful marketing of its products. In general, such distributors are medical equipment and devices distributors who have numerous products to promote and market, thereby leaving a limited amount of time for each product. In order to limit this risk, part of the direct sales force is tasked with providing support to Group distributors in order to help them conduct commercial actions such as participation in trade shows and demonstration workshops in healthcare institutions. Nevertheless, the commitment to worldwide commercial cooperation with the Hologic group should reduce these sales and distribution risks, in particular in the United States.

At the end of December 2018, the indirect sales network included 71 distributors (including 16 in China).

The Group may experience difficulties with recruiting new distributors, renewing or terminating contracts with some of them, or be faced with solvency problems of these distributors.

The use of territorial exclusivity clauses in some of the distribution agreements could be challenged by French and European legislation. Thus, under certain circumstances, those clauses could be considered illegal, in particular if they are perceived as abusive product price-fixing by the Company or as an obstacle to free competition. The exclusive distribution agreements contracted with independent distributors for sales carried out in the European Union could then be null and void and/or give rise to financial penalties against the Group if some of their clauses were found to be unlawful.

The occurrence of one or more of these risks could have a material adverse effect on the Group's business, financial position, results, development and prospects in the medium and long term.

The Group's development will depend on its capacity to expand its range of products to increase its commercial reach.

The Group intends to continue its research and development efforts in order to improve its existing products and develop new products to expand its commercial reach.

The Group's ability to find new applications for existing products, introduce new products, and expand its markets geographically will depend on obtaining approvals as may be necessary.

The pace of development of the Group may be affected by the general context of cuts in public spending.

The general economic situation involving cuts in public spending could affect the Group's growth pace, as it may give rise to:

- A reduction in or postponements of orders from public-sector customers, even where the Company was selected following a call for tenders;
- Extended payment deadlines for these clients; and/or
- A reduction in reimbursements for all or part of the costs of the medical services performed with the Company's products, thereby limiting its technology's market penetration.

The international geopolitical context may also have a negative impact on sales.

This could also result in a market preference for low-end or mid-range products (because they are less expensive) while the Group is positioned on the premium and high-end markets.

The occurrence of one or more of those situations could affect the pace of the Group's growth.

2. INTELLECTUAL PROPERTY RISKS

The Group relies to a large extent on the exclusive nature of its intellectual property and know-how to maintain its competitive edge in key areas and to license some of its innovations to promote their adoption on a wider scale by the medical profession. However, the Group may be unable to maintain or obtain appropriate protection and thereby preserve its technological and competitive edge.

For the success of its business, it is important for the Company to be able to obtain patents, maintain them and ensure their protection. This also applies to all other intellectual property rights in the countries where the Company operates, notably in Europe, the United States, China, South Korea and Japan.

To protect its products and technology, the Group relies on the protection afforded by intellectual property rights, such as patents and trademarks, as well as on exclusive licensing agreements, confidentiality agreements, or other contracts for its technological secrets and know-how. However, these methods provide only limited protection and may fail to prevent the unlawful use of the Group's products or technology by third parties or partners.

The innovative technology on which the Group's business is based is mainly protected by:

- Several patents and patent applications covering the hardware and software aspects of its existing products, as well as a certain number of other technologies or processes under development; and
- The Group's know-how, which covers in particular the product architecture, which is entirely software-based, as well as manufacturing methods and the choice of some critical components.

The Company may encounter difficulties in getting its pending patent applications approved. Moreover, the issuance of a patent does not guarantee its validity or enforceability, each of which may be contested by third parties. Furthermore, while the Company generally has patents registered or pending in the countries in which it operates (notably the United States, the main European countries, and some countries in Asia), it has not yet applied for patents in all of those countries. In addition, there are still some countries that do not protect intellectual property rights in the same way as in Europe or the United States, and effective procedures and rules necessary to ensure the rights of the Company may not exist in those countries.

The Company cannot guarantee that:

- It will succeed in developing other patentable inventions;
- It was the first to come up with a particular invention and apply for a patent, given the fact that, in most countries, patent applications are published 18 months after the filing of the applications and any patent previously filed in any other country could be used against the Company;
- The Group's pending patent applications will result in the issuance of patents and consequently the protection of the targeted inventions in all the countries in which those patent applications were filed;
- Third parties will not claim property rights on patents or other intellectual property rights fully or jointly held by the Company, or for which it holds a license;
- Company employees will not claim rights or demand additional compensation or a fair price in consideration of inventions that they participated in creating;
- The patents granted to the Group will not be contested, invalidated or circumvented;
- The extent of the protection afforded by the patents is sufficient to protect the Company against competition and third-party patents on similar products or devices;
- Legal actions or referrals to the competent offices and/or bodies will not be necessary to ensure the protection of the Company's intellectual property rights, protect its trade secrets or determine the validity and scope of its intellectual property rights; and
- The Group's technology does not infringe on patents or other intellectual property rights belonging to third parties.

The Group's competitors might thus successfully contest the validity of its patents before a court or through other procedures. Depending on their results, such claims could reduce the scope of the patents, invalidate them or enable competitors to circumvent them. Consequently, the Group's rights under those patents may fail to afford the expected protection against competition.

Similarly, the Group's competitors may also deny that certain components of the Group's products are open access, thus requiring the Company to modify its engineering or license patents from third parties.

In addition, third parties (or even employees of the Company) may use or attempt to use the elements of the Company's technology protected by intellectual property rights, which would create a harmful situation for the Company. The Company may therefore be forced to initiate judicial or administrative proceedings against third parties to enforce its legal rights, including intellectual property rights (patents, trademarks, designs, or domain names). Some competitors that have more funds than the Company may be better able to bear the costs of litigation.

In addition, the Group's trademarks are major components of its identity and products. Despite the registration of the "SuperSonic Imagine" trademark (especially in France, Europe, the United States and China), the “Aixplorer MultiWave™®” trademark (especially in France, Europe, the United States and Japan), “Aixplorer®” (in France and the United States) and “Aixplorer MACH®” (in France, Europe, China and the United States), third parties may use or attempt to use these trademarks or other Group trademarks, thereby causing prejudice to the Group’s business and image.

The occurrence of one or more of those risks could have a material adverse effect on the Group’s business, financial position, results, development and prospects in the medium and long term.

The Group shares certain parts of its know-how and develops jointly held rights within the scope of collaboration agreements with third parties.

The Company also cannot guarantee that its Aixplorer® and Aixplorer MACH® products and its technology, which are closely linked to its know-how and technological secrets, are adequately protected against competitors and will not be wrongfully used or circumvented, in particular in connection with collaboration and research and development agreements. Indeed, in the collaboration and research and development agreements entered into by the Group, the latter must often provide its contractual partners, in various forms, with certain parts of its know-how, which may or may not be protected by patents, notably information and data concerning product research, development, manufacturing and marketing.

The Group strives to limit the communication of key parts of its know-how to third parties to the strict minimum required for the collaboration they have with them and contractually ensures that such third parties undertake not to use, misappropriate or communicate this information, through the use of confidentiality clauses. However, the Group cannot guarantee that such third parties will comply with those agreements, that the Group will be informed of any violation of these clauses, or that any compensation it may obtain would be sufficient in view of the harm suffered.

Also, such collaboration and research and development agreements expose the Group to the risk of seeing its co-contracting parties claim the benefit of the intellectual property rights on Group inventions, knowledge or results.

Moreover, such agreements could give rise to jointly held intellectual property rights or the granting of exclusive operating licenses under conditions that are unfavorable to the Group.

Other licensing agreements.

The Company has entered into licensing agreements with industrial and academic players in the field.

As long as the Group uses licensed technologies, it will be dependent on such technologies granted to it. Any violation of the licensing conditions by the Group could result in the loss of the right to use the technology in question. This could have a material adverse effect on the Group, its business, its financial position, its results, its development and its prospects.

It cannot be ruled out that legal action may be taken against the Group for patent infringement.

For the success of its business, it is important for the Group to be able to have unencumbered use of its products and technology with respect to third-party patents or intellectual property rights.

The Group’s protection of its intellectual property rights represents a significant cost, notably for the registration and upkeep of its patents and the management of its other intellectual property rights. Such costs could increase, especially if legal actions were to be introduced by the Group in order to enforce its own patents. Moreover, if legal action proved necessary to assert the Group’s intellectual property rights, protect its technological secrets or know-how or determine the validity and extent of its intellectual property rights, such action could have a material adverse effect on the Group’s results and financial position, possibly without securing the desired protection.

Similarly, monitoring the unauthorized use of the Company’s distinctive products and marks is difficult. While the Group has set up a monitoring system for that purpose, it cannot be certain that it will be able to avoid misappropriation or unauthorized use of its products, especially in foreign countries where its rights would be less well protected or where the Company uses distributors to market its products.

While the Company commissions its intellectual property consultants to carry out periodic studies on its free access, it cannot guarantee that there are no existing third-party patents or other intellectual property rights that may cover some of the Group's activities, products or technologies, thus enabling such third parties to take legal action against the Group for patent infringement or on similar grounds, to obtain damages or cessation of the unlawful use of the product or process at stake.

If such actions were successful, in whole or in part, the Group would be required to purchase a license or stop or delay the research, development, manufacturing or sale of the products or processes targeted by these actions, thereby significantly affecting its business activities.

In particular, in addition to the payment of financial compensation, the Group may be required to:

- Stop manufacturing, selling or using the products or technology in question, in a given geographical region, thereby reducing its revenues;
- Obtain a third-party intellectual property license under unfavorable conditions for the Group; and/or
- Find alternative solutions which do not infringe the intellectual property rights of third parties, something which may, in certain cases, prove impossible or costly in terms of time and financial resources, and could thus hinder its marketing efforts.

Proceedings instituted against the Group, irrespective of their outcome, could also give rise to substantial expenses, disrupt its operations, and jeopardize all or part of its activities, its image and its reputation.

As of December 31, 2019, no opposition had been filed against any Group patents.

3. RISKS RELATED TO THE MANUFACTURING PROCESS OF THE GROUP'S PRODUCTS

The Group depends on subcontractors for the supply of part of the components of the Aixplorer® and Aixplorer MACH® systems.

The Aixplorer® and Aixplorer MACH® systems include components and raw materials of various types, including mechanical, electronic and acoustic components.

In order to safeguard its manufacturing process, the Group established a strategic partnership with one of the major circuit board manufacturers in the field of sonography (Plexus), which has a significant supply of electronic components. This subcontractor is also responsible for the final assembly of the Aixplorer systems for SuperSonic Imagine, i.e. it brings together all the system components: the circuit boards it manufactures, user interface, mechanics, and screen. This subcontractor also works for competitors of the Company, producing all or part of some of their products. In medical sonography, all manufacturers concentrate the manufacturing of each of their products taken individually with a single subcontractor, specifically because of the low number of products manufactured. Their subcontractor diversification works at product range level and each product within the range can be manufactured by different entities.

The risk posed by this subcontractor is low for two reasons:

- If a Plexus facility were no longer able to produce, the Company could select another of the same subcontractor's facilities, such as its Scotland plant, which the Company has used in the past; and
- Furthermore, if the Group had to change manufacturers, the Company could purchase from the competitors of its current subcontractors. The transition would take a few months, during which time Plexus would be required to continue deliveries to SuperSonic Imagine in accordance with a supply plan, a commitment that would be in place for a period of nine months.

In addition, the Group is careful to use multiple sources for its main components: in particular its ultrasound probes (twin sourcing with Vermon in France and Humanscan in South Korea) and also has a 12-month sourcing commitment in the event of the cessation of activities or termination of the subcontracting agreement.

With respect to mechanical components, the Group believes that it has a low risk of dependence because there are multiple subcontractors in this market in Asia.

Certain components that the Company deems critical, such as power supplies and control panels (user interfaces) are single-source components, largely because of the joint development work between the Company and the supplier to ensure that these components are customized specifically for Aixplorer® and Aixplorer MACH®. As the required skills to make these components are standard, it is possible to find alternative suppliers on the market, with a development and training period that should be compatible with termination notice periods (which are generally 12 months long). The risk is therefore low.

The Group depends on third parties for the manufacturing and assembly of its products.

The Group depends on third parties for the manufacturing of all of its products. Thus, its commercial success partly rests on its ability to ensure that its subcontractors manufacture its products in compliance with regulatory provisions, in the required quantities, within the requested time periods, and in a cost-effective way. Problems could arise during their manufacturing or distribution and give rise to supply delays, with possible consequences such as a cost increase, a drop in sales, the deterioration of relations with customers and, in certain cases, a product recall that is damaging to the Group's image and risks in terms of the Group's liability, if the problems were only discovered after the sale.

Moreover, the manufacturing of the Group's products is particularly complex and demanding, notably because of applicable regulations and the specifications imposed by the Group. All of the processes used for the manufacturing of the Group's equipment and consumables have been patented by the Group, and are therefore covered by the certificates obtained by the Group for CE mark and Food and Drug Administration (FDA) approval.

Should the Group change critical suppliers or subcontractors for its equipment and consumables, it would need to re-validate the manufacturing process and procedures in accordance with applicable standards and norms. In this case, additional tests and verifications, or even regulatory certification procedures, may be necessary. This procedure could be costly, time-consuming and require the attention of the Group's most qualified personnel. Should these new authorizations be refused, the Group may be required to seek another supplier or subcontractor, which could delay the production, development and marketing of its products and increase their manufacturing costs.

The Group also outsources the assembly of its products to the global market leader in medical device assembly. This supplier, which holds the FDA GMP (Good Manufacturing Practice) label, is an important player in the sector and counts two large key multinational companies from the imaging sector among its customers.

The occurrence of one or more of the risks described above could have a material adverse effect on the Group's business, financial position, results, development and prospects.

Should the Group's relationship with one of its suppliers or subcontractors be terminated for any reason, the Group might be unable to find a subcontractor with the same skills within the required time frame or on satisfactory commercial terms.

Moreover, this dependence on third-party manufacturers poses additional risks to which the Group would not be exposed if it produced its products itself, i.e.:

- Non-compliance of the products manufactured by such third parties with regulatory requirements and quality standards;
- Violation by such third parties of their agreements with the Group; or
- Termination or non-renewal of the agreements for reasons beyond the Group's control.

Furthermore, the Company cannot guarantee that its subcontractors and suppliers will always comply with applicable regulations, authorizations and standards. Should the products manufactured by the suppliers or the quality systems implemented by them prove non-compliant with applicable regulations or standards, penalties could be imposed on the Group. Such penalties could include fines, injunctions, the payment of damages, the suspension or withdrawal of the authorizations or certificates obtained, license withdrawals, product seizure or recall, restrictions of operation or use, and criminal proceedings. All such measures may have a material adverse effect on the Group's activities.

To minimize the risks linked to subcontracting, in addition to the stringent selection criteria it has set up, the Group guarantees the quality of the products delivered by having its production teams make the final adjustments to its products prior to their dispatch to customers.

Should commercial deployment intensify, it is possible that the Group would increase its level of subcontracting, entailing similar risks.

The occurrence of one or more of these risks could have a material adverse effect on the Group's business, financial position, results, development and prospects in the medium and long term.

4. RISKS RELATED TO THE CORONAVIRUS (COVID-19) EPIDEMIC

With respect to the Coronavirus (Covid-19) epidemic that began in early 2020, it is possible that the Company may encounter difficulties in obtaining the products that it distributes.

The Company's existing extra inventory in its supply chain can absorb disturbances for a few weeks, but the Company cannot exclude the possibility of breaks in the supply chain if the measures restricting movements of people and goods remain in place or are extended worldwide beyond a few weeks. A systematic analysis of supply-chain link risks is underway. In the event that a significant break in the supply chain should occur, the Company might be able to assert the *force majeure* provisions in its agreements to limit litigation resulting from late deliveries to its customers. Depending on the supply delays that may occur, and once the situation stabilizes, the Company and its partners would have the capacity to institute a production catch-up program, if necessary, in order to cure the delays in delivering orders. The catch-up program could, however, result in additional unforeseen operating costs (such as overtime hours and express transport).

In that context, since the beginning of 2020, the Group has recorded a decrease in activity in France and in China. With respect to our capacity to deliver, as of the date hereof the logistics flows remain active, although transit times may be a few days longer. In the short term, the Company does not have significant exposure, since invoicing occurs at the time of shipment (Ex Works).

As this epidemic is affecting more and more countries throughout the world, the Group's companies could see their revenue, their profitability, and their cash position affected.

The SuperSonic Group's cash position (which was strengthened by the revolving loan entered into between Hologic Hub Ltd. and the Company, for a total maximum amount of €65 million) should enable the Group to manage the uncertainties relating to the current epidemic.

However, the Group can give no assurance that it will not be seriously affected, in particular due to confinement measures, whether already decided or to come, in France or in the other countries where the Group does business (in particular the United States).

5. Risks related to the Group's customers

The installed base of over 2,700 systems sold as of December 31, 2019 were marketed to a portfolio of customers composed of both healthcare institutions (hospitals and clinics) and medical imaging centers, and of independent practitioners, research centers and distributors.

As healthcare institutions and medical imaging centers generally function on budget lines, the Group has very rarely been confronted with insolvency problems. The same is true for independent practitioners.

As for distributors, during the selection process, the Group verifies the soundness of their financial position and ensures that they comply with local regulations governing the distribution of medical devices. To date, the largest of them is one of the Chinese distributors. However, the Group cannot exclude the possibility that one or more of its distributors could default in their payment obligations to the Group.

The average terms of payment granted to the Group's customers vary according to each country's practices. In certain cases, down payments are required with the order, and installments are payable at various stages of the sale (shipping, delivery, installation, final acceptance).

The Group's practices vary depending on the country risk analysis. When the analysis reveals a high-risk level, the order must be paid in full upon shipping or documentary credit is required.

For these reasons, the Group believes that it is not significantly dependent on any one customer.

Lastly, most of the distribution agreements allow the Company the option of unilaterally terminating the agreement in the event of a change in control of the distributor.

In that context, since the beginning of 2020, the Group has seen a decrease in its activity in France and in China. With respect to its capacity to deliver, as of the date hereof, logistics flows remain ongoing, although transit times may be increased by several days. In the short term, the Company does not have significant exposure, since invoicing occurs at the time of shipment (Ex Works).

6. Risks related to product liability claims

In addition to legal warranties, the Group could be exposed to claims (in particular product liability claims) relating to the clinical practice or commercial operation of its products. Criminal charges or legal proceedings could be filed against the Group by users (patients, practitioners, researchers, and other health or research professionals), regulatory authorities, distributors, or any other third parties using or marketing its products.

To date, no such claims or legal actions have been filed against the Group, which holds liability insurance policies for defective products providing for the following coverage limits:

- Before delivery (operational liability): eight million euros per claim, per year of insurance; and
- After delivery (product liability): seven million euros per claim, per year of insurance (including the United States and/or Canada).

The Company cannot guarantee that its current insurance will be sufficient to cover any liability claims that may be filed against it. Should the Company be found liable and be unable to obtain and maintain appropriate insurance coverage at an acceptable cost, or to protect itself in any way against liability claims for defective products, there could be serious damage to its image, product marketing, and, more generally, its business, results of operations, financial condition, development, and prospects.

7. Risks related to the product warranty on products sold by the Group

In parallel with the setup and upkeep of a Quality Management System (QMS) certified compliant with international norm ISO 13485: 2016, aimed at ensuring that its products comply with strict quality criteria, the Group gives its customers a warranty of at least one year following the commissioning of Aixplorer® and Aixplorer MACH® units sold. This warranty may be extended to a maximum of five years, depending on the customers' needs, with the exception of ultrasound transducers. This warranty covers defects of component materials and the compliance of the delivered products with the technical specifications and description.

Although the Company believes that the risks of implementing this contractual guarantee are reasonably provisioned (see Notes 3.17 and 22 in the notes to the consolidated financial statements prepared under IFRS in Section 4 (Consolidated Financial Statements and Notes) of this document), it cannot guarantee that these provisions are sufficient to meet the implementation of the contractual guarantee by all its customers. Should the Company be found liable, and be unable to obtain and maintain appropriate provisions, or protect itself in any way against such contractual warranty claims, the marketing of the products would be adversely affected. In a broader way, this would have a material adverse effect on the Group's activities, results, financial position, development and prospects.

Likewise, once the equipment sold by the Group is no longer covered by the warranty, the Group offers a choice of several maintenance contracts that cover all or some of the spare parts and labor. While the price of these contracts has been set so as to ensure a satisfactory operating margin for the Group, the occurrence of frequent hardware failures or the defectiveness of a critical component across a significant portion of the installed base may have a material adverse effect on the Group's activities, results, financial position, development and prospects.

8. Risks of dependence on key people

The Group could lose key personnel and be unable to attract other qualified persons.

The Group's success largely depends on the commitment and expertise of its managers in general, its sales teams and its qualified R&D scientific personnel.

The departure of one or more of these persons or other key employees of the Group could give rise to:

- Losses of know-how and the weakening of certain activities, especially if such persons were to join competitors; or
- Deficiencies in terms of technical skills, which may slow down activities and, in the longer term, alter the Group's capacity to reach its objectives.

To address this risk, the Group has set up dedicated contractual provisions adapted to its business and which comply with labor law requirements: non-compete and non-solicitation clauses, as well as transfer of intellectual property and confidentiality clauses. It has also set up personnel incentive and loyalty-building measures in the form of performance-related pay and the granting of securities giving access to the share capital of the Company (warrants, founders' warrants (*bons de souscription de parts de créateur d'entreprise*), stock options and free shares).

Moreover, the Group will need to recruit new managers, sales representatives and qualified scientific personnel for the development of its activities. It is in competition with other companies, research institutes and academic institutions, notably to recruit and gain the loyalty of highly qualified scientific, technical and management personnel. Since competition is very intense, the Group may be unable to attract or retain such key people under economically acceptable conditions.

The Group's inability to attract and retain such key people could prevent it from reaching its objectives generally and thus have a material adverse effect on its business, results, financial position, development and prospects.

9. FINANCIAL RISKS

All figures below are taken from the Group's consolidated financial statements prepared in accordance with IFRS. For more information, please see Section 4 (Consolidated Financial Statements and Notes) of this document.

Liquidity, Interest rate, and credit risks

The Group's liquidity risk refers to the risk that the Group's financial resources might be insufficient to enable the Group to meet its financial obligations as they come due and pursuant to their usual terms.

The Group's indebtedness is described in Section 1.1.1.3 and Note 18 of Section 4 (Consolidated Financial Statements and Notes) of this document.

On August 14, 2019, to enable the Company to finance its working capital requirement and to repay its debt, the Company and Hologic Hub Ltd. entered into a revolving loan agreement (amended on November 22, 2019, February 12, 2020, and March 17, 2020) for a maximum amount of €65 million and a maturity date of August 12, 2024.

Cash flow forecasting is performed by the Finance department. On the basis of regularly updated projections, Group management monitors the Group's liquidity requirements to ensure it has sufficient cash available to meet operational needs.

Such forecasting takes into consideration the Group's financing plans. The Group's surplus cash is invested in interest-bearing current accounts, time deposits and money market deposits through the choice of instruments with appropriate maturities or sufficient liquidity to provide sufficient flexibility as determined by the above-mentioned forecasts.

As of December 31, 2019, and as of the date hereof, the Company's principal indebtedness to Hologic Hub Ltd. bears interest at a fixed rate.

The Company believes that any change of +/-1% in interest rates would have a non-significant impact on net income in relation to the losses generated by its operating activities.

Credit risk is managed on a Group-wide basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as exposures to customer credit risks, including outstanding receivables and committed transactions.

Credit risk linked to cash, cash equivalents and current financial instruments is not significant given the quality of the co-contracting financial institutions.

Customer credit risk is monitored by management on an individual basis and gives rise, for a portion of export receivables, to the purchase of suitable insurance coverage.

Risks related to the Research Tax Credit

To help finance its activities, the Group has opted to receive a research tax credit (*crédit d'impôt recherche* or RTC). The research expenses eligible for the research tax credit notably include wages and emoluments, the depreciation of research equipment, the cost of services outsourced to approved research bodies (public or private) and intellectual property costs.

The tax authorities may modify the calculation of R&D expenses used by the Company or the research tax credit may be jeopardized by a change in regulations or may be contested by the tax services even though the Company complies with the requirements in terms of documentation and eligibility of the expenses. If such a situation were to occur, it could have an unfavorable effect on the Group's business, results, financial position, development and prospects.

In 2010 and 2014, the Company's taxes for 2007-2008 and 2011-2012 were audited, but no adjustments were made with respect to the RTC.

In addition, the tax authorities reviewed the technical and financial basis for the R&D work declared for the research tax credits for 2013 and 2014. Following this, they were paid to the Company. In 2016, the tax authorities also reviewed the financial documentation underpinning the research tax credit for 2015, resulting in its payment in December 2016.

Payments of the 2016, 2017, and 2018 RTC were made in October 2017, November 2018, and July 2019, respectively.

As of December 31, 2019, the receivable relating to the research tax credit for 2019, for which the Company will request reimbursement, amounts to €2.2 million. Since the Company lost its status as a European Union SME when Hologic acquired majority control of it in 2019, the 2019 RTC will not be payable for another three years.

Risks related to the use of public grants and advances

Since its inception, the Group has received a total of €2.623 million in repayable grants and €7.407 million in subsidies, bonuses and similar payments. Should the Company fail to comply with the terms and conditions of the agreements signed for repayable advances, it could be obliged to repay the amounts advanced earlier than scheduled. Such a situation could deprive the Group of certain financial resources required to complete its research and development projects.

In the event that advances were granted and booked to prepaid income, if the Company does not spend the amounts required to maintain such grants, it may be required to repay them.

Please refer to Note 18.1 of Section 4 of this document, in which the repayable advances and grants obtained by the Company are described.

Foreign exchange risk

As the Group carries out its business internationally, it is exposed to foreign exchange risks stemming from its operations in currencies other than the euro, which is the Company's functional currency and the currency in which it presents its financial statements.

The operating results and assets of the foreign entities (US, Chinese and British), as well as the Group's liquidities, are exposed to foreign exchange fluctuations, mainly to the EUR/USD exchange rate.

All of the Group's sales are denominated in EUR excluding sales in China and the United States, made in dollars.

10. Dilution Risk

The Company may, in the future, decide to issue new shares or grant free shares or new financial instruments giving access to the Company's share capital, in particular in connection with its incentive policy for executives and employees.

Any additional grant or issuance would give rise to additional dilution to the Company's shareholders.

11. Legal risks

The Company manages in-house the legal aspects of its business, as well as its compliance with regulatory requirements (market authorizations, insurance, intellectual property, registration of trademarks and domain names, etc.). In that regard, the Company may use intermediaries, service providers or specialized advisors to supplement its expertise, or outsource certain tasks to them, especially with regard to intellectual property. The Company thus calls on local consultants, distributors and regulatory representatives for the submission of certification applications to certain local regulatory authorities. It also uses intellectual property specialists to assist in the completion and filing of applications, as well as insurance brokers. Since the acquisition by the Hologic group, the Company has had access to the Hologic group's legal experts.

12. Risks related to the regulations applicable to the Group's medical devices and potential changes to those regulations

The Group's products must comply with stringent, constantly changing regulations that govern their sale. These regulatory constraints have a strong impact on all the Group's activities (namely, the development, testing, manufacture, and sale of its products).

Complying with this regulatory process may prove long and costly, without any guarantee that approvals will be granted, that they will be granted within a reasonable period time, or that the Company will be able to maintain them. If the certification or market approval for the Group's products were to be refused, suspended or withdrawn, sales could be delayed or prohibited in the relevant countries.

While the Group takes into consideration, within the scope of its business, potential changes in the legal requirements, standards and regulations that affect its business in the countries in which the Group markets or intends to market its products, new regulatory constraints could prevent the Group from selling its products in the event of a withdrawal, suspension or non-renewal of a market approval, or could slow the process, notably by making production or development more complex and more costly.

Such situations, if they were to take place, could have a material adverse effect on the Group, its business, its financial position, its results, its development or its prospects.

13. RISKS RELATED TO AUTHORIZATIONS ALREADY OBTAINED OR PROCEDURES UNDERWAY

Risks related to the regulatory environment in Europe – CE mark

The Group's products are classified in Europe as medical devices and are governed, *inter alia*, by the provisions of European Council Directive 93/42/EC of June 14, 1993 on medical devices, which harmonizes the conditions for the marketing and free circulation of the Group's products within the European Economic Area.

The products may only be placed on the market once they have obtained certifications enabling them to display the CE mark, which is valid for five years. The CE mark testifies to the compliance of the medical device with the essential health and safety requirements set by the applicable European Directive and confirms that it has undergone the appropriate compliance assessment procedures.

While the Company's current products have already been granted the CE mark, the products under development will need to undergo the same regulatory procedures and their placement on the market could be delayed if their CE certifications are not obtained within the required time frame.

Such a situation, if it were to take place, could have a material adverse effect on the Group and its business, financial position, results, development and prospects.

However, the assessment method, which rests on the overall quality system chosen by the Group, gives the process enough flexibility to consider this risk as being low.

Moreover, requests for the renewal of certifications relating to the CE mark require the ongoing compliance of the quality management system (ISO), adaptation to regulatory changes, the update of risk management measures and compliance with the essential requirements of applicable European directives.

ISO 13485 certification is valid for three years and the CE mark for five years. The new certification under ISO 13485:2016 was obtained in July 2018, with the CE mark expanded in the second quarter of 2018 to incorporate the Aixplorer MACH® product line. In July 2019, an audit by GMed (a notified body) renewed the Group's CE mark.

If the Group failed to secure the renewal of the CE certification for its existing products within the required time frame, the marketing of its products would be interrupted pending these authorizations.

Such a situation, if it were to take place, could have a material adverse effect on the Group and its business, financial position, results, development and prospects.

Risks related to the regulatory environment in the United States.

The U.S. market is governed by Title 21 of the Code of Federal Regulations (CFR), which regulates the marketing of medical devices by imposing pre- and post-market requirements overseen by the Food and Drug Administration (FDA).

The sale of products such as those manufactured by the Group on the U.S. market is subject to an FDA pre-market notification procedure and to the quality system requirements laid down in 21 CFR820. These products are medical devices that present a moderate potential risk (FDA class II), for which it is possible to demonstrate substantial equivalence with a medical device already approved on the U.S. market. The Company can thus use the so-called "510(k)" procedure to submit an application to the FDA. After approval of the application, the medical device is registered in a database kept up-to-date by the FDA.

The Company has already obtained several FDA approvals for its existing products, which cover the quantitative assessment and viewing of tissue stiffness. Of particular note was the specific authorization granted in January 2018 to sell its products for liver diseases. The Company obtained

Section 510(k) clearance from the FDA for the first version of the Aixplorer MACH® in June 2018, and for the V2 version of Aixplorer MACH® 30 and Aixplorer MACH® 20 in 2019.

The Company was inspected by the FDA in November 2014 as part of routine inspections carried out by that Agency. This inspection focused on the Company's evaluation processes. No major comments were made against the Company in connection with the inspection. A second routine FDA inspection took place in July 2018. No comments, even minor, were made against the Company. There have been no further inspections since 2018.

If the FDA approvals for the Group's existing products were to be challenged, or if clearance applications for the Group's new products were to be rejected by the FDA, the Company would be unable to sell its products on the U.S. market or would have to implement other more lengthy and costly procedures to secure or renew its approvals. Such a situation, if it were to take place, could have a material adverse effect on the Group and its business, financial position, results, development or prospects.

Risks related to the regulatory environment in other countries.

The placement of medical products on the market in other countries requires specific procedures in order to obtain the necessary approvals.

However, there are certification reciprocities and recognitions in certain countries (notably Canada, Singapore and Australia). Such reciprocities and recognitions are important factors taken into account in the Group's decisions to market its products in a new country.

The Group has already obtained market approval for its existing products in certain countries outside the European Union and the United States, including Japan, China, Brazil, Russia and South Korea.

The Group's failure to secure or maintain the required approvals for its products could have a material adverse effect on the Group and its business, financial position, results, development or prospects.

Risks related to malfunctions in manufacturing processes (such as product or other traceability, etc.)

The Company's products are classified as medical devices and, as such, come under specific regulations in all countries where they are made, tested and marketed. These regulations impose obligations, including with respect to:

- Product design;
- Preclinical tests and clinical trials of the products;
- Product manufacturing, quality control and quality assurance;
- Product labeling, including user instructions;
- Product storage;
- Product identification and traceability;
- Data preservation procedures; and
- Post-market surveillance and reporting of incidents linked to the use of the products.

These regulations apply to the Company as the manufacturer of the products.

The principle of full traceability of all product components, as well as the setup and upkeep by the Company of a certified Quality Management System (QMS) complying with international norm ISO 13485: 2016, as well as an optimized production system (Lean Manufacturing), are designed to guarantee product quality and full compliance of all products with applicable regulations.

However, the Company cannot guarantee that its suppliers or subcontractors always comply or will always comply with applicable regulations at all stages. The notified body, during a certification or follow-up audit, or the regulatory authorities, during an inspection or any other regulatory process, could detect breaches to applicable regulations or standards and require that they be remedied through corrective actions liable to interrupt the manufacturing and supply of the Group's products. The suspension, total stoppage or total or partial prohibition of the activities of the Group's suppliers could significantly affect the Group's business, financial position, results, reputation, development or prospects.

14. ENVIRONMENTAL RISKS

The Group's activities come under certain environmental regulations concerning hazardous substances and special waste. Until January 2014, the Group's business was outside the scope of the RoHS Directive (Restriction of the use of certain hazardous substances in electrical and electronic equipment) (2002/95/EC) limiting the use of substances that are hazardous to human health and the environment in electrical and electronic equipment. The RoHS Directive was amended and recast by Directive 2011/65/EU and now includes medical devices in its scope. In contrast, Directive 2011/65/EU contains special provisions for the application of the Directive in time. These provisions are applicable to ultrasound transducers of the type used by the Company. The inclusion of medical devices in the scope of Directive 2011/65/EU did not have any impact on the Group before July 22, 2019 for products sold before July 22, 2014 and starting July 22, 2014 for products sold after that date. In addition, the Group already ensures that its suppliers and subcontractors comply with the provisions of Directive 2011/65/EU insofar as this requirement does not affect the essential safety performance of its products. In that context, the contracts and specifications signed with subcontractors require compliance with the RoHS Directive.

REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) is a European Regulation (EC No. 1907/2006) on the evaluation and authorization of chemical substances, and restrictions applicable to such substances (as such or in mixtures and articles). Its objective is to improve knowledge of the uses and risks of the chemicals made or imported into the European Union and ensure the management of the risks linked to their use. To meet its REACH obligations, the Group verifies that the substances contained in products placed on the market are properly registered if necessary and closely monitors the candidate list of so-called SVHCs (Substances of Very High Concern), which is updated regularly by the European Chemicals Agency (ECHA), along with the list of restrictions on the manufacture, placing on the market and use of certain hazardous substances and mixtures and hazardous items contained in Annex XVII of the REACH regulation and undertakes the necessary actions with suppliers to ensure that products placed on the market do not contain such substances in a concentration higher than the specified level. The Group also tracks the SVHC list included in Annex XIV of the REACH regulation in order to ensure that its products are not under threat of a market ban.

The WEEE Directive on Waste, Electrical and Electronic Equipment (2012/19/EU) requires manufacturers to organize and finance the collection, treatment and recycling of their products at the end of their life cycle. Under this Directive, all waste from the Group's equipment and products is reprocessed by a specialized third-party company.

Compliance with these regulations is costly, and any changes would be likely to cause the Group to incur additional costs. Furthermore, any breach by the Group of these regulations may result in penalties or expose it to liability. Such situations would have an adverse effect on the Group's financial position, results, development and prospects.

15. Adaptation to climate change

Due to its geographic location, the Group's industrial plants are not exposed to the consequences of climate change.

1.1.1.8. Internal control and risk management procedures

i. Work performed to prepare the description of internal control and risk management procedures

The description of internal control and risk management procedures was prepared based on the contributions (interviews and document review) of the main operational managers of the Group, which were coordinated by the financial administration. These procedures may be modified as a result of the 2019 change of control of the Company.

1. Internal control guidelines used by the Group

The Group relies on the AMF's reference framework, as updated in July 2010, and on the report on corporate governance and executive compensation for small and medium-sized enterprises published by the AMF on November 18, 2013.

This model constitutes the guidelines for Group control.

In compliance with the AMF's definition, internal control is a Group mechanism, which is defined and implemented under its responsibility. It seeks to ensure compliance with laws and regulations, the application of the instructions and guidelines set by the senior management, the proper functioning of the Group's internal processes, in particular those contributing to the safeguarding of its assets, and the reliability of its financial information. More generally, it contributes to the control of the Group's activities, the effectiveness of its operations and the efficient use of its resources.

The internal control mechanism must provide for:

- A structure that contains a clear definition of the responsibilities, having adequate resources and skills and relying on information systems, procedures or appropriate operating methods, tools and practices;
- A risk management mechanism designed to identify, analyze and handle the main risks identified with regard to the Group's objectives;
- Control activities that are proportionate to the specific challenges of each process, which are designed to reduce the risks likely to impact achievement of the Group's objectives;
- The internal dissemination of pertinent, reliable information that would allow each person to perform his/her responsibilities; and
- Ongoing monitoring of the internal control mechanism as well as a regular examination of its functioning.

As with any control system, internal control provides reasonable and not absolute assurance that the entity's objectives will be met. Among the limits inherent to it, internal control cannot prevent erroneous or poor decisions from being made, nor can it prevent external events that could create obstacles to the achievement of operational objectives.

2. SCOPE OF THE GROUP'S INTERNAL CONTROL

The Group's internal control mechanism covers the Company and all of the Group's subsidiaries.

3. GENERAL ORGANIZATION OF INTERNAL CONTROL AND RISK MANAGEMENT

- **Control environment**

The Group's control environment is based on a set of mechanisms which rely on both management's commitment and on a culture of internal control at all levels of responsibility. The Group's internal control environment also relies on the Group's key documents and mechanisms, which structure the functioning of critical processes and which are binding on all employees:

- The Group's ethics rules, which include commitments to customers, employees and shareholders, and clarify Management's philosophy and the principles on which its actions are based;
- Rules that are common to all of the Group's companies, enacted by the Board of Directors. In the majority of cases, the Group chooses to centralize powers and contractual relationships within the Company. These rules specify the provisions that apply to the Company and its subsidiaries, including in the following areas:
  - Terms of management compensation;
  - Delegations of purchasing authority;
  - Investments;
  - More generally, the Board of Directors' close monitoring of the Group's day-to-day operations.

HR Policy/Management of jobs and skills

The organization, distribution of roles and responsibilities, and the assessment of abilities are based on a periodically updated job description for each position, annual assessments (including setting objectives for the upcoming year), and the determination of training needs and requests.

Given its size and the geographic location of its activities, the Group has no mobility policy as such, but it promotes internal mobility by giving Group employees priority in applying for new positions within the Group.

Workforce management is included in the budgetary process, and any increase in headcount must be approved in December of the year preceding the year of hiring, when the budget is approved.

In the event of an urgent need, new hires must also be approved in accordance with a specific process, including operational and budgetary plans, as well as the use of a dedicated form covering all information about the new hire (including his/her analytical assignment and position in the organizational chart).

Ethics and rules of professional conduct

The Group's employees must conduct their professional activities in accordance with the following business values:

- Technological innovation;
- Respect for individuals, guarding against any form of discrimination or harassment; and
- Teamwork.

These values are documented in the Group's Charter, which includes a code of conduct and a code on interactions with health professionals, and an IT charter.

These regulations establish the general principles and other rules which apply to employees of a company, and to any person intervening in and/or within the context of the company (i) in terms of discipline and ethics and (ii) in terms of hygiene and safety. The regulations are distributed to all Group employees and are read and approved by them.

Lastly, in order to reaffirm the Group's commitment to the fight against corruption (which is the subject of recent regulations applicable to medical sector companies, including the Sunshine Act and the Anti-Bribery Act), the Audit Committee has also approved an anti-corruption charter which is applied alongside the code of conduct. To that end, the Group also includes a dedicated clause and a questionnaire in all of its contracts with distributors.

- **Risk management procedures**

A description of the main areas of risk that could be faced by the Group appears in Section 1.1.1.7, Risk Factors, of this report.

The Group has established risk management procedures designed to identify, evaluate, rank and manage the major risks to which the Group is exposed. These procedures include the establishment of coverage plans, control points, and follow-up measures, in line with the Group's strategy and objectives.

Implemented by operational staff, led by the Chief Executive Officer, and monitored by the Board of Directors and its Audit Committee, the Group's risk management procedures are a key element of the Group's internal control procedures.

The risk management process is based on creating a risk map and monitoring the corresponding action plans at the Group level.

The Group's risk map was completed in 2014 by the Finance Department and involved the main operational managers. The Finance Department conducted a series of individual interviews with the Group's key management personnel to identify the risks they are exposed to within their area of responsibility. The Finance Department then produced a summary of the main risks, specifying their definition, probability of occurrence, impact (financial, human, legal or reputational) and degree of control. The managers concerned will be tasked with establishing action plans adapted to the principal risks identified. The risk map was revised in 2019 and presented to the Audit Committee.

The risk map will be periodically updated and regularly reviewed by the Audit Committee to ensure that the control actions initiated by senior management are tracked, ensuring that the Group's risks are effectively managed.

- **Control activities**

The Group's control activities have the following objectives:

- To ensure that the activity of the Company and its subsidiaries falls within the framework defined by applicable laws and regulations, the guidelines provided by the Chief Executive Officer and the Board of Directors, and the internal rules and commitments of the Company;
- To prevent and control the risks incurred by the Group (not only accounting and finance risks, but also operational risks), and to protect and preserve its business activities and more generally the Group's assets; and
- To produce reliable accounting, financial, and management information as quickly as possible while complying with applicable standards and regulations.

The architecture of the internal control procedures, for which the Chairman of the Board of Directors is responsible, consists of a set of rules, procedures and tools that cover the Group's major processes and enable it to control operational risks.

Quality management system

The Group is subject to a large number of standards and regulations worldwide, the three most important of which are described below:

- ISO 13485 (applicable in Europe and Canada in particular) and Quality System Regulations 21CFR820 (applicable in the United States) governing quality management relating to medical devices as a whole. The major principles of these standards are the establishment of procedures that ensure the ongoing improvement of processes and customer satisfaction;
- ISO 14971, applicable to activities involving medical devices and concerning the management of design risks; and
- ISO 14001, validating and affirming the Company's environmental approach.

Within this context, the Quality/Regulatory Department is in charge of regulatory oversight specific to the Group's sector of activity, and of compliance of its processes and products with European requirements, U.S. FDA requirements, and the requirements of all other countries in which the Group is authorized to sell its ultrasound systems. The Quality/Regulatory Department identifies and evaluates the risks of noncompliance, assigning a level of criticality defined by the Regulatory Affairs Department based on the model for tracking frequency, severity and detectability. These procedures encompass all stages of a product's life cycle: development, design, production (efficiency of production processes, supplier audit, etc.) and service (updating, repair and maintenance).

Information system security

In order to ensure strong resilience against computer system failures, the Group is equipped with a high-availability infrastructure (if one server fails, another takes over instantaneously). Moreover, the entire server infrastructure is backed up each night, and then periodically outsourced to a major data storage and archiving provider.

The Group also has next-generation firewalls allowing it to secure data and monitor access to them.

Purchasing

In early 2015, the Group established a workflow process to approve supplier invoices through a dedicated software program. Each person involved in the purchase process is assigned a role and a maximum approval authorization.

Invoices may not be paid until they have been approved through the Group's automated software-based procedures. For better visibility, all invoices for which a particular person is responsible are computerized and archived, including the associated EDM (Electronic Data Management). The person responsible for them may view them using advanced search criteria.

Monthly Reporting

Reporting is monthly, focusing on both finance and on the Group's operational data. It presents a very high level of analytical detail showing financial indicators by geographical segment and by operational department and sub-department. Once reporting is complete, actual expenses are compared with budgeted expenses and sent to each budgetary manager.

All of this information gives the Group good control of its costs and expenses based on the metrics that management deems relevant.

Regulatory oversight of equipment sales

The Group is subject to a variety of local regulations relating to the authorization to market the equipment that it sells. In an effort to prevent any regulatory violations that could affect the Group's revenue and competitive position, the Regulatory Affairs Department has established a regularly updated database that centralizes all of the regulations applicable in the various markets where the Group's subsidiaries do business.

- **Information and communication**

The Group uses the following tools in order to collect and disseminate relevant information that enables employees to perform their responsibilities:

- A quarterly general meeting at which the Chief Executive Officer presents the significant events of the period. Department managers regularly present their activities and short- and medium-term challenges, so that each person's technical and human concerns may be shared, along with emerging risks, presentations on compliance and other best practices. Staff representatives also take the floor in order to bring up any issues relating to human resources management or working conditions.
- Multi-year training programs that are regularly enhanced and updated and are open to all employees, on all operating subjects, such as the major innovations of the Aixplorer® (Elastography, ShearWave, etc.) and the key research and development elements underpinning the development of new products, so that each employee understands the production and logistical constraints, as well as the safety and professional risk prevention rules.
- Document database that can be consulted by all employees, allowing them to share key information relating to the quality management system and product design. This database includes, for example, the supplier forms that must be filled out when selecting a new provider, existing written procedures such as the purchasing procedure, or even the price list.
- A Group intranet, allowing all employees quick access to a large amount of practical information, such as professional tools and documents, a presentation of the Company and organizational charts. The aim of the intranet includes promoting information sharing between the various departments and facilitating the integration of new people into the Group.

- **Management of internal control**

Internal control is managed at all levels of the Group. The role of the main players is presented below.

The Board of Directors and Audit Committee

The Board of Directors and Audit Committee ensure that the Group's internal control policy is implemented.

In particular, the tasks of the Group's Audit Committee include monitoring the effectiveness of internal control and risk management systems.

To that end, the Group's Audit Committee regularly reviews the risk portfolio. In addition, the Audit Committee provides its opinion about the organization of the internal control mechanism, takes note of the recommendations for improving internal accounting and financial control, which may be made by the Statutory Auditors, and may consult with any operational manager of the Group to assess the points of control in place within the various processes of the Group.

Senior management

Senior management ensures that the Group's internal control policy is effectively implemented, through:

- Management and follow-up of internal control work performed throughout the Group as a whole, and in particular by monitoring defined action plans. Presentations on internal control may be submitted to the senior management upon request from operational staff or at the initiative of the Finance Department.
- Supervising updates to the risk portfolio.
- In accordance with the internal control procedures, the senior management examines and authorizes major projects concerning:
    - Strategic decisions related to the production process;
    - Creation of partnerships with any new strategic supplier;
    - Negotiation of contracts related to the Company's intellectual property; and
    - Creation of subsidiaries.

Functional and operational departments of the Group

In compliance with the Group's internal control policy, internal control falls under the direct responsibility of each of the Group's functional and operational departments. Given its current size, control of the various actions for improving internal control based on the risk portfolio, is led by the Finance Department and overseen by senior management.

ii. INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

- **Key processes impacting the reliability of the Group's financial information**

The main points of internal control established in the processes that have a direct impact on the production of financial information are as follows:

Production of quarterly reports

Quarterly reports are distributed to all members of the Audit Committee and Board of Directors, who then review them and ask questions. These reports primarily include:

- A sales breakdown for the period elapsed, by geographic segment;
- The balance sheet, income statement and cash flow statement from the consolidated financial statements, as well as the income statements presented by geographic segment and by department, which are presented in comparison to the budget for the current year; and
- Detailed comments on:
    - Significant events during the period;
    - All items presenting discrepancies deemed significant;
    - Changes in the workforce; and
    - Changes in trade receivables, inventory and working capital requirement.

On a quarterly basis at a minimum, the income statement from each department or sub-department is sent to the relevant supervisor, presenting the income and expenses for the year, in comparison with the budget that was established for the same period.

Management of disbursements

The Group has established a paperless invoice management system, with four levels of employees authorized to approve invoices for payment. Each level of approval has a maximum amount, beyond which it is necessary to get the approval of a person from a higher level.

Management of cash inflows and customer risk

The entire cash inflow and customer risk process is covered through close and ongoing interactions between the sales administration and the finance team. The export customer risk is primarily handled through COFACE hedges or letters of credit.

When new customers or distributors are incorporated, the Company may be forced to conduct a credit analysis in order to grant payment conditions that are in line with the financial positions of these customers or distributors.

Lastly, the Finance Department conducts a weekly review of trade receivables in order to track down third parties in arrears by phone or by e-mail.

Key points of the internal control system for production of the financial information published

Internal control related to the production of financial information is organized around five cornerstones:

- Budgetary process;
- Production of financial information for each of the Group's companies;
- Production of consolidated information;
- Production of monthly reports; and
- Statutory Auditors.

Budgetary process

The Group's budget is established for one year and is determined by department, sub-department, and geographic segment, for each month of the year.

The budget consists of an income statement, balance sheet, cash flow statement, payroll, forecasts of supplier orders, as well as an investment plan.

The budgetary process is assigned to the Chief Financial Officer and consists of the following steps:

- In September, the schedule for the budgetary process is presented to the Board of Directors, and then sent to all of the Group's budgetary managers;
- In October, each budgetary manager sends his/her proposal to the Chief Financial Officer to be reviewed and consolidated;
- In November, the consolidated budget is reviewed by senior management, which entails preparing several drafts with the budgetary managers, until the final version is approved;
- The Chief Financial Officer presents his/her draft budget to the Budgetary Committee, which is composed of all members of the senior management and two members of the Board of Directors;
- In December, the budget is presented to the Board of Directors for approval.

Production of financial information for each of the Group's companies

All of the Group's accounting and financial information is produced by a team of seven people, under the responsibility of the Chief Financial Officer.

The Group has a centralized and internalized shared services center based in Aix-en-Provence, which handles all of the Group's accounting and administrative operations (for the Company, its subsidiaries, and the Chinese representation office). Only the German subsidiary produces its accounting information with the assistance of a local public accountant. At the end of 2019, the U.S. subsidiary was merged into Hologic Inc. (the Company's indirect shareholder). The Group continues to process all accounting and administrative operations for SuperSonic Imagine Inc., which was transferred to Hologic Inc.

For payroll, taxes and other issues specific to the countries in which the Group is established, the central accounting team works in close connection with as many local offices as there are subsidiaries outside of France (in the United States (until the end of December 2019), the UK, Italy, and Hong Kong and Shanghai, for China). As a result of the merger between SuperSonic Imagine Inc. and Hologic Inc., SuperSonic Imagine's eight U.S. employees were transferred to Hologic Inc., and their payroll is now fully managed by Hologic Inc.

Lastly, payroll for the French parent company is outsourced to a specialized firm.

The annual financial statements for the French parent company are reviewed and presented by a public accountant.

The accounting for all of the Group's subsidiaries is completed using a single accounting software program.

Year-end operations follow a list of instructions that is determined and updated monthly according to the activity for the period that has elapsed. This list assigns each task to a member of the accounting team, while planning a back-up solution ("cross-training") for the critical phases of this process.

Production of consolidated information

Consolidation is likewise carried out internally, under the authority of the consolidation manager, applying IFRS and using dedicated accounting software.

In an effort to optimize the time frames for producing financial information, as well as the reliability of the chain of production of this information, the accounting data for the Group's companies is directly imported into the consolidation software. The latter also integrates the budgetary data and automatic data extraction tools.

Each month, an analysis of the events of the period is performed in order to present a correct interpretation in the consolidated financial statements, in compliance with IFRS. In the event of a complex problem, these interpretations are discussed and approved upstream with the Group's Statutory Auditors.

Production of quarterly reports

The quarterly reports are produced in cooperation with the Company's various managers (such as the Human Resources Manager, the Supply Chain Manager, and any other person depending on the situation during the period) and are centralized by the Consolidation Manager.

Before being distributed to the Audit Committee and the Board of Directors, the quarterly report is reviewed by senior management.

Statutory Auditors

In compliance with regulations, the financial statements are certified by the Board of Auditors.

Moreover, the duties of the Statutory Auditors include conducting a review of internal accounting and financial controls and making any useful recommendations for improving effectiveness.

1.1.1.9. INSURANCE AND RISK COVERAGE

The Group has set up a policy to cover its main insurable risks for amounts it deems compatible with the nature of its activities.

The amount of expenses paid by the Group for all insurance policies was €150,000 in 2019, which was stable as compared with 2018.

The Group's main policies are as follows, all covering the period from January 1 to December 31, and are automatically renewable:

Risks covered	Coverage limits
Liability of corporate officers:	
Complete coverage	€10 million
Civil liability	
Operating liability	€8 million
Product liability	€7 million
Key-person	€450,000 per event (€150,000 per person)
Aix-en-Provence offices and inventory (2,110 m2):	**€2,520,064.46**
Technical risks	
All IT risks	€245,775
Transported goods	
Maritime shipping purchases	€660,000
Maritime shipping sales	€660,000
Air shipping purchases	€50,000
Air shipping sales	€160,000
Land shipping purchases	€50,000
Land shipping sales	€160,000
Additional expenses for express delivery	€150,000
Exhibitions	€140,000

Following the change of control of the Company, in 2020 there will be a gradual transfer to the various Hologic Inc. policies covering this risks.

1.2. SUPERSONIC IMAGINE - THE GROUP'S PARENT COMPANY

1.2.1. Business

For more information, see Section 1.1.1.2 of this report.

1.2.2. Results of Operations

The Board of Directors proposes to record the entire €18,046,485.85 loss for the fiscal year ended December 31, 2019, to retained earnings, bringing retained earnings from zero to €(18,046,485.85).

The loss for the year would decrease the Company's shareholders' equity to below one-half of the share capital, and the Board of Directors would be required to call an extraordinary general shareholders' meeting within four months following approval of the financial statements showing the loss, in accordance with Article L.225-248 of the French Commercial Code.

For the fiscal year ended December 31, 2019, revenue totaled €25.673 million, as compared with €23.352 million in the previous year, an increase of 9.94%.

Other operating income amounted to €8.661 million, as compared to €8.070 million in the previous year.

Purchases and changes in inventory totaled €12.198 million, as compared to €11.334 million in the previous year.

Other external purchases and expenses totaled €12.257 million, as compared with €14.631 million for the previous year, a decrease of 16.23%.

Taxes were €413 thousand, as compared with €251 thousand for the previous year, an increase of 64.54%.

Wages and salaries totaled €7.189 million, as compared with €7.326 million in the previous year, a decrease of 1.87%.

Social security contributions totaled €3.004 million, as compared with €3.009 million for the previous year, a decrease of 0.17%.

Depreciation and amortization amounted to €5.670 million, compared to €5.904 million the previous year.

Operating expense totaled €42.546 million, as compared with €43.285 million for the previous year, a decrease of 1.71%.

Operating income for the year was €(8.211) million, as compared with €(11.862) million the previous year.

Taking into account a financial loss of €(4.388) million (compared with €(4.048) million the previous year), pre-tax result for the fiscal year was €(12.599) million, as compared with €(15.910) million the previous year, for an increase in loss of 20.81%.

After taking into account:

- Non-recurring income (loss) of €(7.617) million, as compared with €(43) thousand for the previous year; and
- Corporate income tax of €(2.169) million, as compared with €(2.356) million for the previous year,
- the result for the fiscal year was a loss of €(18.047) million, as compared with a loss of €(13.597) million in the previous year.

As of December 31, 2019, the Company's balance sheet totaled €42.565 million, as compared with €48.064 million the previous year.
Financial indebtedness as of the same date was €42,565, as compared with €6.449 million in the previous year.

For more information about the annual financial statements, see Section 5 of this document.

1.2.3. Five-year results of SuperSonic Imagine S.A.

The Company's results for the last 5 years were as follows:

	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2019
CAPITAL AT YEAR-END					
Share Capital	1,621,718	1,627,148	2,320,913	2,341,663	2,402,906
Number of existing ordinary shares	16,217,179	16,271,481	23,209,127	23,416,627	24,029,494
Number of existing priority dividend shares	-	-	-	-	-
Maximum number of future shares to be created	1,420,663	1,081,861	2,647,455	4,454,047	765,782
-by conversion of bonds	50,000	50,000	681,579	2,621,152	637,500
-by exercise of a subscription right	1,370,663	1,031,861	1,965,876	1,832,895	128,282
OPERATIONS AND RESULTS					
Revenue before taxes	19,453,452	22,145,581	23,834,757	23,352,086	25,673,387
Result before taxes, employee participation, depreciation and amortization, and provisions	(10,432,678)	(5,436,495)	(8,657,592)	(8,746,000)	(50,812,905)
Income tax	(2,075,666)	2,226,788	(2,128,712)	(2,356,000)	(2,169,000)
Employee participation for the fiscal year	-	-	-	-	-
Result after taxes, employee participation, depreciation and amortization, and provisions	(14,938,481)	(9,963,993)	(10,192,444)	(13,597,000)	(18,047,000)
Distributed earnings	-	-	-	-	-
EARNINGS PER SHARE					
Result after taxes and employee participation but before depreciation and amortization and provisions	(0.515)	(0.197)	(0.281)	(0.273)	(2.024)
Result after taxes, employee participation, depreciation and amortization, and provisions	(0.921)	(0.612)	(0.439)	(0.581)	(0.751)
Per-share dividend distributed	-	-	-	-	-
PERSONNEL					
Average headcount during the fiscal year	103	104	114	121	116
Amount of payroll for the fiscal year	8,391,392	7,081,390	7,401,665	7,325,532	7,189,250
Total amount paid in employee benefits for the fiscal year	3,126,970	2,760,453	997,441	3,009,000	3,004,050

1.2.4. Risk management

The risks and uncertainties that the Company faces are the same as those for the Group, as described in Section 1.1.1.7 of this document, as the Company represents a large share of the scope of consolidation.

1.2.5. Dividend distribution policy

The Company has not distributed dividends in the past three fiscal years (the years ended December 31, 2016, 2017, and 2018).

The Company does not plan to distribute a dividend in 2020 (for the 2019 fiscal year).

1.2.6. Non-deductible expenses

Pursuant to Articles 223 quater and 39.4 of the French General Tax Code (CGI), the amount of non-tax-deductible expenses and charges amounted to €28,701. These mainly concern the share of non-deductible leases of passenger vehicles.

1.2.7. Information on supplier and customer payment times

	Invoices received due but unpaid on the reporting date					Invoices sent and due but unpaid on the reporting date				
	0 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total	0 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total
(A) Late payment tranches										
Number of invoices	178	85	46	529	838	60	31	15	140	246
Total amount of invoices in question including VAT (€)	300,105	47,169	(50,401)	400,954	697,826	372,453	254,001	95,651	939,923	1,662,028
% of total purchases in the fiscal year including VAT	1.0%	0.2%	(0.2)%	1.3%	2.2%					
% of revenue for the fiscal year including VAT						1.4%	0.9%	0.4%	3.5%	6.2%
(B) Invoices excluded from (A) relating to disputed or unrecorded payables and receivables										
Number of invoices excluded										
Total amount of invoices excluded										
(C) Reference payment time limits used (contractual or statutory – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)										

Reference payment time limits used to calculate overdue payments	Contractual time limits: depending on the supplier	Contractual time limits: depending on the customer

1.2.8. Shareholder Information

Information about the distribution of the Company's share capital, employee investment in the Company's share capital, and transactions entered into by senior management in 2019 are described in the corporate governance report in Section 2.6 of this report.

1.2.9. Stock Buyback Program

On April 18, 2017, the Company (whose shares are listed on Euronext Paris) entered into a liquidity agreement with brokerage firm Gilbert Dupont. The agreement has a 12-month term, renewable automatically, and complies with the Code of Ethics published by the AMF on March 8, 2011 and approved by the AMF on March 21, 2011.

At the Company's annual and extraordinary general shareholders' meeting on May 13, 2019, the shareholders, in their fourteenth resolution, authorized the Board of Directors to implement a stock buyback program not to exceed 10% of the total number of shares making up the Company's share capital on the date of the buyback. The program was authorized for a duration of 18 months.

The stock buyback program is governed by Articles L. 225-209 *et seq*. of the French Commercial Code and by European Regulation No. 596/2014 of April 16, 2014. The Board of Directors may use its stock buyback authorization for the following purposes:

- To promote the liquidity of the Company's shares under a liquidity agreement to be entered into, with an investment services provider, complying with the code of ethics recognized by the AMF;
- To meet its obligations under share purchase options, free share and employee savings plans and other awards of shares to the employees and directors of the Company and its affiliates;
- To allot shares upon exercise of rights attached to securities giving access to the share capital;
- To purchase shares in order to retain and deliver them at a later stage in payment or exchange in acquisitions; and
- To cancel some or all of the shares bought back in the manner indicated therein.

The authorization granted to the Board of Directors by the General Shareholders' Meeting gives the Company the power to purchase its own shares, up to a maximum of 10% of its share capital, for a maximum price (excluding fees and commissions) of €15 per share and up to a maximum total of €3,000,000, it being noted that this purchase price shall be adjusted as necessary to reflect changes to the share capital (in particular the incorporation of reserves, grants of free shares, share splits or reverse splits) made during the period of validity of this authorization;

In addition, on May 13, 2019, the Company's General Shareholders' Meeting authorized the Board of Directors, on the same terms as in previous years and for a period of 18 months:

- To decrease the Company's share capital by one or more cancellations of all or some of the shares acquired by the Company in connection with is buyback program for its own shares, up to a limit of 10% of the share capital per 24-month period; and
- To record the difference between the buyback value of the cancelled shares and their par value in available premiums and reserves.

To that effect, the General Shareholders' Meeting gave all powers to the Board of Directors to set the terms and conditions of the capital decrease or decreases to be carried out following any cancellation transactions.

As of December 31, 2019, the Company held 100,732 of its own shares in connection with the liquidity agreement (0.42% of the share capital) for a total purchase price of €146,000. No shares of the Company were cancelled in 2019.

In 2019, 360,851 shares of the Company were purchased and 371,050 shares were sold under the liquidity agreement. The average purchase price was €1.15, and the average sale price was €1.14.

In connection with the tender offer for the Company's shares by Hologic Hub Ltd. between October and December of 2019, the liquidity agreement with Gilbert Dupont was suspended at the Company's request and until further notice.

2. CORPORATE GOVERNANCE REPORT

To the Shareholders:

This purpose of this report is to inform you as to the composition of the Board of Directors, the conditions pursuant to which it prepares and organizes its work, its governance rules, and the policy and composition of its executive compensation.

Prepared pursuant to Article L. 225-37 of the French Commercial Code, it is presented to you together with the management report.

The Company complies with the recommendations of the Corporate Governance Code for small-caps and mid-caps published by MiddleNext in September 2016 (the "**MiddleNext Code**"). The Company's Bylaws and the Charter of the Board of Directors can be found on the Company's website.

2.1. CORPORATE GOVERNANCE

2.1.1. Composition and conditions of preparation and organization of the Board of Directors and management

2.1.1.1. MANAGEMENT OF THE COMPANY

The Board of Directors decided at its meeting of May 28, 2018 to separate the Company's executive management from the chairmanship of the Board of Directors. Since May 28, 2018, therefore, the Company has been managed and run by a Chief Executive Officer who is now also a member of the Board of Directors.

The Chief Executive Officer is fully empowered to act on the Company's behalf in any circumstances. He exercises these powers within the limit of the corporate purpose and without prejudice to the powers expressly allocated by law to Shareholders' Meetings and to the Board of Directors, and specifically the limitations laid down in the Board's Charter.

In addition to the powers reserved for the Board of Directors by law, the Board's Charter approved on November 22, 2018 provides that before implementation by senior management, the Board of Agreement must approve strategic investments and other transactions that could have a significant impact on the Company's income, balance sheet, or risk profile, including the following:

- the creation of a new subsidiary or the acquisition of an equity investment in a company;
- the acquisition of all or nearly all of the assets of any entity, or the entry into a strategic alliance, a significant technology licensing agreement, or any other cooperative relationship with another company;

- any entry into a commercial agreement that would limit the Company's business and/or would grant it exclusivity outside the ordinary course of business;

- any acquisition, sale, assignment, or other transfer of intellectual property rights or research and development results, or any license to such rights (in connection with a licensing agreement or an exit license) outside the ordinary course of business;

- entering into any loan or other indebtedness of the same nature, other than commercial credit or credit arising in the ordinary course of businesses, that is not provided for in the annual consolidated budget;

- the hiring or removal of any corporate officer or employee of the Company whose gross annual compensation exceeds €200,000, outside the annual consolidated budget;

- the determination of compensation (including variable compensation, hiring bonuses, severance payments, and/or payments under non-compete clauses) and other significant terms of employment (including, where applicable, the entry into or amendment of any service agreement) of any officer or employee of the Company whose annual gross compensation exceeds €200,000, and not provided for in the annual consolidated budget;

- a guarantee of the obligations of any person or entity;

- the creation or granting of a pledge, mortgage, or any other form of security on one of its assets;

- the commencement or settlement of any significant claim, prosecution, action, matter, or proceeding;

- the entry into, amendment, or termination of any transaction with any shareholder, affiliate, or other related party;

- any significant change in the Company's business;

- the approval or modification of any stock option plan or similar incentive compensation plan;

- the preparation of the annual consolidate budget for the Company and its subsidiaries;

- the acquisition, sale, or lease of real property or premises;

- the creation of any retirement or pension plan for employees other than those that are mandatory;

- any change in accounting principles that is not mandatory; and

- the creation of any committee of the Board of Directors.

The Chief Executive Officer represents the Company in its dealings with third parties. The Company is bound by the actions of the Chief Executive Officer, even if such actions are *ultra vires*, unless the Company can prove that the third party knew that the action was *ultra vires*, or could not have been unaware of that fact given the circumstances. However, the publication of the bylaws alone shall not constitute sufficient evidence.

However, the Chief Executive Officer may not grant any surety, endorsement or guarantee for the benefit of third parties without the express permission of the Board of Directors.

In accordance with the bylaws, the Chief Executive Officer may delegate any or all of his powers, subject to his responsibility.

2.1.1.2. Composition of the Board of Directors

In accordance with the Company's bylaws and the Charter of the Board of Directors approved on November 22, 2018, the Board of Directors must be composed of between three and 18 members. As of the date hereof, it comprises five members, including two independent members. The Board of Directors does not include a member representing the employees.

Board members are appointed for terms of three years. The term of office of a director ends following the Ordinary Shareholders' Meeting having voted on the financial statements for the prior fiscal year held in the year in which that director's term of office expires.

The number of directors who are more than 75 years of age may not be greater than one-third of the directors in office. When this limit is exceeded during a term of office, the oldest director is automatically deemed to have resigned at the end of the next Shareholders' Meeting.

Directors are always eligible for re-election; they may be dismissed at any time by decision of the General Shareholders' Meeting.

In accordance with the terms of its Charter, the Board of Directors must, insofar as possible, have at least two independent directors, as is recommended in Recommendation R3 of the MiddleNext Code. This number may be reduced to one member if the Board has five or fewer members.

The Board of Directors elects a chairman from among its members, who must be a natural person. It determines his term of office, which cannot exceed his term of office as director, and may dismiss him at any time. The Board of Directors determines his compensation, if any.

Composition of the Board of Directors as of the date of this report

Name	Position on the Board of Directors	Main positions held outside the Group	Dates of term in office	Audit Committee	Nomination and Compensation Committee
Michael Brock	Chairman of the Board of Directors and independent member	Consultant	**Date of first appointment**: May 28, 2018 (previously a member of the Supervisory Board since October 31, 2016) **Date of expiration of term:** Annual Ordinary Shareholders' Meeting voting on the financial	Chairman of the Committee	Member of the Committee

Name	Position on the Board of Directors	Main positions held outside the Group	Dates of term in office	Audit Committee	Nomination and Compensation Committee
			statements for the year ending December 31, 2020		
Ghislaine Gueden	Independent director	Coaching and management consulting	**Co-opted by the Board of Directors**: February 13, 2019 **Ratification**: May 13, 2019 **Date of expiration of term:** Ordinary Shareholders' Meeting voting on the financial statements for the fiscal year ending December 31, 2020	-	Chairwoman of the Committee
Antoine Bara	Director and CEO (representing the majority shareholder)	Director of Hologic France	**Co-opted by the Board of Directors**[11]: August 2, 2019 **Ratification**: Ordinary Shareholders' Meeting voting on the financial statements for the fiscal year ended December 31, 2019 **Date of expiration of term:** Ordinary Shareholders' Meeting voting on the financial statements for the fiscal year ending December 31, 2020	-	-
Michelangelo Stefani	Director (representing the majority shareholder)	Vice-President Legal, International of Hologic Inc.	**Co-opted by the Board of**	-	Member of the Committee

[11] Mr. Bara was appointed for the remainder of the term of office of Bpifrance Investissement, *i.e.* until the end of the Ordinary Shareholders' Meeting called to vote on the financial statements for the fiscal year ending December 31, 2020.

Name	Position on the Board of Directors	Main positions held outside the Group	Dates of term in office	Audit Committee	Nomination and Compensation Committee
			Directors[12]: August 2, 2019 **Ratification**: Ordinary Shareholders' Meeting voting on the financial statements for the fiscal year ended December 31, 2019 **Date of expiration of term:** Ordinary Shareholders' Meeting voting on the financial statements for the fiscal year ending December 31, 2020		
Patricia Dolan	Director (representing the majority shareholder)	Vice-President and Corporate Secretary Hologic Inc. Attorney	**Co-opted by the Board of Directors**[13]: August 2, 2019 **Ratification**: Ordinary Shareholders' Meeting voting on the financial statements for the fiscal year ended December 31, 2019 **Date of expiration of term:** Ordinary Shareholders' Meeting voting on the financial statements for the fiscal year ending December 31, 2020	Member of the Committee	Member of the Committee

[12] Mr. Stefani was appointed for the remainder of the term of office of Mérieux Participations, *i.e.* until the end of the Ordinary Shareholders' Meeting called to vote on the financial statements for the fiscal year ending December 31, 2020.

[13] Ms. Dolan was appointed for the remainder of Ms. Guyot-Caparros's term of office, *i.e.* until the end of the Ordinary Shareholders' Meeting called to vote on the financial statements for the fiscal year ending December 31, 2020.

Independent members

The Company applies Recommendation R3 of the MiddleNext Code regarding the presence of independent members of the Board of Directors.

- Michael Brock (chairman) and Ghislaine Gueden, are independent directors within the meaning of the MiddleNext Code, since they:

  - Are neither employees nor corporate officers of the Company or of a company in its Group, and have not had such status during the last five years;

  - Are not customers clients, suppliers, or bankers of the Company, or for whom the Company or its Group would represent a significant share of its business, and have not been over the past two years;

  - Are not major shareholders of the Company or holders of significant voting rights;

  - Do not have any close family ties with a company officer or a major shareholder; and

  - Have not been a statutory auditor of the Company in the last six years.

Gender Parity

The Board of Directors is currently composed of three men and two women, which means that 40% of its members are women. The Company is thus in compliance with Articles L.225-18-1 and L.226-4 of the French Commercial Code, and the Board of Directors intends to pay particular attention to compliance with these rules.

Biographies of the members of the Board of Directors

Michael Brock:
Michael Brock, Chairman of the Company's Board of Directors, appointed in November 2016, was the Chairman and CEO of the Danish company BK Medical, a major player in ultrasound imaging in the areas of urology and surgery.
Mr. Brock had been the Chairman and CEO of the Danish company BK Medical, a subsidiary of Analogic Corporation. He had previously served as Chairman of GN Otometrics, a subsidiary of GN Resound A/S.
In 1979, he joined Bruel & Kjaer (which later became B-K Medical), where he ran the Sales and Marketing group within the Sounds and Vibration segment. He was rapidly promoted to President of that segment, and then President of the Environment and Transducer division. In 1997, Mr. Brock joined the GN group as the President of Madsen Electronics A/S, a small company specialized in audiology measuring equipment. Under his leadership, the company grew to be the world leader in auditory diagnostic instruments and software. In 2001, Madsen Electronics became GN Otometrics A/S.
Mr. Brock is an electronic and acoustical engineer with a degree from the Technical University of Denmark.

Ghislaine Gueden:

Ghislaine Gueden has more than 36 years of operational experience with the U.S. XEROX group, a world player in technologies and services.

She has held positions in sales, finance, marketing, and human resources. She joined the Executive Committee in 1999 as the Director of Marketing, and became the Director of Human Resources in 2004. In 2010 she took over responsibility for development, compensation, and benefits in the Department of Human Resources at the European headquarters in London.

In 2012 she was appointed President of Xerox France and, in that position, created an effective marketing policy in a highly competitive environment, effecting large transformations, in particular moving the company's away from technologies and towards services.

Since 2018, she has been a member of the supervisory board of GEREP, a brokerage and management company in the area of the social safety net. She has also developed a coaching and management consulting business for corporate executives.

A graduate of the EDHEC business school, Ms. Gueden is also an HEC-certified coach.

Antoine Bara:

Antoine Bara joined Hologic in 2018 and became the head of Operations in France in January 2019, to develop the group's business. In January 2020, he was appointed CEO of SuperSonic Imagine. He has more than 20 years of experience in the information services and health care industries, primarily with Pharmagest Interactive, which he joined in 2010 to manage operations in the Rhône-Alpes region and then in the greater South-West & Occitania region beginning in 2011. He was involved in the transformation of the Company's marketing policy and the launch of new services for pharmacy groups. Mr. Bara is a graduate of the Institute of Business and Management.

Patricia Dolan:

Patricia Dolan practiced corporate law for 20 years, with an emphasis on securities and corporate governance, advising on a broad range of U.S. and international legal questions faced by multinational corporations.

She has been vice president and secretary of Hologic, Inc. since 2015. At Hologic, she advises the Board of Directors and senior management on corporate governance, executive compensation, corporate risk management, and compliance with U.S. securities laws, among other topics. Before joining Hologic, she was vice president, securities adviser, and deputy secretary of Covidien plc (now Medtronic plc), handling matters of corporate governance, compliance with U.S. securities laws, and legal questions and reports on treasury transactions in Irish companies, among others. Before joining Hologic, Ms. Dolan was a partner at the firm of Nixon Peabody LLP (formerly Hutchins, Wheeler & Dittmar) in Boston, Massachusetts. During her time at Nixon Peabody, she was seconded for one year to Telstra Corporation, Australia's largest telecommunications company, and, at the time, the largest public sector company in Australia.

Ms. Dolan holds an undergraduate degree in English from Yale University and a law degree from the Duke University School of Law.

Michelangelo Stefani:

Michelangelo F. Stefani is the vice president of Legal, international for the Hologic group, based in Brussels. In his current position, Mr. Stefani is the head of legal affairs and international compliance for Hologic.

Before joining Hologic in 2016, Mr. Stefani served as vice president and director of compliance at Medtronic, and as vice president and international attorney for the Covidien group, supporting the President of Emerging Markets and his management team in emerging market regions. Prior to Covidien, Mr. Stefani was an attorney for the EMEA region with the Tyco International group.

Mr. Stefani was admitted to the Brussels Bar in 1995 and was a contract associate at the Morgan, Lewis & Bockius office in Brussels.

2.1.1.3. OTHER POSITIONS HELD BY DIRECTORS AND BY THE CHIEF EXECUTIVE OFFICER

Other positions currently held outside the Group			
	Type of position SB: Supervisory Board BD: Board of Directors	**Company**	**Listed Company**
Michael Brock	Chairman and CEO Chairman Chairman Director Director Director	DDD DDD Diagnostic A/S Trod Medical SA Biolid Group Aps Xena Network A/S Unisense Ibsen Photonics	No No No No No No
Ghislaine Gueden	-	-	-
Antoine Bara	-	-	-
Michelangelo Stefani	BD (Director) BD (Director) BD (Director) BD (Director) BD (Director) BD (Director) BD (Director) BD (Director) BD (Director) BD (Director) BD (Director) BD (Managing Director) BD (Director) BD (Director) BD (Manager) BD (Director) BD (Director) BD (Director) BD (Director) BD (co-manager) BD (Director) BD (Director) BD (Director) BD (Director)	Beijing Century Jinbai Technology Co., Ltd. (the "Lab") Beijing Hologic Technology Co., Ltd. (BHT) Beijing TCT Medical Technology Co., Ltd. ("Xinbai") Benassar Diagnóstica-Equipamientos Médicos Unipessoal, Lda. Cynosure Spain S.L. Cytyc Cayman Limited Emsor, Sociedad de responsabilidad limitada Hologic (Australia & New Zealand) Pty Limited Hologic (Shanghai) Medical Supplies Co., Ltd. Hologic Asia Limited Hologic Asia Pacific Limited Hologic Austria GmbH Hologic BV Hologic Canada ULC Hologic Caribbean (Barbados) SRL Hologic Denmark ApS Hologic Deutschland GmbH Hologic Europe Middle East and Africa SA Hologic Finance Ltd. Hologic France SARL Hologic GGO 4 Ltd. Hologic Global Holding Ltd. Hologic Hitec-Imaging GmbH Hologic Holdings Limited	No No No No No No No No No No No No No No No No No No No No No No No No

	BD (Director)	Hologic HUB Ltd.	No
	BD (Director)	Hologic Iberia S.L	No
	BD (Designated Partner)	Hologic India LLP	No
	BD (Director)	Hologic International Holdings B.V	No
	BD (Director)	Hologic IP Ltd.	No
	BD (Director)	Hologic Ireland Limited	No
	BD (Director and Chairman)	Hologic Italia S.r.l.	No
	BD (Representative Director)	Hologic Japan KK (Hologic Japan, Inc.)	No
	BD (Director)	Hologic Ltd.	No
	BD (Director)	Hologic Malaysia SDN. BHD.	No
	BD (Director)	Hologic Medical Technologies (Beijing) Co., Ltd.	No
	BD (Managing Director)	Hologic Medicor GmbH	No
	BD (Director)	Hologic Medicor Suisse GmbH	No
	BD (General Manager)	Hologic Middle East, Dubai	No
	BD (Director)	Hologic Netherlands B.V.	No
	BD (Director)	Hologic SA	No
	BD (Director)	Hologic Singapore Pte Ltd.	No
	BD (Director)	Hologic Suisse SA	No
	BD (Administrative Manager)	Hologic Surgical Products Costa Rica, Sociedad de Responsabilidad Limitada	No
	BD (Deputy Director)	Hologic Sweden AB	No
	BD (Director)	Hologic UK Finance Ltd.	No
	BD (Director)	Navigation Three Limited	No
	BD (Director)	Sentinelle Medical ULC	No
	BD (Director)	Suzhou Cynosure Medical Devices Company Ltd.	No
	BD (Director)	TCT International Co., Ltd.	No
Patricia Dolan	Shareholder Representative	Beijing Hologic Technology Co., Ltd. (BHT)	No
	Vice-President and Secretary	BioLucent, LLC	No
	Director	Bioptics, Inc.	No
	Vice-President and Secretary	Bioptics, Inc.	No
	Vice-President and Secretary	Cytyc Corporation	No
	Director	Cytyc Corporation	No
	Vice-President and Secretary	Cytyc Prenatal Products Corp.	No
	Director	Cytyc Prenatal Products Corp.	No
	Authorized Signatory	Cytyc Surgical Products, LLC	No
	Vice-President and Secretary	Cytyc Surgical Products, LLC	No
	Manager	Cytyc Surgical Products, LLC	No
	Vice-President and Secretary	Direct Radiography Corp.	No
	Director	Direct Radiography Corp.	No
	Vice-President and Secretary	Faxitron Bioptics, LLC	No
	Director	Focal Therapeutics, Inc.	No
	Vice-President and Secretary	Focal Therapeutics, Inc.	No

	Vice-President and Secretary	Gen-Probe Incorporated	No
	Director	Gen-Probe Incorporated	No
	Vice-President and Secretary	Gen-Probe Prodesse, Inc.	No
	Director	Gen-Probe Prodesse, Inc.	No
	Vice-President and Secretary	Gen-Probe Sales & Service, Inc.	No
	Director	Gen-Probe Sales & Service, Inc.	No
	Vice-President and Secretary	Health Beacons, Inc.	No
	Director	Health Beacons, Inc.	No
	Authorized Signatory	Hologic (MA), LLC	No
	Vice-President and Secretary	Hologic (MA), LLC	No
	Vice-President and Secretary	Hologic GGO 1, LLC	No
	Vice-President and Secretary	Hologic GGO 2, LLC	No
	Vice-President and Secretary	Hologic GGO 5, LLC	No
	Vice-President and Secretary	Hologic US Finance Co LLC	No
	Vice-President and Secretary	Hologic, Inc.	Yes
	Vice-President and Secretary	Palomar Medical Technologies, LLC	No
	Vice-President and Secretary	Suros Surgical Systems, Inc.	No
	Director	Suros Surgical Systems, Inc.	No

Other positions outside the Group during the last five fiscal years and which have now ended			
	Type of position BD: Board of Directors SB: Supervisory Board	**Company**	**Listed Company**
Michael Brock	Chairman Chairman Chairman Director Director	Omni-Drive Solum Group Vesicon S.A. Brunata Floating Power Plant	No No No No No
Ghislaine Gueden	SB member	GEREP	No
Antoine Bara	-	-	-
Michelangelo Stefani	BD (Director) BD (Director) BD (Director) BD (Director) BD (Managing Director)	Beijing Mingwood Biotechnology Co., Ltd. Beijing TCT Jinbai Technology Co., Ltd. Century Likang (Beijing) Technologies Co., Ltd. Cynosure Australia Holdings Limited Cynosure B.V.	No No No No No

	BD (Representative Director)	Cynosure KK	No
	BD (Director)	Cynosure China Holdings Limited	No
	BD (Director)	Cynosure France Holdings Limited	No
	BD (Manager)	Cynosure France SARL	No
	BD (Director)	Cynosure Germany Holdings Limited	No
	BD (Managing Director)	Cynosure GmbH	No
	BD (Director)	Cynosure Korea Limited	No
	BD (Director)	Cynosure Korea Holdings Limited	No
	BD (Manager)	Cynosure Maroc SARL	No
	BD (Chairman)	Cynosure Mexico, S. de R.L. de C.V.	No
	BD (Director)	Cynosure Netherlands Holdings Limited	No
	BD (Director)	Cynosure Pty Ltd.	No
	BD (Manager)	Cynosure Portugal, Unipessoal, Limitada	No
	BD (Director)	Cynosure Spain S.L.	No
	BD (Director)	Cynosure Spain Holdings Limited	No
	BD (Director)	Cynosure UK Holdings Limited	No
	BD (Director)	Cynosure UK Ltd.	No
	BD (Director)	Gen-Probe Australia Pty. Ltd.	No
	BD (Director)	Hangzhou Zuanbai Technology Co., Ltd.	No
	BD (Director)	Hologic (China) Enterprise Management Consulting Co., Ltd.	No
	BD (Director)	Hologic Asia Pacific Holdings Limited	No
	BD (Director)	Hologic Australia Holdings Limited	No
	BD (Director)	Hologic Austria Holdings Limited	No
	BD (Director)	Hologic Belgium Holdings Limited	No
	BD (Director)	Hologic Canada Holdings Limited	No
	BD (Director)	Hologic Emsor Holdings Limited	No
	BD (Director)	Hologic Foreign Holdings Limited	No
	BD (Director)	Hologic Manchester Limited	No
	BD (Director)	Hologic Medicor Holdings Limited	No
	BD (Director)	Hologic Partners Limited	No
	BD (Director)	Hologic Switzerland Holdings Limited	No
Patricia Dolan	Vice-president	Covidien PLC	Yes

2.1.1.4. CONDITIONS OF PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD OF DIRECTORS

Information to directors

To ensure the presence of the directors, the Board of Directors sets an informational schedule of meetings of the Board and its committees for the year.

Notices of meetings of the Board of Directors, specifying the agenda and including the meeting packet, are sent to the directors and, where applicable, the statutory auditors, a sufficient time in advance.

Work of the Board of Directors in 2019

The frequency of meetings of the Board of Directors reflects the various developments in the Company's business. Thus, the Board of Directors meets as often as the Company's situation warrants it.

From January 1 through December 31, 2019, the Company's Board of Directors met 12 times with an average rate of attendance by Board members of 87%. By comparison, during the fiscal year ended December 31, 2018, the total number of meetings between the Supervisory Board and the Board of Directors (following the change in the method of governance) was nine, and the average attendance rate was 81%. The increased number of meetings in 2019 was due in particular to the completion of the tender offer initiated by Hologic Hub Ltd.

The Board of Directors met on the following dates: February 13, March 11, April 25, June 7, June 20, June 20, July 24, July 31, August 2, August 13, August 29, and December 18, 2019.

Members of the Board of Directors	Attendance rates
Michael Brock	91.67%
Guy Frija	88.89%
Danièle Guyot-Caparros	100.00%
Ghislaine Gueden	83.33%
BPI	88.89%
Mérieux Participations	88.89%
Antoine Bara	33.33%
Michelangelo Stefani	100.00%
Patricia Dolan	66.67%

During the fiscal year ended December 31, 2019, the Board of Directors handled the following matters (in addition to questions relating to the tender offer for the Company's shares):

- Approval of the interim and annual financial statements;
- Review of the reports of the various committees and related decisions;
- Authorization and review of related-party agreements;
- Oversight of the dispute with Verasonics Inc.;
- Co-optation of directors;

- Review of the Company's financial, commercial, production and quality information.

Charter of the Board of Directors:

The Charter of the Company's Board of Directors and its committees exists to provide, in addition to applicable legal and regulatory provisions and the Company's bylaws, procedures for the functioning of the Board of Directors and its committees. In accordance with Recommendation R7 of the MiddleNext Code, the Charter approved by the Board of Directors on November 22, 2018 can be viewed in its entirety on the Company's website. The Charter sets forth the functional procedures and the powers of the Board of Directors and its committees, and the code of conduct for the members of the Board of Directors.

Evaluation of the Board of Directors:

The Board of Directors conducts regular self-assessments of its functioning and work. This self-assessment will be formally carried out in accordance with the recommendations of the MiddleNext Code each year, with the assistance of independent third parties, as needed.

The final assessment of the Board of Directors took place in the first half of 2019. The next evaluation of the Board of Directors will be conducted during the first half of 2020.

The table below shows the Company's position in relation to all of the recommendations of the MiddleNext Code.

Recommendations of the MiddleNext Code	Adopted	Will not be adopted	Discussion pending
I. "Supervisory" power			
R1: Ethics of Board members	X		
R2: Conflicts of Interest	X		
R3: Board composition – Independent members' attendance	X		
R4: Information of Board members	X		
R5: Organization of Board and Committee meetings	X		
R6: Establishment of Committees	X		
R7: Establishment of a Board Charter	X		
R8: Selection of each director	X		
R9: Terms of Board members	X		
R10: Director compensation	X		
R11: Establishment of the assessment of the Board of Directors' work	X		
R12: Shareholder relations	X		
I. Executive power	X		
R13: Definition and transparency of compensation to Executive Directors	X		
R14: Executive succession planning	X		
R15: Concurrent holding of employment contracts and directorships	X		
R16: Severance pay	X		
R17: Supplementary pension plans	N/A		
R18: Stock options and allocation of free shares	X		
R19: Review of areas requiring special attention	X		

The Board of Directors familiarized itself with the items presented under "Points to be Watched" and "Recommendations" of the MiddleNext Code, in accordance with Recommendation R19 of that Code, and is called to review them on a regular basis.

The Company accordingly believes that it complies with all the recommendations of the MiddleNext Code except for those relating to supplementary pensions insofar as none have been granted to date.

2.1.1.5. SPECIALIZED COMMITTEES

i. AUDIT COMMITTEE

In forming its Audit Committee, the Company relied on AMF Recommendation No. 2010 - July 19, 2010.

Composition

The Audit Committee is composed of a minimum of two members appointed by the Board of Directors. The members of the Audit Committee are chosen from among the members of the Board of Directors. To the extent possible, two-thirds of them are independent members, of whom at least one has special skills in financial or accounting matters, although all current members of the Audit Committee have proven skills in financial and accounting matters. To date, the Audit Committee has only two members who are currently the members of the Board of Directors best suited to fulfill the functions of members of the Board of Directors of the Company, given that, for reasons of good governance, the Board of Directors did not believe it advisable to appoint Antoine Bara to the Audit Committee, since he was not only a member of the Board of Directors but also the Company's CEO.

To date, the members of the Audit Committee are:

- Michael Brock (chairman of the Audit Committee and of the Board of Directors); and
- Patricia Dolan.

Mr. Brock is an independent member of the Board of Directors; thus, independent members make up one-half of this committee.

Responsibilities

Without prejudice to the matters within the remit of the Board of Directors, the Audit Committee is responsible for:

- Supervising the process used to prepare financial information;
- Assuring the effectiveness of the internal control and risk management systems;
- Supervising the legal audit of the annual, semi-annual and, as necessary, quarterly parent company and consolidated financial statements performed by the statutory auditors;
- Issuing a recommendation on the statutory auditors nominated for appointment at the Shareholders' Meeting and reviewing the terms of their compensation;
- Ensuring that the independence of the statutory auditors is respected;
- Examining the conditions for use of derivative products;
- Regularly informing themselves of significant legal disputes;
- Examining the Company's procedures for receiving, retaining and handling claims relating to accounting matters and accounting controls carried out internally; considering questions arising from the audit of the financial statements, as well as documents transmitted by employees on an anonymous and confidential basis that may call into question practices in accounting matters or in the audit of the financial statements;

- More generally, providing advice and formulating any appropriate recommendations in the areas mentioned above; and
- Authorizing in advance any services provided by the Statutory Auditors outside of statutory auditing.

Functioning

The Audit Committee meets at least twice a year, with the Statutory Auditors if its Chairman deems it useful, following a schedule set by its Chairman, to examine the annual parent company and consolidated financial statements, and as necessary, the interim financial statements, on the basis of an agenda established by its Chairman and sent to the members of the Audit Committee. In any event, it meets prior to the Board meeting called to examine the interim and annual financial statements. It also meets at the request of its Chairman, the Chairman or Vice Chairman of the Board of Directors, and at the request of the Chief Executive Officer.

During the fiscal year ended December 31, 2019, the Audit Committee met four times and the average attendance rate of Audit Committee members was 66%.

The Audit Committee may hear from any member of the Company's management and proceed with any internal or external audit on any subject that it believes falls within its remit. The Chairman of the Audit Committee will give prior notice of such action to the Chief Executive Officer and the Chairman of the Board of Directors. In particular, the Audit Committee is empowered to interview individuals who participate in the preparation of the financial statements or in their audit (the Chief Financial Officer and other senior members of the finance department).

The Audit Committee interviews the statutory auditors. This interview may take place without the presence of any representative of the Company.

Reports

The Chairman of the Audit Committee will ensure that the minutes of the Committee's activities are provided to the Board of Directors, allowing it to be fully informed and thereby facilitating its discussions.

The report of the Board Chairman on corporate governance and internal control contains a presentation of the Committee's activity during the previous fiscal year.

If, in the course of its work, the Audit Committee becomes aware of significant risks that do not appear to have been handled properly, the Chairman will immediately alert the Chairman of the Board of Directors.

Work in 2019:

During the fiscal year ended December 31, 2019, the Audit Committee addressed matters that included the following:

- Examination of the annual financial statements for the fiscal year ended December 31, 2018 (parent company and IFRS consolidated financial statements);
- Monitoring of working capital and inventory levels;
- Preparation and supervision of financial communications;
- Monitoring of quality and production issues;
- Corporate risk analysis; and
- Examination of interim financial statements.

ii. NOMINATION AND COMPENSATION COMMITTEE

Composition

The Nomination and Compensation Committee consists of members appointed by the Board of Directors, including the Board Chairman. Independent members represent, insofar as possible, the majority of its members.

As of the date of this document, the members of the Nomination and Compensation Committee were:

- Ghislaine Gueden (Chairwoman of the Nomination and Compensation Committee);
- Michael Brock, Chairman of the Board of Directors;
- Patricia Dolan, director; and
- Michelangelo Stefani, director;

Ms. Gueden and Mr. Brock are independent members of the Board of Directors; thus, independent members make up one-half of this committee.

Responsibilities

The Nomination and Compensation Committee is responsible for:

- Making recommendations and proposals to the Board of Directors on:
  - Executive compensation, retirement or savings plans, benefits in kind and other monetary rights, including termination benefits. The Committee proposes the amounts and structure of compensation, particularly rules for establishing the variable portion, taking into account the strategy, objectives and results of the Company plus market practices; and
  - Plans for free shares, stock options and any other similar incentive mechanisms, particularly any individual grants to executives;
- Examining the total amount of compensation and the system for dividing it among the members of the Board of Directors;
- Preparing and presenting the reports, as needed, required by the Board of Directors' charter;
- Preparing all other recommendations that may be requested by the Board of Directors or Chief Executive Officer with respect to compensation; and
- Generally, the Nomination and Compensation Committee provides all advice and makes all appropriate recommendations in the above subject areas.

Functioning

The Nomination and Compensation Committee meets in accordance with a schedule set by its Chairman, on the basis of an agenda established by its Chairman and sent to the members of the Nomination and Compensation Committee. It also meets at the request of the Chairman or Vice Chairman of the Board of Directors, and at the request of the Chief Executive Officer.

During the year ended December 31, 2018, the Nomination and Compensation Committee met three times and the average attendance rate of members of the Nomination and Compensation Committee was 100%.

The Nomination and Compensation Committee may request from the Chief Executive Officer the assistance of any senior manager of the Company whose skills could facilitate the handling of a topic on the agenda. The Chairman of the Nomination and Compensation Committee or the Chairman of the Meeting shall remind any participant of such participants' confidentiality obligations.

Reports

The Chairman of the Nomination and Compensation Committee will ensure that the minutes of the Committee's activities are provided to the Board of Directors, allowing it to be fully informed and thereby facilitating its discussions.

The report of the Board Chairman on corporate governance and internal control contains a presentation of the Committee's activity during the previous fiscal year.

Work in 2019:

During the fiscal year ended December 31, 2019, the Nomination and Compensation Committee addressed the following matters:

- Review of objectives for 2019;
- Organization of the Board of Directors;
- Recommendation regarding the indemnities due in the event of the departure of the Chief Executive Officer;
- Recommendation regarding the setting of compensation for members of the Board of Directors; and
- Recommendation regarding the compensation of the Chairman of the Board of Directors.

2.1.1.6. CONFLICTS OF INTEREST

Article 12 of the Charter of the Company's Board of Directors provides mechanisms for the prevention and management of conflicts of interest.

It is noted, in particular, that every member of the Board of Directors has a duty to inform the Board of any direct or indirect conflict of interest, even if only potential, and must, as applicable, abstain from participation in discussions and votes for any matter with respect to which the member would have such a conflict of interest. The Chairman of the Board of Directors may also expressly ask a director who has reported the existence of a conflict of interest to temporarily leave the meeting when the Board is preparing to discuss matters related to the conflict of interest in question.

When the Board of Directors determines that there is a conflict of interest that had not previously been brought to its attention by the member or members in question, the Board may decide (after initiating discussions to confirm that there is actually a conflict of interest) to temporarily exclude the member or members in question from any meeting at which matters relating to the conflict of interest in question must be discussed.

As of the date of this document, the Company is aware of the following potential conflicts of interest:

Michelangelo Stefani, Patricia Dolan, and Antoine Bara, non-independent members of the Board of Directors, were appointed to the Company's Board (and then to the Nomination and Compensation Committee and to the Audit Committee) on the proposal of Hologic Hub Ltd., the controlling shareholder of the Company, and are also employees or officers of the Hologic group (the group to which Hologic Hub Ltd., the Company's controlling shareholder, belongs).[14]

The Company's Board of Directors also includes independent directors who serve as officers of unaffiliated groups, some of which, with respect to Mr. Brock, are medical sector companies.

As of the date of this document and to the Company's knowledge:

- subject to (i) entry into related-party agreements (which are subject to the legal oversight process) and/or (ii) the declaration of specific conflicts of interest in accordance with Article 12 of the Charter, these situations are not likely to affect the independent judgment, decision-making, or actions of the directors involved (who act, in any event, in the Company's corporate interest); and there are no potential conflicts of interest between the duties of the members of the Board of Directors to the Company and their private interests and/or other duties.

It is noted that in any event, each director is required, pursuant to market abuse regulations, to report to the Company and to the AMF any transactions involving the Company's shares that they carry out directly or indirectly. There were no reports of transactions in the Company's shares in 2019.

Related party transactions are described more fully in Section 2.2 of this document, as well as in Note 39 in Section 4 (Consolidated Financial Statements and Notes) of this document.

2.1.2. Specific procedures for shareholder participation in the General Shareholders' Meeting

In accordance with Article 19 of the Company's bylaws, Shareholders' Meetings are called and held pursuant to the terms provided for by law. Meetings may be held at the Company's registered office or at any other location specified in the meeting notice. The right to participate in meetings is regulated by applicable legal and regulatory provisions and is subject, in particular, to the shares being registered in the name of the shareholder or of the intermediary registered on its behalf on the second business day preceding the meeting at midnight, Paris time, or in the bearer share records held by an authorized intermediary.

Shareholders may attend the meeting personally or may choose from among the following three options:

- Appointing a proxy in the manner permitted by laws and regulations;
- Voting by mail, or
- Sending a power of attorney to the Company without a proxy, as provided for by law and regulations.

[14]In that regard, it is noted that Michelangelo Stefani is a director of Hologic Hub Ltd. (the Company's controlling shareholder).

The Board of Directors may organize, subject to the conditions specified by the law and regulations in effect, both the shareholder participation and the voting in the meetings by means of video conference or by means of telecommunication that allow them to be identified. If the Board of Directors decides to exercise this right for any given meeting, it will so indicate in the meeting notice (*avis de réunion*) and/or the convocation notice (*avis de convocation*). Shareholders participating in the meetings by video conference or by any other means of telecommunication described above, pursuant to the Board of Directors' choice, will be deemed present for purposes of calculating the quorum and majority.

2.2. RELATED-PARTY AGREEMENTS AND ORDINARY COURSE AGREEMENTS

2.2.1. Related-party agreements

Since January 1, 2019, the Company and its subsidiaries have entered into the following agreements within the scope of L. 225-37-4 2° of the French Commercial Code:

Loan agreement

On August 14, 2019, to enable the Company to finance its working capital requirement and to repay its debt, the Company and Hologic Hub Ltd. entered into an English-language revolving loan agreement (the "Loan Agreement") (amended on November 22, 2019, February 12, 2020, and March 17, 2020) with the following principal terms:

- maximum total amount: €65 million
- maturity date: August 12, 2024
- interest rate: 5.47% per three-month interest period;
- early repayment: at any time without premium or penalty, provided that any early repayment is in a minimum amount of €500,000 and in multiples of €500,000 thereafter.

In addition, in connection with its entry into the Loan Agreement in its capacity as a subsidiary of Hologic Hub Ltd., the Company acceded to an Intercompany Demand Promissory Note dated May 29, 2015, entered into by Hologic Inc. (the parent company of the Hologic group) and its subsidiaries in connection with a Credit and Guaranty Agreement dated May 29, 2015 (and later amended) between Hologic, Inc., Hologic GGO 4 Ltd., and Bank of America, N.A. The Intercompany Demand Promissory Note subordinates certain cash flows between members of the Group to the obligations arising under the Credit and Guaranty Agreement. The accession was authorized by the Board of Directors on August 13, 2019.

Amendment No. 1 to the Loan Agreement

On November 22, 2019, the Company and Hologic Hub Ltd. entered into an amendment to the revolving loan agreement dated August 14, 2019, in order to raise the maximum amount of the loan from €30 million to €50 million.

It should be noted that this amendment to the loan agreement dated November 22, 2019, was not submitted for the prior authorization of the Board of Directors. The amendment, which was ratified by the Board of Directors on March 17, 2020, will nevertheless be submitted for a vote of the General Shareholders' Meeting in connection with the approval of related party agreements entered into in 2019, in accordance with Article L. 225-42 of the French Commercial Code.

Amendment No. 2 to the Loan Agreement

On February 12, 2020, the Company and Hologic Hub Ltd. entered into a second amendment to the revolving credit agreement dated August 14, 2019, in order to remove the acceleration events, so that the agreement remains in effect until August 12, 2024.

Amendment No. 3 to the Loan Agreement

On March 17, 2020, the Company and Hologic Hub Ltd. entered into a third amendment to the revolving loan agreement dated August 14, 2019, in order to raise the maximum amount of the loan to €65 million.

Purchase Agreement relating to the sale of the Company's U.S. subsidiary (SuperSonic Imagine Inc.)

On December 27, 2019, the Company, as seller, entered into an English-language purchase agreement (the "Purchase Agreement") with Hologic Inc., an indirect shareholder holding more than 10% of the Company's share capital, as buyer, relating to (i) all of the shares of SuperSonic Imagine Inc., the Company's U.S. subsidiary; and (ii) a receivable held by the Company against that subsidiary. The price for the shares and for the assigned receivable, the face value of which is approximately €22.760 million, was set at a total amount of €2,718,000 pursuant to a valuation report prepared by PricewaterhouseCoopers, subject to a possible upward adjustment of the price in the event of an increase in the amount of the receivable.

Information regarding agreements between the company officers and the Company

As of the date of this document, there are no agreements between the Company and its corporate officers.

2.2.2. Ordinary-Course Agreements

In accordance with French Law No. 2019-486 of May 22, 2019, on the growth and transformation of companies, known as "Pacte," the Company's Board of Directors, at its meeting on March 17, 2020, adopted procedures to regularly evaluate whether so-called ordinary course agreements, in other words those relating to day-to-day business and entered into on market terms, satisfy these conditions.

The following ordinary course agreements entered into in previous years continued in 2019:

Assistance and service agreements:

A service agreement was entered into on January 1, 2011, between the Company and its subsidiaries SuperSonic Imagine Inc.,[15] SuperSonic Imagine GmbH, and SuperSonic Imagine Limited.

This agreement covers the provision of services rendered by the Company to its subsidiaries in the following areas:

- Administrative services;
- Sales and marketing services;
- Financial and legal assistance;

[15] Following the acquisition, followed by the merger of SuperSonic Imagine Inc. into Hologic Inc. (the parent company of Hologic Hub Ltd) on December 27, 2019, the Company continued to provide the services it had previously rendered to SuperSonic Imagine Inc. to Hologic Inc.

- Cash management services; and
- Human resources.

An amendment to the agreement was entered into on January 1, 2013 to specify (i) the services that would be provided and (ii) the payment terms.

In consideration of these services, the Company invoices its subsidiaries the following amounts:

- Invoicing of the total service cost +12% for administrative services; and
- Invoicing of the total service cost +8% for other points covered by the agreement.

During the fiscal year ended December 31, 2018, the Company invoiced the following amounts to each of its subsidiaries under this agreement:

- €1.745 million to SuperSonic Imagine Inc.;
- €290,000 to SuperSonic Imagine GmbH;
- €44,000 to SuperSonic Imagine Limited.

Cash management agreement:

A cash management agreement was entered into on January 1, 2011 between the Company and its subsidiaries SuperSonic Imagine Inc.[16], SuperSonic Imagine GmbH, SuperSonic Imagine Limited, SuperSonic Imagine Srl and SuperSonic Imagine (HK) Limited through which it grants them loans and cash advances.

In return for this funding, the Company invoices its subsidiaries for interest calculated on these loans and cash advances at the 3-month Euribor rate plus a 1% margin. Unpaid interest is compounded.

During the fiscal year ended December 31, 2018, the Company charged the following interest to each of its subsidiaries:

- €138,000 to SuperSonic Imagine Inc.;
- €20,000 to SuperSonic Imagine GmbH;
- €14,000 to SuperSonic Imagine Limited;
- None to SuperSonic Imagine Srl;
- None to SuperSonic Imagine (HK) Limited.

[16] Following the acquisition, followed by the merger of SuperSonic Imagine Inc. into Hologic Inc. (the parent company of Hologic Hub Ltd.) on December 27, 2019, SuperSonic Imagine Inc. is no longer a party to this agreement.

Provision of services and staff agreement:

An agreement for the provision of services and staff entered into on January 1, 2011 between the Company and its subsidiary SuperSonic Imagine Inc.[17] covers the provision of staff to the Company by its U.S. subsidiary.

An amendment the agreement was entered into on January 1, 2013 in order to clarify (i) the extent of services that would be provided and (ii) the payment terms. Accordingly, in consideration of this service, the subsidiary invoices the Company in full for the total cost of the staff assigned.

During the fiscal year ended December 31, 2019, the agreement covered the provision of a vice president of sales, resulting in €257,000 being invoiced to the Company by its subsidiary.

Commercial services and support agreement:

A commercial services and support agreement was signed on January 1, 2011 between the Company and its subsidiary SuperSonic Imagine (HK) Limited to cover the provision of commercial, sales and marketing services rendered to the Company by its subsidiary.

An amendment to the agreement was entered into on January 1, 2013, to specify the payment terms.

In consideration, the subsidiary invoices the Company the total cost of these services plus 8%. As such, during the fiscal year ended December 31, 2019, SuperSonic (HK) Limited billed the Company €461,000.

On January 1, 2016, the Company signed a service agreement with its subsidiary SuperSonic Imagine (Shanghai) Medical Devices Co. Ltd to cover the provision of commercial, sales and marketing services to the Company by its subsidiary.

As such, the services provided by the subsidiary are billed to the Company with a mark-up of 8%. The cost of the services billed during the fiscal year ended December 31, 2019 totaled €4,623,000.

Commercial and marketing services agreement

A commercial and marketing services agreement was entered into on December 21, 2015 between the Company and its subsidiaries SuperSonic Imagine GmbH and SuperSonic Imagine Limited.

An additional agreement was entered into in January 2016 between the Company and SuperSonic (Shanghai) Medical device Co. Ltd. Ltd.

This agreement covers the services provided by the sales and marketing force of the subsidiaries to other Group companies.

As such, during the fiscal year ended December 31, 2019, SuperSonic (GmbH) Limited billed the Company €320,000. No amounts were billed in 2019 by SuperSonic Imagine Limited under this agreement.

Commercial relations with Hologic Inc.:

Following the acquisition, followed by the merger of SuperSonic Imagine Inc. into Hologic Inc. (the parent company of Hologic Hub Ltd), followed by the merger of the former into the latter, the commercial relations that the Company maintained with SuperSonic Imagine Inc. continued with Hologic Inc., in order to ensure the distribution of its products in the United States. In that regard, the

[17] Following the acquisition, followed by the merger of SuperSonic Imagine Inc. into Hologic Inc. (the parent company of Hologic Hub Ltd.) on December 27, 2019, SuperSonic Imagine Inc. ceased to provide the services previously rendered to the Company.

Company sells its products (on ordinary market terms) directly to Hologic Inc., which markets and sells them on the U.S. market.

During the fiscal year ended December 31, 2019 and until the completion of the merger referred to above, the Company invoiced SuperSonic Imagine Inc. €1,110,000 for equipment sold by the Company to its subsidiary.

2.3. INDEMNIFICATION PAID AND AGREEMENTS ENTERED INTO WITH A FORMER CORPORATE OFFICER

2.3.1. Settlement agreement entered into following the removal of Michèle Lesieur

At its meeting on January 23, 2020, the Company's Board of Directors decided to remove Michèle Lesieur as CEO.

With respect to the financial terms of Ms. Lesieur's removal as CEO, the Company indicated that:

- She will be paid the remaining fixed portion of her annual compensation for 2019 (a gross annual amount of €275,000), which remains due pursuant to a payment reminder, as well as the fixed portion of her annual compensation for 2020 (a gross annual amount of €275,000), calculated on a pro rata basis from January 1, 2020 (the first day of the 2020 fiscal year) through January 23, 2020 (the date of her termination), for a total gross amount of €87,500;
- Because the performance conditions (based on revenue, EBITDA and profit margin) for payment were not satisfied, Ms. Lesieur will not receive any severance payment.
- As a result of her departure, Ms. Lesieur irrevocably lost the benefit of her rights to the grant of free performance shares of the Company for those tranches that have not yet vested (it being noted that the total number of Ms. Lesieur's vested free performance shares as of January 23, 2020 was 60,000 shares);
- The question of and full payment of her 2019 bonus (a total gross amount of €125,000) due upon the closing of a merger or acquisition of the Company (namely, the 2019 closing of Hologic Hub Ltd.'s acquisition of control of the Company) will be submitted for a vote of the Company's

shareholders in accordance with Articles L. 225-37-2 and L. 225-100 of the French Commercial Code.

Following her departure from the Company, Ms. Lesieur resigned from all of her company officer positions with the Company's subsidiaries.

Following the decision of the Company's Board of Directors to remove Ms. Lesieur from her position as CEO, she indicated to the Company that she formally contested the grounds for the removal, arguing in particular that the removal caused her significant financial harm.

Following negotiations between Ms Lesieur and the Company, the Company believed that it was in its interest to enter into a settlement agreement to prevent the dispute from becoming a litigation.

On January 29, 2020, the Company and Ms. Lesieur entered into a settlement agreement in accordance with Articles 2044 *et seq*. of the French Civil Code in order to end the dispute between them. Pursuant to the agreement, the Company paid Ms. Lesieur a settlement payment in a gross amount of €500,000. In return, Ms. Lesieur agreed to a release of all of her claims and/or causes of action against the Company.

Pursuant to the settlement agreement, Ms. Lesieur also undertook not to compete with the Company for a period of 12 months following the complete cessation of her work on behalf of the Company and the Group, including as a consultant, in return for the payment of a gross monthly payment of €8,333.33, or a total gross amount of €100,000 (the first monthly payments have already been made).

In order to ensure that the shareholders are properly informed, the settlement agreement will be the subject of an *ad hoc* resolution submitted to the shareholders at the next General Shareholders' Meeting voting on the financial statements for the fiscal year ended December 31, 2019.

2.3.2. Consultancy agreement with the former CEO

Independently of the items referred to above, Ms. Lesieur agreed to assist the Company as a consultant, in connection with a specific assignment that is distinct from the position as a corporate officer that she had previously occupied within the Company.

The agreement, entered into on January 29, 2020 for a term of six months beginning February 1, 2020, relates to a specific assignment that is distinct from the position that she previously held as CEO (and therefore unrelated to that position). The total amount of fees that she will receive for this assignment is €50,000, excluding tax.

2.4. COMPENSATION OF EXECUTIVES AND OFFICERS

2.4.1. Policy on compensation of the Company's executives

In accordance with Article L. 225-37-2 of the French Commercial Code, the Board of Directors determines the Company's executive compensation policy.

The executive compensation policy is divided into three separate policies: (i) the policy on director compensation; (ii) the policy on the compensation of the Chairman of the Board of Directors; and (iii) the policy on CEO compensation.

The executive compensation policy is determined each year by the Board of Directors on the recommendation of the Nomination and Compensation Committee.

The relevant members of the Board of Directors do not participate in the discussions or in the vote when their compensation is discussed and are, when necessary, asked to temporarily leave the meeting of the Board of Directors or of the Nomination and Compensation Committee, in order to enable the other directors to freely discuss the subject. The question of the existence and management of conflicts of interest within the Board of Directors is more fully described in Section 2.1.1.6 of this document.

The Board of Directors refers to the recommendation of the MiddleNext Code in determining the compensation and benefits to be granted to corporate officers. In accordance with these recommendations and with legal and regulatory requirements, it ensures that the compensation policy complies with the following three principles:

- **Exhaustiveness:** fixed portion, variable portion (bonus), stock options, free shares, retirement benefits, and individual benefits are taken into account, where applicable, in reviewing overall compensation;

- **Consistency and social equity:** the policy applicable to the compensation of directors and of the CEO is consistent with the policy applicable to other executives and employees of the Company and its subsidiaries, and takes into account the terms governing the compensation employment of the employees of the Company and its subsidiaries;

- **Balance and moderation:**

  - The structure of executive and non-executive compensation, its composition, and its amount, are in the corporate interest and contribute to the Company's medium- and long-term commercial strategy, as well to the Company's sustainability; each component of compensation is reasoned and serves the Company's general interest;

  - Proportionality of the compensation policy to the Company's financial condition;

- Alignment of the compensation policy with the interests of the Company's shareholders';
- A fair balance that takes into account the Group's general interest in light of market practices and the executives' roles and responsibilities;

- **Transparency:** Complete annual information provided to shareholders about compensation policy and the components of the compensation granted or paid during the previous fiscal year, in accordance with applicable regulations.

Pursuant to Article L. 225-37-2 of the French Commercial Code, the compensation policy described below will be submitted for the approval of the Annual General Shareholders' Meeting called to vote on the financial statements for the year ended December 31, 2019 (called for June 16, 2020).

In the event that the General Shareholders' Meeting should reject the compensation policy described below, the previous compensation policy would continue to apply, and the Board of Directors would be required to submit a draft resolution for the approval of the next Ordinary Shareholders' Meeting presenting a revised compensation policy (indicating how the shareholders' vote was taken into account and, if applicable, the opinions expressed at the General Shareholders' Meeting that rejected the proposed policy).

The compensation policy for executive officers approved by the General Shareholders' Meeting will also apply, in theory, to newly appointed executive officers. However, the particular situation of each executive officer and the responsibilities involved in the postion may be taken into account by the Board of Directors, upon the proposal of the Nomination and Compensation Committee and subject to the prior approval of the General Shareholders' Meeting.

2.4.1.1. Compensation policy applicable to members of the Board of Directors for the 2020 fiscal year

The compensation policy for members of the Company's Board of Directors was approved by the Board of Directors (on the recommendation of the Nomination and Compensation Committee) at its meeting on March 17, 2020.

The compensation payable to the members of the Board of Directors for their work with the Company is composed solely of the fixed components described below. It does not include any benefits in kind, any one-off or variable compensation, or any in shares or warrants to subscribe for shares. However, members of the Board of Directors will have the right to reimbursement of their travel and hospitality costs upon presentation of receipts.

The members of the Board of Directors do not benefit from any additional retirement plans or any compensation or indemnification for non-competition or severance. The members of the Board of

Directors are not parties to any employment agreements or other service agreements with the Company or any of its subsidiaries.

It is noted, to the extent necessary, that the non-independent members of the Board of Directors also hold corporate offices or salaried positions within the Hologic group, for which they receive compensation; those offices and positions have no relationship to their positions within the Company.

Compensation of the Chairman of the Board of Directors

On March 17, 2020, on the recommendation of the Nomination and Compensation Committee, the Board of Directors maintained Michael Brock's annual compensation in his capacity as Chairman of the Board of Directors at a fixed gross amount of €45,000.

The objective of the compensation paid to the chairman of the Board of Directors is to offer overall compensation that is understandable and transparent, competive, and motivating, and that is consistent with market practices and with the responsibilities entrusted to him.

Compensation of the members of the Board of Directors (ex attendance fees)

The Company's Annual General Shareholders' Meeting authorized a total amount of €100,000 in annual compensation for the members of the Board of Directors. Given the change in the composition of the Board of Directors following the change of control of the Company in 2019, it will be proposed at the next General Shareholders' Meeting to change the total annual amount of compensation for members of the Board of Directors to €100,000.

On March 17, 2020, on the recommendation of the Nomination and Compensation Committee, the Board of Directors (i) maintained the amount of attendance fees at €2,500, and (ii) confirmed that only the independent members of the Board are compensated for their participation on the Board of Directors, as well as, where applicable, the Audit Committee or the Nomination and Compensation Committee.

The determination of the compensation of members of the Board of Directors is based on their number and the quality of their presence (physical presence or by video conference) at each meeting of the Board of Directors, as well as, if applicable, the Audit Committee and the Nomination and Compensation Committee.

The amount of attendance fees paid to the independent members of the Board of Directors is thus paid at a rate of 100% for in-person attendance (or €2,500), of 50% for presence by video conference (or €1,250), and 0% in the event of absence.

The maximum amount of compensation for attendance at the Board of Directors that may be received by an independent director is thus limited to a maximum of €25,000.

As such, subject to the decision of the Board of Directors on allocation in accordance with the principles set forth above:

- Mr. Brock, an independent director, receives compensation for his attendance at meetings of the Board of Directors, as well as of the Audit Committee and the Nomination and Compensation Committee, up to a limit of €25,000;

- Ms. Gueden, an independent director, receives compensation for her attendance at meetings of the Board of Directors, as well as of the Nomination and Compensation Committee, up to a limit of €25,000;
- Mr. Bara, a non-independent director, receives no compensation for his attendance at meetings of the Board of Directors, or the Committees;
- Ms. Dolan, a non-independent director, receives no compensation for his attendance at meetings of the Board of Directors or the Committees;
- Mr. Stefani, a non-independent director, receives no compensation for his attendance at meetings of the Board of Directors or the Committees.

This policy may be reevaluated by the Board of Directors in connection with the adoption of future compensation policies.

2.4.1.2. Policy on compensation of the Chief Executive Officer

At its meeting on January 23, 2020, the Company's Board of Directors decided to remove Michèle Lesieur as CEO. Following that removal, Antoine Bara, also a member of the Company's Board of Directors,[18] was appointed CEO of the Company (beginning January 23, 2020) until the meeting of the Board of Directors following the General Shareholders' meeting voting on the financial statements for the fiscal year ending December 31, 2022. It is specified that Mr. Bara also holds salaried positions within the Hologic group (the group to which Hologic Hub Ltd., the Company's majority shareholder, belongs).

The new policy on the newly appointed CEO's compensation, decided by the Board of Directors' meetings of January 23 and of March 17, 2020 (on the recommendation of the Nomination and Compensation Committee), in accordance with Article L. 225-37-2 of the French Commercial Code, takes into account the Company's financial condition and its membership in the Hologic group, and is part of the Group's long- and medium-term strategy, objectives, and challenges.

Thus, the Board of Directors decided, on the recommendation of the Nomination and Compensation Committee, taking into account the financial condition of the Company and its subsidiaries, not to allocate any fixed, variable, or one-time compensation to the Company's CEO in his capacity as such for fiscal year 2020.

The compensation policy applicable to the CEO (who is also a non-independent director of the Company) in his capacity as such is limited exclusively to the components of compensation described above. He receives no one-time or variable compensation or grants of performance shares, warrants to subscribe for shares, or options to subscribe for or purchase shares.

The CEO, in his capacity as such, does not benefit from any additional retirement plan or any commitment by the Company corresponding to components of compensation, indemnification, or

[18] The appointment of Mr. Bara (by co-optation at the meeting of the Board of Directors on August 2, 2019) will be subject to the ratification of the next Ordinary General Shareholders' Meeting, called to vote on the financial statements for the fiscal year ended December 31, 2019.

benefits due or liable to be due by reason of a cessation or change of position, or thereafter (including any non-compete fee).

It is noted that the CEO is not a party to any employment agreements or other service agreements with the Company or any of its subsidiaries.

It is noted, to the extent necessary, that the Company's CEO also holds salaried positions within the Hologic group, for which he receives compensation; those positions have no relationship to his position as CEO (or director) of the Company.

This compensation policy may be reevaluated by the Board of Directors in connection with the adoption of future compensation policies.

It is also noted that in accordance with the compensation policy approved by the Board of Directors (which provides in principle for compensation for the independent members of the Board of Directors), Mr. Bara receives no compensation in his capacity as a non-independent member of the Board of Directors. However, he may receive reimbursement of his travel and hospitality costs upon presentation of receipts.

2.4.2. Compensation and benefits paid or allocated to the Company's officers for fiscal year 2019

The components of compensation and benefits presented below are part of the compensation policy determined by the Company's Board of Directors and approved by the Ordinary General Shareholders' Meeting on May 13, 2019 (see the 11th and 12th resolutions, adopted with 88.04% of the votes). On March 17, 2020, the Board of Directors noted that the amounts paid or granted to Michèle Lesieur (CEO) and Michael Brock (chairman of the Board of Directors) in their capacities as such in 2019 comply with that policy and contributed to the Company's long-term performance.

This Section presents a detailed explanation of the information referred to in Article L. 225-37-3 of the French Commercial Code and relating to the compensation of corporate officers for the fiscal year ended December 31, 2019. This information will be the subject of a resolution submitted for the approval of the Ordinary General Shareholders' meeting called to vote on the financial statements for the fiscal year ended December 31, 2019.

2.4.2.1. Compensation and benefits paid or allocated to members of the Company's Board of Directors for fiscal year 2019

The compensation of the members of the Board of Directors was allocated by the Board as follows:

Compensation allocated to the Company's non-executive officers for fiscal year 2019	
Corporate officers Non-executives	FY 2019
Michael Brock	
Compensation (ex attendance fees)	€25,000
Other compensation	€45,000
Alexia Perouse (2)	
Compensation (ex attendance fees)	-
Other compensation	-
Guy Frija (1)	
Compensation (ex attendance fees)	€16,250
Other compensation	-
Danièle Guyot-Caparros (1) (2)	
Compensation (ex attendance fees)	€25,000
Other compensation	-
Ghislaine Gueden (2)	
Compensation (ex attendance fees)	€25,000
Other compensation	-
Antoine Bara (1)	
Compensation (ex attendance fees)	-
Other compensation	-
Michelangelo Stefani (1)	
Compensation (ex attendance fees)	-
Other compensation	-
Patricia Dolan (1)	
Compensation (ex attendance fees)	-
Other compensation	-
TOTAL	€136,250

(1) On August 2, 2019, following the closing of the acquisition by Hologic Hub Ltd. of a block representing approximately 46% of the Company's share capital as of the date thereof, Bpifrance Investissement (represented by Philippe Boucheron), Mérieux Participations (represented by Thierry Chignon), Guy Frija, and Danièle Guyot-Caparros stepped down as members of the Company's Board of Directors. The Board of Directors, taking note of these resignations, and as permitted by Article L. 225-24 of the French Commercial Code, appointed Michelangelo Stefani, Patricia Dolan, and Antoine Bara (all Hologic employees) as directors on a temporary basis and effective immediately, subject to ratification by the General Shareholders' Meeting called to vote on the financial statements for the fiscal year ended December 31, 2019.
(2) At the General Shareholders' Meeting on May 13, 2019, the shareholders voted to ratify the cooptations of the following:
• Danièle Guyot-Caparros, appointed as a director on an interim basis at the Board of Directors' meeting on June 21, 2018, to replace Sabine Lochmann, who resigned. Ms. Guyot-Caparros was appointed for the remainder of Ms.

Lochmann's term, to expire at the close of the Annual Shareholders' Meeting called to vote on the financial statements for the fiscal year ended December 31, 2020; and

• Ghislaine Gueden, appointed as a director on an interim basis at the Board of Directors' meeting on February 13, 2019, to replace Alexia Perouse, who resigned. Ms. Gueden was appointed for the remainder of Ms. Perouse's term, to expire at the close of the Annual Shareholders' Meeting called to vote on the financial statements for the fiscal year ended December 31, 2020.

Compensation paid to the non-executive officers		
Corporate officers Non-executives	FY 2019 Amounts paid	FY 2018 Amounts paid
Michael Brock		
Compensation (ex attendance fees)	€25,000	€18,750
Other compensation	€33,750	€45,000
Sabine Lochmann Beaujour (2)		
Compensation (ex attendance fees)	€2,500	€18,750
Other compensation	-	
Alexia Perouse (2)		
Compensation (ex attendance fees)	€22,500	€5,000
Other compensation	-	
Guy Frija (1)		
Compensation (ex attendance fees)	€16,250	
Other compensation	-	
Danièle Guyot-Caparros (1) (2)		
Compensation (ex attendance fees)	€12,500	
Other compensation	-	
Ghislaine Gueden (2)		
Compensation (ex attendance fees)	-	
Other compensation	-	
Antoine Bara (1)		
Compensation (ex attendance fees)	-	
Other compensation	-	
Michelangelo Stefani (1)		
Compensation (ex attendance fees)	-	
Other compensation	-	
Patricia Dolan (1)		
Compensation (ex attendance fees)	-	
Other compensation	-	

TOTAL	€112,500	€87,500

(1) On August 2, 2019, following the closing of the acquisition by Hologic Hub Ltd. of a block representing approximately 46% of the Company's share capital as of the date thereof, Bpifrance Investissement (represented by Philippe Boucheron), Mérieux Participations (represented by Thierry Chignon), Guy Frija, and Danièle Guyot-Caparros stepped down as members of the Company's Board of Directors. The Board of Directors, taking note of these resignations, and as permitted by Article L. 225-24 of the French Commercial Code, appointed Michelangelo Stefani, Patricia Dolan, and Antoine Bara (all Hologic employees) as directors on a temporary basis and effective immediately, subject to ratification by the General Shareholders' Meeting called to vote on the financial statements for the fiscal year ended December 31, 2019.
(2) At the General Shareholders' Meeting on May 13, 2019, the shareholders voted to ratify the cooptations of the following:
• Danièle Guyot-Caparros, appointed as a director on an interim basis at the Board of Directors' meeting on June 21, 2018, to replace Sabine Lochmann, who resigned. Ms. Guyot-Caparros was appointed for the remainder of Ms. Lochmann's term, to expire at the close of the Annual Shareholders' Meeting called to vote on the financial statements for the fiscal year ended December 31, 2020; and
• Ghislaine Gueden, appointed as a director on an interim basis at the Board of Directors' meeting on February 13, 2019, to replace Alexia Perouse, who resigned. Ms. Gueden was appointed for the remainder of Ms. Perouse's term, to expire at the close of the Annual Shareholders' Meeting called to vote on the financial statements for the fiscal year ended December 31, 2020.

Stock subscription or purchase options granted to each director by the Company or any Group company during the fiscal years ended December 31, 2019 and 2018

None

Stock subscription or purchase options exercised by each director by the Company or any Group company during the fiscal years ended December 31, 2019 and 2018

None.

Free shares granted to each director during the fiscal years ended December 31, 2019 and 2018

None

2.4.2.2. Compensation and benefits paid or allocated to the Company's CEO for fiscal year 2019

As indicated above, the Annual General Shareholders' Meeting on May 13, 2019, called to vote on the financial statements for the fiscal year ended December 31, 2018, approved (in accordance with Article L. 225-37-2 of the French Commercial Code) the "principles and criteria for determining, dividing and allocating the fixed, variable and extraordinary components of the total compensation and benefits of all kinds that might be awarded" to the Chief Executive Officer beginning January 1, 2019 (11th resolution, approved with 88.04% of the vote).

Ms. Lesieur served as CEO throughout 2019 and until she was removed on January 23, 2020.

Fixed compensation
In her capacity as CEO, Ms. Lesieur received annual fixed compensation in a gross amount of €275,000 for the 2019 fiscal year. This fixed compensation represented 68% of her 2019 total fixed and variable compensation in her capacity as CEO.

It is noted that Ms. Lesieur also received the fixed portion of her annual compensation for fiscal year 2020, calculated on a pro rata basis from January 1, 2020 until January 23, 2020, a gross amount of €16,041.67.

Annual variable compensation

At its meetings on February 13, 2019, and June 20, 2019, the Board of Directors, on the recommendation of the Nomination and Compensation Committee, modified the objectives the achievement of which determines the right to payment of variable compensation of up to a maximum gross amount of €125,000. In that regard, it was decided that the CEO's variable compensation would be due in its entirety in the event of a merger or acquisition resulting in a change in control of the Company.

At its meeting on March 17, 2020, the Board of Directors took note of the change of control that occurred in 2019 (following which Hologic Hub Ltd. became the owner of approximately 80.85% of the share capital and voting rights of the Company[19]), and took note of the fact that the objectives referred to above had in fact been achieved.

The question of and full payment of her 2019 variable compensation (a total gross amount of €125,000) due upon a change of control of the Company will be submitted for a vote of the Company's shareholders at the Ordinary General Shareholders' Meeting voting on the financial statements for the fiscal year ended December 31, 2019 (in accordance with Articles L. 225-37-2 and L. 225-100 of the French Commercial Code).

The principles and criteria for determining, distributing and awarding the various components of the CEO's total compensation and benefits of any kind are discussed and approved by the Board of Directors. The variable compensation criteria are determined by the Board of Directors with a view to aligning interests within the Company and in particular with the Company's medium- and long-term strategy and the interests of shareholders.

Benefits in kind and in cash

Michèle Lesieur received an accommodations allowance of €14,996.04 gross per year, a company car benefit of €2,044.90 gross per year, and another benefit in kind of €185.90.

Free share grant

As a result of her departure, Ms. Lesieur irrevocably lost the benefit of her rights to the grant of free performance shares of the Company for those tranches that have not yet vested.

It is noted, to the extent useful, that the total number of Ms. Lesieur's vested free performance shares in connection with the sole share grant plan of which she was a beneficiary is 60,000 shares (which are now fully vested and no long subject to any retention period).

Indemnities, benefits, and compensation granted to the CEO by reason of cessation or change in position/one-time compensation

In connection with Ms. Lesieur's removal as CEO of the Company, the Board of Directors took note, at its meeting on January 23, 2020, that the performance criteria (based on revenue, EBITDA, and profit margin) serving as conditions for granting her a severance payment equal to 12 months of gross compensation (fixed and variable) were not satisfied, on the basis of the financial information then available, and that as such Ms. Lesieur was not eligible to receive that indemnification.

[19] On the basis of the Company's share capital on the closing date of the tender offer, December 16, 2019.

As a result, the Company made no severance payment to Ms. Lesieur. The information relating to Ms. Lesieur's departure is detailed in Section 2.3.1 of this document.

Compensation paid or granted by a company within the scope of consolidation, within the meaning of Article L. 233-16 of the French Commercial Code
The CEO did not receive any such compensation.

Table summarizing the compensation of the executive officers over the last two fiscal years

Summary of compensation granted to each corporate officer				
	FY 2019		FY 2018	
In euros	Amounts payable	Amounts paid	Amounts payable	Amounts paid
Michèle Lesieur - Chief Executive Officer				
Fixed annual compensation	275,000	192,500	275,000	275,000
Variable compensation (6)	125,000			96,548
Extraordinary compensation				
Compensation (ex attendance fees)				
Benefits in kind	17,227	17,227	13,903	13,903
Total	**417,227**	**209,727**	**288,903**	**385,451**
Jacques Souquet – Member of the Management Board until May 28, 2018 (1)				
Fixed annual compensation			93,685	93,685
Variable compensation				73,961
Extraordinary compensation				
Compensation (ex attendance fees)				
Benefits in kind				
Total			**93,685**	**167,646**
Kurt Kelln – Member of the Management Board until May 28, 2018 (1)				
Fixed annual compensation			88,658	88,658
Variable compensation				60,881
Extraordinary compensation				
Compensation (ex attendance fees)				
Benefits in kind			8,098	8,098
Total			**96,756**	**157,637**
Elisabeth Winter – Member of the Management Board until May 28, 2018 (1)				
Fixed annual compensation			61,492	61,492
Variable compensation				64,774
Extraordinary compensation				
Compensation (ex attendance fees)				

Benefits in kind			750	750
Total			**62,242**	**127,016**
Total	**417,227**	**209,727**	**541,586**	**837,750**

(1) The Shareholders' Meeting of May 28, 2018 voted to change the corporate governance structure from a Supervisory Board and Management Board to a Board of Directors with a senior management team. Consequently, for 2018, the compensation granted to each corporate officer was calculated pro rata with his or her corporate office.

(2) At its meetings on February 13, 2019, and June 20, 2019, the Board of Directors, on the recommendation of the Nomination and Compensation Committee, modified the objectives the achievement of which determines the right to payment of variable compensation of up to a maximum gross amount of €125,000. In that regard, it was decided that the CEO's variable compensation would be due in its entirety in the event of a merger or acquisition resulting in a change in control of the Company.
At its meeting on March 17, 2020, the Board of Directors took note of the change of control that occurred in 2019 (following which Hologic Hub Ltd. became the owner of approximately 80.85% of the share capital and voting rights of the Company[20]), and took note of the fact that the objectives referred to above had in fact been achieved.
The question of and full payment of her 2019 variable compensation (a total gross amount of €125,000) due upon a change of control of the Company will be submitted for a vote of the Company's shareholders at the Ordinary General Shareholders' Meeting voting on the financial statements for the fiscal year ended December 31, 2019 (in accordance with Articles L. 225-37-2 and L. 225-100 of the French Commercial Code).

Table summarizing the indemnities and benefits of the executive officers

	Employment agreement	Additional retirement plan	Indemnities or benefits due or likely to be due as a result of a termination or change of position	Indemnity relating to a non-compete clause
Michèle Lesieur - Chief Executive Officer **Start of term**: May 28, 2018 (1) **End of term**: January 23, 2020	**NO**	**NO**	**YES**(2)	**NO**
Antoine Bara - CEO **Start of term**: January 23, 2020 **End of term**: in progress	**NO**	**NO**	**NO**	**NO**

(1) The Shareholders' Meeting of May 28, 2018 voted to change the Company's corporate governance structure to one with a single governance body (in other words, a Board of Directors and senior management). Prior to the change in the

[20] On the basis of the Company's share capital on the closing date of the tender offer, December 16, 2019.

Company's governance model, Ms. Lesieur was the chairwoman of the Company's Management Board (a position she had held since November 23, 2016).
(2) In connection with Ms. Lesieur's removal as CEO of the Company, the Board of Directors took note, at its meeting on January 23, 2020, that the performance criteria (based on revenue, EBITDA, and profit margin) serving as conditions for granting her a severance payment equal to 12 months of gross compensation (fixed and variable) were not satisfied, on the basis of the financial information then available, and that as such Ms. Lesieur was not eligible to receive that indemnification. As a result, the Company made no severance payment to Ms. Lesieur. For more information, see Section 2.4.1.2 of this document.

Table summarizing the compensation, options, and free shares granted to each executive officer

In euros	FY 2019	FY 2018
Michèle Lesieur - CEO from May 28, 2018 to January 23, 2020/Chairwoman of the Management Board until May 28, 2018 (1)		
Compensation payable for the year	417,227	288,903
Value of stock options granted during the year		
Value of performance shares granted during the year		
Total	**417,227**	**288,903**
Jacques Souquet – Member of the Management Board until May 28, 2018 (1)		
Compensation payable for the year		93,685
Value of stock options granted during the year		
Value of performance shares granted during the year		
Total		**93,685**
Kurt Kelln – Member of the Management Board until May 28, 2018 (1)		
Compensation payable for the year		96,756
Value of stock options granted during the year		
Value of performance shares granted during the year		
Total		**96,756**
Elisabeth Winter – Member of the Management Board until May 28, 2018 (1)		
Compensation payable for the year		62,242
Value of stock options granted during the year		
Value of performance shares granted during the year		
Total		**62,242**
Total	**417,227**	**541,586**

(1) The Shareholders' Meeting of May 28, 2018 voted to change the Company's corporate governance structure to one with a single governance body (in other words, a Board of Directors and senior management). Following that date, the members of the Management Board were no longer counted as officers of the Company (except for Ms. Lesieur, who remained as CEO of the Company until she was removed on January 23, 2020).

2.4.2.3. EQUITY RATIOS

Evolution in the mean and median salaries of Company employees

For SuperSonic Imagine	2019	2018	2017	2016	2015
Equity ration with mean compensation					

Michèle Lesieur - Chief Executive Officer	364,264	232,352	330,554	(25,722)	N/A
Michael Brock, chairman of the Board of Directors;	17,037	13,449	N/A	N/A	N/A
Equity ration with average compensation					
Michèle Lesieur - Chief Executive Officer	374,390	243,667	342,294	(14,375)	N/A
Michael Brock, chairman of the Board of Directors;	27,163	24,764	N/A	N/A	N/A

(1) Compensation of the Executive compared with the mean FTE employee salary

(2) Compensation of the Executive compared with the median FTE employee salary

Annual evolution in compensation, in the Company's performance, in mean compensation of Company employees on a full-time equivalent basis (other than executives)

For SuperSonic Imagine	2019	2018	2017	2016	2015
Evolution of mean salaries in euro	(3,588)	1,660	44	54,847	N/A
Evolution of mean salaries as a %	(6)%	3%	0%	N/A	N/A
Evolution of mean compensation of the CEO as a %	44%	(25)%	1223%	N/A	N/A
Evolution of mean compensation of the chairman of the Board of Directors as a %	0%	N/A	N/A	N/A	N/A
Group performance: Revenue	9%	(2)%	11%	N/A	N/A
Group performance: Gross margin	12%	0%	4%	N/A	N/A
Group performance: Current operating income (loss)	(12)%	(3)%	(4)%	N/A	N/A

Free shares that vested for the CEO during the fiscal years ended December 31, 2019 and 2018

Last Name	First Name	Number of free shares vested 2019	Number of free shares vested 2018
Lesieur	Michèle	0	60,000

2.5. Stock Market Ethics Charter

The Company has had an ethics charter since 2014, the year of its IPO.

2.6. GENERAL INFORMATION ABOUT THE SHARE CAPITAL

2.6.1. Breakdown of share capital and voting rights

The capitalization table below presents a breakdown of the Company's share capital and voting rights, on an undiluted basis as of December 31, 2019:

	As of December 31, 2019			
	Number of shares	% of share capital	Number of voting rights	% of voting rights
Management and employees	**72,427**	**0.3%**	**72,427**	**0.3%**
Hologic	19,186,609	79.8%	19,186,609	80.2%
Clearstream/Bank of China	1,408,602	5.9%	1,408,602	5.9%
Interactive Brokers	589,659	2.5%	589,659	2.5%
EIPC Bpifrance/Group CDC	0	0.0%	0	0.0%
EDRIP	0	0.0%	0	0.0%
Auriga Partners	0	0.0%	0	0.0%
Mérieux participations	0	0.0%	0	0.0%
BNY Mellon	0	0.0%	0	0.0%
UBS Europe	0	0.0%	0	0.0%
Omnes Capital	0	0.0%	0	0.0%
NBGI Private Equity	0	0.0%	0	0.0%
Principal financial investors	**21,184,870**	**88.2%**	**21,184,870**	**88.5%**
Others	**2,671,465**	**11.1%**	**2,671,465**	**11.2%**
Treasury shares	**100,732**	**0.4%**	**0**	**0.0%**
Total	**24,029,494**	**100.00%**	**23,928,762**	**100.00%**

To the Company's knowledge, as of the Company's balance sheet date (March 17, 2020), Hologic Hub Ltd. held 19,208,807 shares of the Company, representing approximately 79.94% of the Company's share capital and voting rights.
To the Company's knowledge, there has been no significant change in ownership of the Company's share capital or voting rights since December 31, 2019.

2.6.2. Share capital held by employees

In accordance with Article L. 225-102 of the French Commercial Code, we inform you that as of December 31, 2019, 0.3% of the Company's share capital was held by employees.

In March 2017 and in April 2018, the Company created free share grant plans for the benefit of its employees and officers. As of the date of this document, in accordance with authorizations granted by the General Shareholders' Meeting, the Company has granted a total of 207,500 fully vested free performance shares to employees and officers of the Company, representing approximately 0.86% of the Company's share capital and voting rights, and has granted 637,500 free performance shares that have not yet vested to employees and officers of the Company, representing approximately 2.65% of the Company's share capital and voting rights. The free shares vest in annual tranches of 20%, following which they are subject to a 12-month retention period. Since Hologic Hub Ltd.'s acquisition of control of the Company, the vesting of free shares has not been subject to performance conditions, but remains subject to the condition that the beneficiary remain as an office or employee of the Company. Thus, except under special circumstances with the approval of the Board of Directors, beneficiaries irrevocably lose the unvested tranches of their free shares:

- In the event of a resignation effective before the end of a vesting period, the loss of the free shares occurs on the date that the beneficiary's employment agreement or corporate office ends; or
- In the event of dismissal or termination for any reason whatsoever before the end of the Vesting period, the loss of the free shares occurs on the date on which notice of dismissal or termination is given.

In October 2013 and September 2014, the Company created three share subscription option plans for the benefit of certain employees and officers. To the Company's knowledge, as of the date of this document, there are 128,282 share subscription options in circulation, the exercise of which would give rise to subscription for a total of 128,282 shares representing approximately 0.53% of the Company's share capital and voting rights (or 128,282 shares pursuant to the plans dated October 4, 2013 and no shares pursuant to the plan dated September 19, 2014), for an exercise price of €0.10 per share with respect to the share subscription options granted in 2013 and €8.18 per share for the share subscription options granted in 2014.

As of the date hereof, no dilutive instruments in circulation are held by either the CEO or any of the directors.
As of the date hereof, there are no dilutive instruments in circulation, except for the free shares and share subscription options described above.[21]

2.6.3. Crossing of equity thresholds during the fiscal year

Bpifrance and Caisse des dépôts et consignations (CDC) reported that on August 1, 2019, through Bpifrance Participations SA, Bpifrance Investissement (acting on behalf of funds that it manages[22]), and CDC Croissance (formerly CDC Entreprises Valeurs Moyennes) they had crossed, downward, the thresholds of 25% 20%, 15%, 10%, and 5% of the Company's share capital and voting rights, and

[21] Thus:

- All of the share subscription warrants issued by the Company that remained in circulation during the 2019 fiscal year were exercised or waived by their holders;
- On August 21, 2019, the Company terminated its financing program based on the issuance of ordinary and convertible bonds with share subscription warrants to the Kreos entities, in accordance with an agreement entered into on August 1, 2019, resulting in the cancellation of all of the share subscription warrants that had been granted to it, and Norgine definitively released the 50,000 share subscription warrants that had been granted to it; and
- All of the founders' share subscription warrants issued by the Company that remained in circulation during the 2019 fiscal year (as of January 1, 2019, 12,000 warrants giving the right to subscribe for 122,183 shares) were cancelled on November 5, 2019.

[22] Bpifrance Investissement is controlled by Bpifrance Participations, which in turn is controlled by Bpifrance SA, of which 50% is held by the Caisse des dépôts et consignations and 50% is held by the EPIC (state-owned commercial or industrial company) Bpifrance.

now hold no shares of the Company (following the sale of all of the shares in question to Hologic Hub Ltd.)

Bpifrance Participations reported that it had individually crossed, downward, the thresholds of 10% and 5% of the Company's share capital and voting rights and no longer held any shares of the Company, and Bpifrance Investissement, acting on behalf of the Innobio, Bioam, and Bioam 1bis C1, reported that it had individually crossed, downward, the thresholds of 10% and 5% of the Company's share capital and voting rights and no longer held any shares (following the sale of all of the shares in question to Hologic Hub Ltd.)

Auriga Partners, acting on behalf of FPCI Auriga Ventures II, which it manages, reported that on August 2, 2019, it had crossed, downward, the threshold of 5% of the Company's share capital and voting rights and no longer held any shares of the Company (following the sale of all of the shares in question to Hologic Hub Ltd.)

Andera Partners (formerly called Edmond de Rothschild Investment Partners), acting on behalf of funds that it manages, reported that on August 2, 2019, it had crossed, downward, the threshold of 5% of the Company's share capital and voting rights and no longer held any shares of the Company (following the sale of all of the shares in question to Hologic Hub Ltd.)

Hologic Hub Ltd. reported that it had crossed, upward, (i) on August 1, 2019, the thresholds of 5%, 6%, 9%, 10%, 12%, 15%, 18%, 20%, 21%, 24%, 25%, 27%, 30%, 33%, 33.33%, 36%, 39%, 42%, and 45% of the Company's share capital and voting rights; (ii) on November 14, 2019 (at the close of its tender offer for the Company), the thresholds of 48%, 50%, 51%, 54%, 57%, 60%, 63%, 66%, 66.66%, 69%, 72%, and 75% of the share capital and voting rights; and (iii) on December 16, 2019 (at the close of its re-opened tender offer) the threshold of 78% of the Company's share capital and voting rights.

In addition, the Company is also aware of the following changes that occurred in the composition of its shareholder base during the year ended December 31, 2019:

- Clearstream's acquisition of 1,408,602 shares (6%); and
- Interactive Brokers' acquisition of 589,659 shares (2%).

To the Company's knowledge, there was no other significant change in ownership of the Company's share capital or voting rights during the fiscal year ended December 31, 2019.

2.6.4. Exceeding statutory thresholds - voting rights

Any natural person or legal entity, acting alone or in concert, that comes to hold, in any manner whatsoever, within the meaning of Articles L. 233-7 et seq. of the French Commercial Code, directly or indirectly, a fraction equal to three per cent (3%) of the Company's share capital or voting rights, must notify the Company by providing the information specified in Article L. 233-7-I of the French Commercial Code (in particular, the total number of shares and the voting rights that it owns) by registered mail with request for acknowledgment of receipt, or by any other equivalent means for persons residing outside of France, sent to the Company's headquarters within four trading days of the threshold being crossed.

This obligation also applies, subject to the conditions above, every time a further threshold of three percent (3%) of the company's capital or voting rights is reached or crossed, for whatever reason, including a crossing of a threshold above the statutory threshold of 5%.

Any shareholder whose ownership in the share capital or voting rights decreases below one of the thresholds described above is also required to notify the Company within the same period of four trading days, in the same manner as described above.

In the event of non-compliance with these provisions, at the request of one or more shareholders holding at least five percent (5%) of the company's share capital or voting rights, the shares exceeding the fraction which should have been reported are deprived of their voting rights at Shareholders' Meetings for two years from the date on which the notice is duly served.

As of the publication date of this annual financial report, the voting rights of each shareholder were the same as the number of shares held by each of them. No double voting right has been established and the Company has no intention of granting one.

There are no bylaw provisions or shareholders' agreement, to the Company's knowledge, that could result in restrictions on voting rights or on the transfer of shares.

2.6.5. Transactions in the Company's shares by corporate officers

Pursuant to Article L. 621-18-2 of the French Monetary and Financial Code, the following transactions in the Company's shares were carried out by executives or persons closely related to them during the 2019 fiscal year:

Name of the executive or closely related person/Position	Name of the executive to whom the person is closely related person	Date	Place	Type of transaction	Financial instrument	Unit price in euros	Volume	Transaction related to the exercise of options for shares or grants of free shares or performance shares
Bpifrance Participations SA / Director	N/A	8/2/2019	Off market	Disposals	Shares	1.5	2,773,221	No
Bpifrance Investissement SAS / Director	N/A	8/2/2019	Off market	Disposals	Shares	1.5	1,844,936	No
Bpifrance Investissement SAS / Director	N/A	8/2/2019	Off market	Disposals	Shares	1.5	138,880	No
Bpifrance Investissement SAS / Director	N/A	8/2/2019	Off market	Disposals	Shares	1.5	605,660	No
Michèle Lesieur / Chief Executive Officer	N/A	11/20/2019	Euronext Paris	Disposals	Shares	1.5	27,450	No

Name of the executive or closely related person/Position	Name of the executive to whom the person is closely related person	Date	Place	Type of transaction	Financial instrument	Unit price in euros	Volume	Transaction related to the exercise of options for shares or grants of free shares or performance shares
Hologic Hub Ltd.	Michelangelo Stefani	11.12.2019	Euronext Paris	Acquisition	Shares	1.5	218,598	No
Hologic Hub Ltd.	Michelangelo Stefani	12/12/2019	Euronext Paris	Acquisition	Shares	1.5	76,914	No
Hologic Hub Ltd.	Michelangelo Stefani	12/13/2019	Euronext Paris	Acquisition	Shares	1.5	15,118	No
Hologic Hub Ltd.	Michelangelo Stefani	12/16/2019	Euronext Paris	Acquisition	Shares	1.5	474,425	No

2.6.6. Control of the Company

As of the publication date of this annual financial report, Hologic Hub Ltd., a company indirectly held by Hologic Inc. (Nasdaq: HOLX), a U.S. company, is the Company’s controlling shareholder within the meaning of Article L. 233-3 of the French Commercial Code.

To the Company’s knowledge, there is no concerted shareholder action or agreement that could lead to a change of control.

To the Company’s knowledge, there is no agreement that, if modified or terminated in the event of a change of control of the Company, would have a significant impact on the Company.

2.6.7. Pledges of Company shares

To the Company’s knowledge, none of its shares have been pledged by any of its shareholders.

2.6.8. Agreement providing indemnification for members of the Board of Directors or employees

No agreements have been put in place by the Company to provide indemnification for members of the Board of Directors or employees in the event that they resign or their employment ends due to a tender offer.

2.6.9. Stock Information

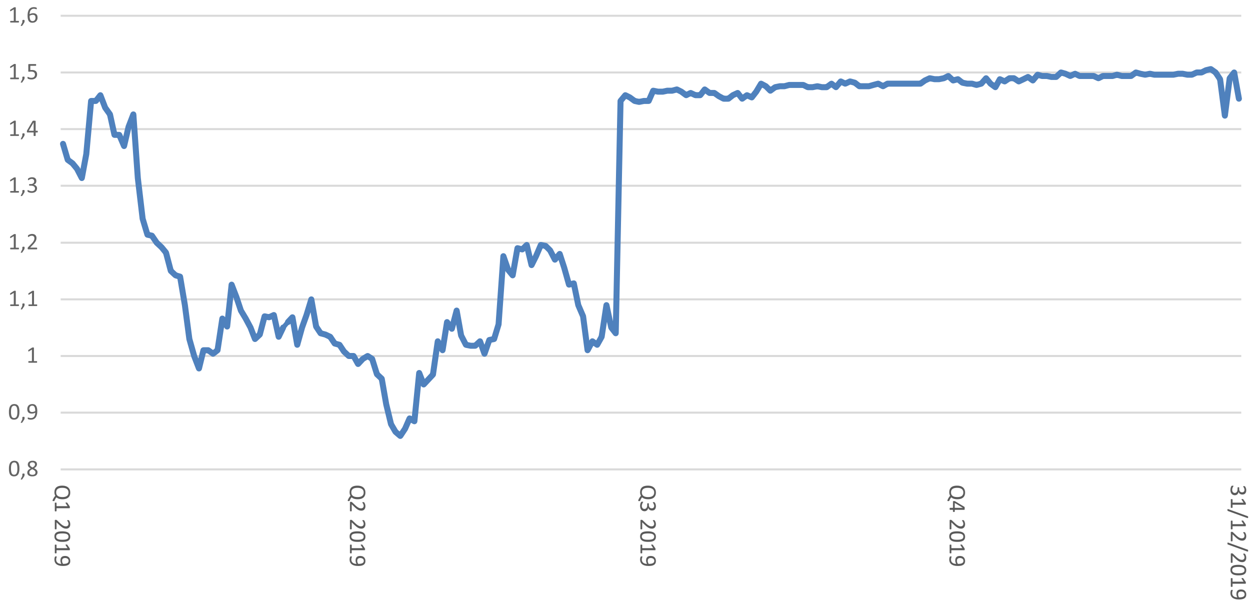
Since April 10, 2014, the Company has been listed on the Euronext regulated market in Paris. Its shares are admitted for trading on Compartment C under ISIN code FR0010526814 and the mnemonic SSI.

On December 31, 2019, the share price was €1.454, representing a market capitalization of €34.9 million. As of December 31, 2018, the share price was €1.36, representing a market capitalization of €31.8 million. There was a high of €2.45 and a low of €1.18 during the 2019 fiscal year.

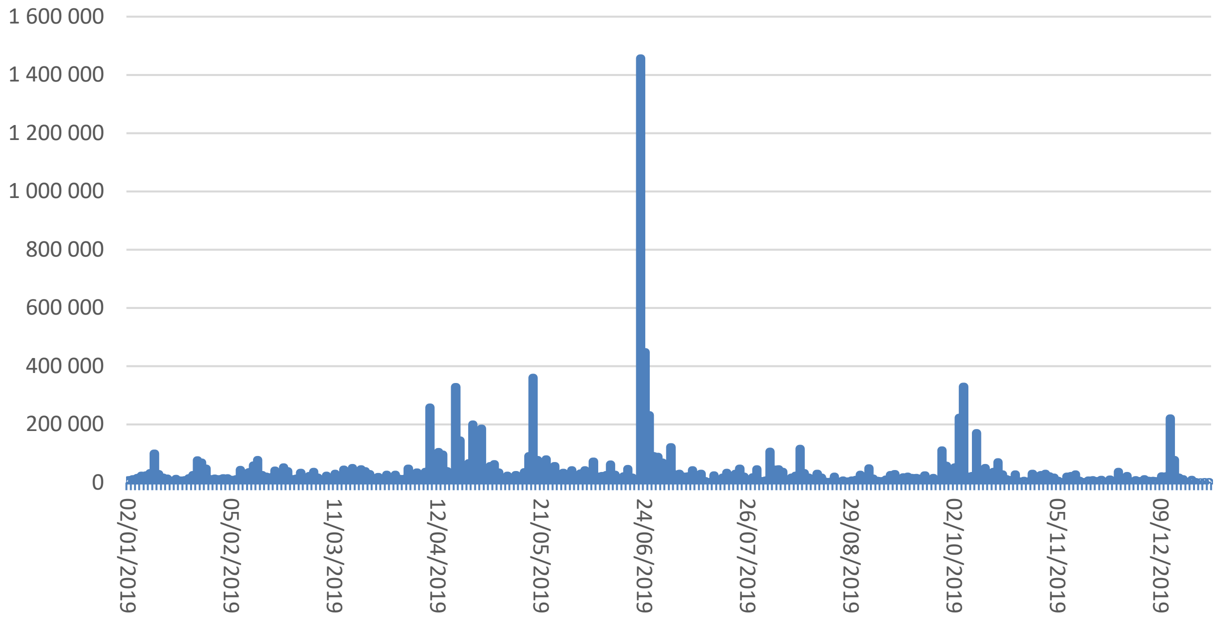
Information concerning the stock price and trades is shown below.

	Average price	Average number of shares traded per day
Jan 2019	1.35	26,598.91
Feb 2019	1.07	29,200.60
Mar 2019	1.04	24.994.24
Apr 2019	0.95	88,765.55
May 2019	1.11	54,245.50
Jun 2019	1.20	141,473.45
Jul 2019	1.46	26,231.09
Aug 2019	1.48	26,086.32
Sep 2019	1.48	23,480.86
Oct 2019	1.49	52,082.43
Nov 2019	1.50	12,199.86
Dec 2019	1.49	24,814.65
H1 2019	**1.30**	**44,181.12**

During the 2019 fiscal year, the stock price varied as follows:



The number of shares traded changed, as follows:



2.6.10. Rules applicable to the appointment and replacement of members of the Board of Directors and amendment of the bylaws

2.6.10.1. Rules applicable to the appointment and replacement of members of the Board of Directors

The rules applicable to the appointment and replacement of members of the Board of Directors are described in Section 2.1.1 of this document.

2.6.10.2. Rules applicable to amendment of the bylaws

In accordance with the law, only the Extraordinary General Shareholders' Meeting is authorized to amend any provisions of the bylaws. Any clause to the contrary is null and void.

2.6.10.3. Powers of the Board of Directors

The powers of the Board of Directors are described in Section 2.1.1 of this document.

2.6.11. Table summarizing delegations of authority in effect

Type of delegation	Date of the General Shareholders' Meeting	Duration of validity / expiration	Limits	Price-determination procedures	Available balance
Authorization to the Board of Directors for the Company to buy back its own shares	May 13, 2019 14th Resolution	18 months (11)	Maximum price of €15 per share, global limit of €3,000,000 Up to a limit of 10% of the share capital		(10)
Authorization to the Board of Directors to decrease the share capital by cancellation of shares in connection with the authorization to buy back its own shares	May 13, 2019 15th Resolution	18 months	10% of the share capital per 24-month period		(9)
Delegation of authority to the Board of Directors to increase the capital by issuing ordinary shares or any other securities, with a preferential subscription right for shareholders	May 13, 2019 16th Resolution	26 months	€1,200,000 for equity securities and €15,000,000 for debt securities (1)		(9)
Delegation of authority to the Board of Directors to increase the capital by issuing ordinary shares or any	May 13, 2019 17th Resolution	26 months	€600,000 for equity securities	(2)	(9)

Type of delegation	Date of the General Shareholders' Meeting	Duration of validity / expiration	Limits	Price-determination procedures	Available balance
other securities, without a preferential subscription right for shareholders			and €15,000,000 for debt securities (1)		
Delegation of authority to the Board of Directors to increase the capital by issuing ordinary shares or any equity-linked security, without a preferential subscription right for shareholders, as part of an offer to qualified investors or a restricted group of investors in accordance with Article L. 411-2 of the French Monetary and Financial Code.	May 13, 2019 18th Resolution	26 months (11)	€480,000 (1) up to 20% of the share capital per 12-month period for equity securities and €15,000,000 for debt securities (1)	(2)	(9)
Delegation of authority to the Board of Directors to increase the capital immediately or in the future by issuing ordinary shares and/or any other securities, without a preferential subscription right for shareholders, for the benefit of persons satisfying specific characteristics (12)	May 13, 2019 19th Resolution	18 months (11)	€1,200,000 for equity securities and €15,000,000 for debt securities (1)	(3)	(9)
Delegation of authority to the Board of Directors to increase the capital immediately or in the future by issuing ordinary shares and/or any other securities, without a preferential subscription right for shareholders, for the benefit of a category of persons in connection with a financing agreement for equity or debt (13)	May 13, 2019 20th Resolution	18 months (11)	€480,000 for equity securities and €15,000,000 for debt securities (1)	(4)	(9)
Authorization to the Board of Directors, in the event of the issuance of shares or any other securities giving access to the share capital without a preferential subscription right for shareholders, to set the issuance price within a limit of 10% of the share capital and within the limits provided for by the General Shareholders' Meeting pursuant to Resolutions 16 to 20	May 13, 2019 21st Resolution	26 months (11)	Within a limit of 10% of the share capital per 12-month period	(5)	(9)
Delegation to the Board of Directors to increase the number of securities to be issued in the event of a capital increase with or without a preferential subscription right, in connection with Resolutions 16 to 20	May 13, 2019 22nd Resolution	26 months	Within the limit of 15% of the initial issuance (1)	Same price as the initial issuance	(9)
Delegation of authority to the Board of Directors to issue ordinary shares and equity-linked Company securities in the event that the Company initiates a tender offer with an exchange offer component	May 13, 2019 23rd Resolution	26 months	€600,000 for equity securities and €15,000,000 for debt securities (1)		(9)
Delegation of power to the Board of Directors to issue ordinary shares of the Company or securities giving access by any means, immediately and/or in the future, to ordinary shares of the Company, up to a limit of 10% of the share capital, in consideration of contributions in kind of shares or securities giving access to shares of third-party companies other than in the case of an exchange offer	May 13, 2019 24th Resolution	26 months	Up to 10% of the existing share capital as of the date of the transaction for equity securities and €15,000,000 for debt securities (1)		(9)
Delegation of authority to the Board of Directors to increase the share capital by incorporation of premiums, reserves, profits or otherwise	May 13, 2019 26th Resolution	26 months	€50,000		(9)
Authorization to the Board of Directors to grant Company share subscription or purchase options	May 13, 2019 27th Resolution	38 months	1,500,000 shares (6) and the total number of shares that could be subscribed for upon exercise of the share subscription options granted and not yet exercised may never be	(7)	(9)

Type of delegation	Date of the General Shareholders' Meeting	Duration of validity / expiration	Limits	Price-determination procedures	Available balance
			greater than one-third of the share capital,		
Authorization for the Board of Directors to grant free shares, whether existing or to be issued	May 13, 2019 28th Resolution	38 months	1,000,000 shares and up to a limit of 10% of the share capital (6)		(9)
Delegation of authority to the Board of Directors to issue and award share subscription warrants to (i) members and observers on the Company's Board of Directors in office on the warrant grant date who are not employees or executives of the Company or of one of its subsidiaries or to (ii) persons who are parties to service or consultancy agreements with the Company or one of its subsidiaries or to (iii) members of any committee that the Board of Directors has established or may establish who are not employees or executives of the company or of one of its subsidiaries	May 13, 2019 29th Resolution	18 months	1,500,000 shares (6)	(8)	(9)

(1) These amounts are not cumulative. The cumulative maximum limit authorized by the General Shareholders' Meeting for capital increases in par value pursuant to the delegations granted in Resolutions 16 to 20 and Resolutions 22 to 24 is €1,200,000. The total par value of issuances of securities representing claims against the Company and giving access to the Company's share capital pursuant to the delegations granted in Resolutions 16 to 20 and 22 to 24 may not exceed €30,000,000.

(2) The issuance price for the shares and other securities must be at least equal to the minimum set by applicable laws and regulations at the time the delegation is used, which is currently the weighted average of the stock price over the last three trading days preceding the pricing, less, if applicable, the maximum 5% discount authorized by law and corrected in the event of a difference on the dividend date, it being specified that the issuance price for securities giving access to the share capital will be such that the amount immediately received by the company, plus, if applicable, the amount that it may later receive, must be, for each share issued as a result of the issuance of such securities, at least equal to the issuance price defined above.

(3) For so long as the Company's shares are listed on a regulated market, the issuance price for its shares, or the amount that the Company receives per share:
a) For shares issued in connection with this delegation must be at least equal to the volume-weighted average (in the central order book and excluding off-market block trades) of the Company's stock price on the Euronext Paris regulated market over the last three trading sessions prior to the pricing, such average being subject to correction to take into account any differences on the dividend date, and potentially decreased by a maximum discount of 25%;
b) Equity-linked securities issued in connection with this delegation must be such that the amount received immediately by the Company, plus, as the case may be, any amount that may be received subsequently by the Company, shall be, for every ordinary share issued as a result of the issuance of such securities, at least equal to the amount defined in paragraph (a) above.

(4) The issuance price for the shares shall be at least equal to the volume-weighted average price over the last three trading sessions or over the last 20 trading sessions prior to pricing, to which may be applied a maximum discount of 15%, taking into account, where applicable, the dividend date, provided, that (i) in the case of an issuance of securities giving access to the share capital, the issuance price for the shares that may result from their exercise, conversion, or exchange may be set, at the discretion of the Board of Directors by reference to a calculation formula defined by it and applicable on a later date than the issuance of such securities (for example, at the time of their exercise, conversion, or exchange) to which the maximum discount referred to above may be applied, if the Board of Directors deems advisable, on the application date of the formula (rather than on the pricing date for the issuance); and (ii) the issuance price for the securities giving access to the share capital, if any, issued under this resolution shall be such that the amount that may be received immediately by the Company plus the amount that it may receive upon the exercise or conversion of such securities shall be, for each share issued as a result of the issuance of such securities, at least equal to the minimum amount referred to above.

(5) a) The issuance price for the shares shall be at least equal to the volume-weighted average price over the last 3 trading sessions prior to pricing, less a maximum discount of 25%, it being noted that it can in no event be less than the par value of a share of the Company on the isuance date of the relevant shares, and it being noted that in the case of an issuance of securities giving access to the share capital, the issuance price for the shares that may result from their exercise, conversion, or exchange may be set, at the discretion of the Board of Directors by reference to a calculation formula defined by it and applicable on a later date than the issuance of such securities (for example, at the time of their exercise, conversion, or exchange) to which the maximum discount referred to above may be applied, if the Board of Directors deems advisable, on the application date of the formula (rather than on the pricing date for the issuance);
b) The issuance price for securities giving access to the share capital shall be such that the amount received immediately by the Company, plus, if applicable, the amount that it may receive later shall be, for each share issued as a result of the issuance of such securities, at least equal to the issuance price defined in the preceding paragraph.

(6) These amounts are not cumulative. The maximum total authorized issuances is 1,500,000 shares, pursuant to the delegations given pursuant to Resolutions 27 and 29.

(7) The purchase or subscription price per shall will be set by the Board of Directors on the date on which the option is granted, within the limited provided for by law and the relevant resolution, but may not be less than 95% of the average listed price over the 20 trading sessions preceding the date of the decision by the Board of Directors to grant the options, rounded to the next lower euro, and may not be less, with respect to share purchase options, than 80% of the average purchase price of Company shares held by the Company, rounded to the next lower euro.

(8) The issuance price of a share subscription warrant will be determined by the Board of Directors on its issuance date on the basis of its characteristics and must be equal to at least 5% of the volume-weighted average price over the 5 trading sessions on the Euronext Paris regulated market preceding the

date on which the Board of Directors grants the warrants. For so long as the Company's shares are admitted to trading on a regulated market, the subscription price for an ordinary Share of the Company upon exercise of a share subscription warrant, which shall be determined by the Board of Directors at the time of the grant of the share subscription warrants, must be at least equal to the highest of the three following amounts:
a) the sale price of one share at the close of such regulated market on the day preceding the date on which the Board of Directors decides to grant the share subscription warrants;
b) the average share price over the last 20 trading sessions preceding the date on which the Board of Directors decides to grant the share subscription warrants; or
c) if one or more capital increases have been carried out less than six months prior to the decision by the Board of Directors to grant the share subscription warrants in question, the subscription price for an ordinary share of the Company used in connection with the most recent of such capital increases, evaluated as of the grant date of each share subscription warrant.

(9) These delegations were not used during the fiscal year ended December 31, 2019.

(10) This delegation was used in connection with the liquidity agreement entered into with Gilbert Dupont and suspended at the Company's request until further notice. As of the date hereof, the Company holds 100,732 of its own shares pursuant to that liquidity agreement.

(11) Without prior authorization by the General Shareholders' Meeting, the Board of Directors may not use this delegation or authorization as from the date on which a third party files a draft tender offer for the Company's shares and until the end of the offer period.

(12) The categories of persons satisfying the characteristics in question are defined as follows in the resolution as approved:
(i) companies, institutions, or entities, whatever their corporate form, whether French or foreign, a significant part of whose business is in the healthcare and/or medical equipment and devices and/or pharmaceutical and/or biotechnology industries; and/or
(ii) natural persons or legal entities (including companies), trusts or investment funds (including, without limitation, any FCPI, FPCI, FCPR, or FIP), or other placement vehicles of whatever form, whether governed by French law or foreign law, that habitually invest in the healthcare and/or medical equipment and devices and/or pharmaceutical and/or biotechnology industries; and/or
(iii) French or foreign investment service providers, or any foreign institution having an equivalent status, able to guarantee the completion of an issuance intended for placement to the categories of persons referred to in (i) and/or (ii) above, and, in such connection, to subscribe for the issued shares.

(13) The categories of persons satisfying the characteristics in question are defined as follows in the resolution as approved: any credit institution, investment services provider or member of a bank placement syndicate, or investment fund or company in the business of guaranteeing the completion of a capital increase or of any issuance that could lead to a capital increase in the future that may be carried out pursuant to this delegation in connection with the entry into a financing agreement for equity or debt.

2.7. INCENTIVE AND PROFIT-SHARING AGREEMENTS

No incentive or profit-sharing agreements put in place by the Company were in effect during fiscal years 2018 or 2019.

3. STATUTORY AUDITORS' REPORT ON RELATED-PARTY AGREEMENTS ENTERED INTO DURING THE FISCAL YEAR ENDED DECEMBER 31, 2019

TALENZ ARES AUDIT

ERNST & YOUNG et Autres

SuperSonic Imagine

General Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2019

Statutory Auditors' special report on related-party agreements

TALENZ ARES AUDIT	ERNST & YOUNG et Autres
26, boulevard Saint Roch	1025, rue Henri Becquerel
B.P. 278	CS 39520
84011 Avignon Cedex 1	34961 Montpellier Cedex 2
S.A.S. (simplified stock company) with share capital of €131,922	S.A.S. (simplified stock company) with variable share capital
706 621 590 R.C.S. (trade and companies register) Avignon	438 476 913 R.C.S. (trade and companies register) Nanterre
Statutory Auditors	Statutory Auditors
Member of the	Member of the
compagnie régionale (regional association) of Nîmes	*compagnie régionale* (regional association) of Versailles

SuperSonic Imagine
General Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2019

Statutory Auditors' special report on related-party agreements

To the Shareholders:

In our capacity as the statutory auditors of your company, we hereby report on certain regulated agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the characteristics, essential terms and conditions and rationale for the Company of the agreements of which we were advised, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any other agreements. It is your responsibility, pursuant to the provisions of Article R. 225-31 of the French Commercial Code, to evaluate the benefits resulting from these agreements prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code of the implementation, during the year, of the agreements already approved by the Shareholders' Meeting.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (Compagnie Nationale des Commissaires aux Comptes) relating to this type of engagement. These procedures consisted of verifying that the information given to us is consistent with the relevant source documents.

Agreements submitted for approval by the Shareholders' Meeting

■ Authorized agreements entered into during the previous fiscal year

Pursuant to Article L. 225-40 of the French Commercial Code, we have been informed of the following agreements entered into during the previous fiscal year and that received prior authorization from your board of directors.

► With Hologic Hub Ltd., a shareholder holding more than 10% of the voting rights

Loan agreement

Nature and purpose

On August 14, 2019, your company and Hologic Hub Ltd. entered into an English-language revolving credit agreement, the "Loan Agreement," the entry into which had been authorized by your board of directors on August 13, 2019.

In addition, we note that in connection with its entry into the Loan Agreement in its capacity as a subsidiary of Hologic Hub Ltd., your company acceded to an Intercompany Demand Promissory Note dated May 29, 2015, entered into by Hologic Inc. (the parent company of the Hologic group) and its subsidiaries in connection with a Credit and Guaranty Agreement dated May 29, 2015 (and later amended) between Hologic, Inc., Hologic GGO 4 Ltd., and Bank of America, N.A. The Intercompany Demand Promissory Note subordinates certain cash flows between members of the group to the obligations arising under the Credit and Guaranty Agreement. Your board of directors authorized the accession on August 13, 2019.

Terms

This revolving credit agreement was entered into on the following principal terms:

- maximum total amount of €30 million;
- maturity date: August 12, 2024 (unless accelerated);
- interest rate: 5.47% per three-month interest period;
- early repayment: at any time without premium or penalty, provided that any early repayment is in a minimum amount of €500,000 and in multiples of €500,000 thereafter. Moreover, subject to providing prior notice of five (5) days, Hologic Hub Ltd. may demand that the company repay the outstanding loan in full, as well as any other obligation, if (i) at any time on or after February 12, 2020, Hologic Hub Ltd. holds less than 90% of the share capital and voting rights of your company on such date; or (iii) there is an acceleration under the loan agreement.

As of December 31, 2019, the outstanding balance of the loan was €34.080 million, and interest incurred was €422,000. Interest expense recorded for the fiscal year ended December 31, 2019 totaled €542,000.

Reasons for which the agreement is in the interest of your company

Your board provided the following reason for entering into this agreement: this loan agreement will serve to finance the working capital needs of your company and to repay its debt. In particular, it will be used for the payment and repayment, in accordance with the termination agreement entered into between your company and the Kreos entities on August 1, 2019, of all amounts due to the Kreos companies under the 2017 Venture Loan, the 2018 Venture Loan, and all of the related documents.

► **With Hologic Inc., a company that controls a shareholder holding more than 10% of the voting rights**

Purchase Agreement relating to the sale of your company's U.S. subsidiary

Nature and purpose

On December 27, 2019, your company, as seller, entered into an English-language purchase agreement (the "Purchase Agreement") with Hologic Inc., an indirect shareholder holding more than 10% of the company's share capital, as buyer, relating to (i) all of the shares of SuperSonic Imagine Inc., your company's U.S. subsidiary; and (ii) a receivable held by your company against that subsidiary. Your board of directors authorized this agreement on December 18, 2019.

Terms

The price for the shares and for the assigned receivable, the face value of which was approximately €22,760,000 as of the date of the sale, was set at a total amount of €2,718,000 pursuant to a valuation report prepared by PricewaterhouseCoopers, subject to a possible upward adjustment of the price in the event of an increase in the amount of the receivable.

Reasons for which the agreement is in the interest of your company

Your board provided the following reason for entering into this agreement: the purpose of the sale of the subsidiary and of the receivable to Hologic Inc. is to expand the group's overall commercial prospects in the United States and to better integrate the subsidiary's employees into Hologic's U.S. operations. Following the sale, the subsidiary was merged into Hologic, Inc.

■ **Authorized agreements entered into since year-end**

We have been informed of the following agreements authorized and entered into since the end of the previous fiscal year and that received prior authorization from your board of directors.

► **With Hologic Hub Ltd., a shareholder holding more than 10% of the voting rights**

1) Amendment No. 2 to the Loan Agreement

Nature and purpose

On February 12, 2020, your company and Hologic Hub Ltd. entered into a second amendment to the English-language revolving loan agreement initially entered into on August 14, 2019 (the "**Loan Agreement**"). The amendment had been authorized by your board of directors of February 4, 2020.

Terms

Amendment No. 2 eliminates the acceleration events provided for under the Loan Agreement, which permitted Hologic Hub Ltd. to demand that the company repay the outstanding loan at any time, with five (5) days' prior notice if (i) on or after February 12, 2020, Hologic Hub Ltd. holds less than 90% of the share capital and voting rights of your company on such date; or (iii) there is an acceleration under the Loan Agreement. As of December 31, 2019, the outstanding balance of the loan was €34.080 million, and interest incurred was €422,000. Interest expense recorded for the fiscal year ended December 31, 2019 totaled €542,000.

Reasons for which the agreement is in the interest of your company

Your board provided the following reason for entering into this agreement: Amendment No. 2 changes the definition of the maturity date included in Article 6 of the Loan Agreement in order to eliminate the acceleration events that permitted Hologic Hub Ltd. to demand that the company repay the outstanding loan at any time, subject to providing five (5) days' prior notice, if (i) on or after February 12, 2020, Hologic Hub Ltd. holds less than 90% of the share capital and voting rights of your company on such date; or (iii) there is an acceleration under the Loan Agreement.

2) Amendment No. 3 to the Loan Agreement

Nature and purpose

On March 17, 2020, your company and Hologic Hub Ltd. entered into a third amendment to the English-language revolving loan agreement initially entered into on August 14, 2019 (the "**Loan Agreement**"). The amendment had been authorized by your board of directors of February 17, 2020.

Terms

The purpose of Amendment No. 3 is to increase the maximum cumulative amount of the revolving loan from €50 million to €65 million.

As of December 31, 2019, the outstanding balance of the loan was €34.080 million, and interest incurred was €422,000. Interest expense recorded for the fiscal year ended December 31, 2019 totaled €542,000.

Reasons for which the agreement is in the interest of your company

Your board provided the following reason for entering into this agreement: entry into this Amendment No. 3 is in the company's interest, because the increase in the maximum cumulative amount of the revolving loan from €50 million to €65 million enables us to ensure the continued operations of the company over the twelve months following approval of the company's financial statements.

■ **Agreements not authorized in advance**

Pursuant to Articles L. 225-42 and L. 823-12 of the French Commercial Code, we inform you that the following agreement was not authorized in advance by your board of directors.

It is our responsibility to inform you of the reasons for which the authorization procedure was not followed.

▸ **With Hologic Hub Ltd., a shareholder holding more than 10% of the voting rights**

Amendment No. 1 to the Loan Agreement

Nature and purpose

On November 22, 2019, your company and Hologic Hub Ltd. entered into a first amendment to the English-language revolving loan agreement initially entered into on August 14, 2019 (the "**Loan Agreement**").

Terms

The purpose of Amendment No. 1 is to increase the maximum cumulative amount of the revolving loan from €30 million to €50 million.

As of December 31, 2019, the outstanding balance of the loan was €34.080 million, and interest incurred was €422,000. Interest expense recorded for the fiscal year ended December 31, 2019 totaled €542,000.

Reasons for which the agreement is in the interest of your company

Your board provided the following reason for entering into this agreement: entry into this Amendment No. 1 is in the interest of the company, because it enables it to improve its available cash situation and, potentially, to repay its debts early.

Due to an omission by your board of directors, the agreement referred to above was not authorized in advance pursuant to Article L. 225-38 of the French Commercial Code.

However, we note that at its meeting on March 17, 2020, your board of directors decided to authorize this agreement after the fact.

Agreements already approved by the Shareholders' Meeting

We hereby inform you that we have not been advised of any agreements that had already been approved by the Shareholders' Meeting and the performance of which continued during the previous fiscal year.

Avignon and Montpellier, April 8, 2020

The Statutory Auditors

TALENZ ARES AUDIT

ERNST & YOUNG et Autres

Johan Azalbert

Xavier Senent

Frédérique Doineau

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1 CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

Consolidated income statement

In thousands of euros	Note	Dec. 31, 2019	Dec. 31, 2018
Revenue	6	26,411	24,290
Other income	7	343	338
Income		**26,754**	**24,628**
Cost of sales	24	(14,303)	(13,530)
Gross margin	**24**	**12,451**	**11,098**
Gross margin on revenue (1)	**24**	**12,108**	**10,760**
Gross margin as a % of revenue (2)	***24***	***45.8%***	***44.3%***
Research and development expenses	25	(2,894)	(3,178)
Selling and marketing expenses	26	(12,319)	(11,685)
General and administrative expenses	27	(4,039)	(4,374)
Operating expenses	28	(1,634)	(1,497)
Other operating income/(expenses)	29	8	21
Current operating income (loss)		**(8,426)**	**(9,615)**
Other non-current operating income/(expenses)	30	(9,326)	(1,674)
Operating income (loss)		**(17,752)**	**(11,290)**
Financial income	33	537	16
Financial expenses	33	(5,277)	(1,960)
Financial income (loss)	**33**	**(4,740)**	**(1,944)**
Income (loss) before tax		**(22,492)**	**(13,234)**
Income tax expense	34	(16)	(61)
Net income (loss)		**(22,508)**	**(13,294)**
Attributable to:			
Equity holders of the parent company		(22,508)	(13,294)
Non-controlling interests		-	-
Earnings per share			
Basic (in Euros)	35	(0.96)	(0.57)
Diluted (in Euros)	35	(0.96)	(0.57)

(1) Gross margin on revenue = Revenue – Cost of sales
(2) Percentage gross margin on revenue = Gross margin on revenue/Revenue

Consolidated statement of comprehensive income

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Net income (loss)	**(22,508)**	**(13,294)**
Other comprehensive income (loss):		
Actuarial gains/(losses) on retirement benefit obligations	209	36
Tax effect on actuarial gains and losses	-	-
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	**209**	**36**
Currency translation differences	(30)	(23)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	**(30)**	**(23)**
Currency translation differences transferred to results of operations following the exit of the U.S. subsidiary	641	-
Other comprehensive income (loss)	**820**	**14**
Total comprehensive income (loss)	**(21,688)**	**(13,280)**
Comprehensive income (loss) attributable to equity holders of the Company	(21,688)	(13,280)
Third-party non-controlling interests	-	-
Total comprehensive income (loss)	(21,688)	(13,280)

Statement of financial position
Assets

In thousands of euros	Note	Dec. 31, 2019	Dec. 31, 2018
Intangible assets	8	16,526	16,049
Property, plant and equipment	9	4,881	4,865
Rights to use property, plant and equipment under leases	10	541	387
Other non-current assets	11	2,505	415
Total non-current assets		**24,453**	**21,716**
Inventories	12	6,474	6,664
Trade receivables	13	6,299	10,176
Other current assets	14	1,982	4,129
Cash and cash equivalents	15	6,508	8,593
Total current assets		**21,263**	**29,562**
Total assets		45,717	51,278

Liabilities and shareholders' equity

In thousands of euros	Note	Dec. 31, 2019	Dec. 31, 2018
Share capital	16.1	2,403	2,342
Share premiums	16.1	5,769	19,365
Consolidated reserves	16.4	5,500	4,149
Non-controlling interests		-	-
Net income (loss) for the year	16.4	(22,508)	(13,294)
Total shareholders' equity		**(8,836)**	**12,562**
Financial debt – Long-term portion	18	39,829	15,043
Retirement obligations	19	414	529
Provisions and other non-current liabilities	20	1,085	1,081
Non-current lease liabilities	10	300	78
Total non-current liabilities		**41,628**	**16,731**
Financial debt – Short-term portion	18	3,178	9,832
Trade payables	21	4,076	6,170
Provisions and other current liabilities	22	5,399	5,617
Current lease liabilities	10	272	366
Total current liabilities		**12,925**	**21,985**
Total liabilities		54,553	38,782
Total liabilities and shareholders' equity		**45,717**	**51,278**

Consolidated statement of changes in shareholders' equity

In thousands of euros	Attributable to equity holders of the Group						
	Share Capital	Share premiums	Currency translation reserves	Consolidated reserves and net income (loss) attributable to equity holders of the Group	Total attributable to equity holders of the Group	Non-controlling interests	Total shareholders' equity
As of January 1, 2018	**2,321**	**29,551**	**(570)**	**(5,712)**	**25,590**	**0**	**25,590**
Actuarial gains/(losses) on retirement benefit obligations	-	-	-	36	**36**	-	**36**
Change in currency translation differences	-	-	(23)	-	**(23)**	-	**(23)**
Total, other comprehensive income (loss)	**-**	**-**	***(23)***	***36***	***14***	**-**	***14***
Net income (loss) for the period	-	-	-	(13,294)	**(13,294)**	-	**(13,294)**
Comprehensive income (loss)	**0**	**0**	**(23)**	**(13,257)**	**(13,280)**	**-**	**(13,280)**
Capital transactions	21	(21)	**-**	31	**31**	-	**31**
Cost of capital transactions	**-**	28	-	-	**28**	-	**28**
Allocation of losses to the share premium	**-**	(10,192)	**-**	10,192	**-**	**-**	**-**
Change in treasury shares	**-**	-	**-**	(31)	**(31)**	-	**(31)**
Share-based payments	**-**	-	**-**	224	**224**	**-**	**224**
As of December 31, 2018	**2,342**	**19,366**	**(593)**	**(8,553)**	**12,562**	**-**	**12,562**

In thousands of euros	Note	Attributable to equity holders of the Group					Non-controlling interests	Total shareholders' equity
		Share Capital	Share premiums	Currency translation reserves	Consolidated reserves and net income (loss) attributable to equity holders of the Group	Total attributable to equity holders of the Group		
As of January 1, 2019		**2,341**	**19,366**	**(593)**	**(8,553)**	**12,562**	**-**	**12,562**
Actuarial gains/(losses) on retirement benefit obligations		-	-	-	209	**209**	-	**209**
Change in currency translation differences		-	-	610	-	**610**	-	**610**
Total, other comprehensive income (loss)		**-**	**-**	***610***	***209***	***820***	**-**	***820***
Net income (loss) for the period		-	-	-	(22,508)	**(22,508)**	-	**(22,508)**
Comprehensive income (loss)		**0**	**0**	**610**	**(22,298)**	**(21,688)**	**-**	**(21,688)**
Capital transactions	16.1	61	-	**-**	-	**61**	-	**61**
Cost of capital transactions	16.1	**-**	-	-	-	**-**	-	**-**
Allocation of losses to the share premium	16.1	**-**	(13,596)	**-**	13,596	**-**	**-**	**-**
Change in treasury shares	16.3	**-**	-	**-**	8	**8**	-	**8**
Share-based payments	17	**-**	-	**-**	241	**241**	**-**	**241**
Miscellaneous		**-**	-	**-**	(19)	**(19)**	**-**	**(19)**
As of December 31, 2019		**2,403**	**5,769**	**18**	**(17,025)**	**(8,836)**	**-**	**(8,836)**

Consolidated cash flow statement

In thousands of euros	Note	Dec. 31, 2019	Dec. 31, 2018
Net income (loss)		**(22,508)**	**(13,294)**
Elimination of items with no impact on cash			
Amortization and depreciations of assets and rights of use	8/9/10	3,630	3,170
Changes in the provisions for contingencies	19/22	88	(15)
Gain or loss on disposal of assets	30/33	656	-
(Income)/Expenses linked to share-based payments	17	241	224
(Income)/Interest expenses, net	33	5,162	1,960
Income tax expense	34	16	61
Cash flow linked to operating activity, before changes in WCR		**(12,714)**	**(7,894)**
Inventories		(360)	(1,627)
Trade receivables		2,622	(1,495)
Other receivables		(303)	94
Tax credit for research and operating grants		(1,075)	(159)
Suppliers and other liabilities		(1,397)	1,058
Changes in working capital requirements:		(512)	(2,130)
Taxes on paid income		(10)	-
Net cash flow linked to operating activities		**(13,236)**	**(10,023)**
Investment operations:			
Acquisitions and production of property, plant and equipment	9	(703)	(947)
Acquisitions and production of intangible assets	8	(5,562)	(5,730)
Receipt of research tax credit allocated to capitalized R&D expenses		2,438	2,077
Proceeds from the disposal of property, plant and equipment and intangible assets		73	-
Receipt/Disbursement of financial assets	11	(13)	19
Receipt from changes in scope of consolidation	41	2,469	-
Net cash flows related to investment operations		**(1,297)**	**(4,581)**
Financing transactions:			
Profit from transactions on share capital	16.1	31	31
Expenses related to capital increases	16.1	-	28
Payments with respect to rental liabilities	10	(453)	(394)
New financial debt	18	36,836	11,125
Repayment of financial debt	18	(19,803)	(5,046)
Financial interest paid	33	(1,052)	(1,496)
Acquisitions of treasury shares	16.3	8	(31)
Net cash flows related to financing operations		**12,567**	**4,217**
Changes in net cash flow		**(1,967)**	**(10,387)**
Cash and cash equivalents opening balance	15	8,593	19,017
Impact of the change in exchange rate on cash		(118)	(38)
Cash and cash equivalents closing balance	**15**	**6,508**	**8,593**

TABLE OF CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements

1. General Information

1.1. Presentation of the SuperSonic Imagine Group

The Group is specialized in the research and development and the sale of ultrasound medical imaging systems.

In 2009, it brought a 3rd generation ultrasound device called Aixplorer® to market, with a radically new, entirely software-based architecture that integrates several technological innovations. It also developed the related software (which forms an integral part of its Aixplorer® ultrasound system), allowing breast, thyroid, prostate, liver and abdominal lesions to be diagnosed in real time by measuring tissue elasticity (elastography).

In 2018, SuperSonic Imagine brought a new generation of the Aixploror® to the market: the MACH 30, followed in 2019 by the MACH 20, a version designed to target the mid-market radiology segment.

The Group owns or co-owns numerous patents that it developed, acquired or operates under license.

SuperSonic Imagine and its subsidiaries (together, "the Group") have sold products from the Aixplorer® range since 2009.

The Group subcontracts production of the ultrasound systems it sells.

SuperSonic Imagine S.A., the Group's parent company, is a French corporation with a Board of Directors, domiciled in France. Its registered office is located at Jardins de la Duranne, 510 rue René Descartes, 13290 Aix-en-Provence, France. It is registered in the Trade and Companies Register of Aix-en-Provence under the number 481 581 890 and listed on Euronext Paris (ISIN FR0010526814).

In connection with its international development, the Group has five distribution subsidiaries in the following countries (see Note 41):
(a) SuperSonic Imagine GmbH, Germany, formed in March 2008;
(b) SuperSonic Imagine Ltd., United Kingdom, formed in March 2008;
(c) SuperSonic Imagine Srl, Italy, formed in October 2009;
(d) SuperSonic Imagine (H.K) Limited, Hong Kong, created in June 2011; and
(e) SuperSonic Imagine (Shanghai) Medical Devices Co. Ltd., China, formed in December 2015.

1.2. Key Events of the Year

SHAREHOLDERS/CHANGE OF CONTROL

Following the August 1, 2019, off-market acquisition of a total of 10,841,409 shares of SuperSonic Imagine at a price of €1.50 per share (representing as of the date hereof approximately 45.93% of the share capital and theoretical voting rights of the Company on a non-diluted basis), Hologic Hub Ltd.

filed a draft tender offer document with the AMF to acquire the Company's remaining shares, at the same price per share. The AMF approved the draft tender offer document on October 8, 2019. [23]

Following the definitive close of the tender offer on December 13, 2019, Hologic Hub Ltd. held 19,186,609 shares of the Company, representing approximately 79.85% of the Company's share capital and voting rights.[24]

To the Company's knowledge, as of the date of these consolidated financial statements Hologic Hub Ltd. holds 19,208,807 shares of the Company, representing approximately 79.94% of the Company's share capital and voting rights.[25]

GOVERNANCE

At the General Shareholders' Meeting on May 13, 2019, the shareholders voted to ratify the cooptations of the following:

- Danièle Guyot-Caparros, appointed as a director on an interim basis at the Board of Directors' meeting on June 21, 2018, to replace Sabine Lochmann, who resigned. Ms. Guyot-Caparros was appointed for the remainder of Ms. Lochmann's term, to expire at the close of the Annual Shareholders' Meeting called to vote on the financial statements for the fiscal year ended December 31, 2020; and

- Ghislaine Gueden, appointed as a director on an interim basis at the Board of Directors' meeting on February 13, 2019, to replace Alexia Perouse, who resigned. Ms. Gueden was appointed for the remainder of Ms. Perouse's term, to expire at the close of the Annual Shareholders' Meeting called to vote on the financial statements for the fiscal year ended December 31, 2020.

Following the closing of Hologic Hub Ltd.'s August 1, 2019, acquisition of 46% of the Company's share capital of the Company, the composition of the Company's Board of Directors was modified on August 2, 2019, with (i) the successive resignations of Guy Frija, Danièle Guyot-Caparros, Bpifrance Investissement, and Mérieux Participations from their positions as members of the Board of Directors and of Maurizio Petitbon from his position as an observer; and (ii) the successive cooptations of Michelangelo Stefani, Patricia Dolan, and Antoine Bara, replacing three of the four departing directors. The cooptations of Michelangelo Stefani, Patricia Dolan, and Antoine Bara will be submitted for ratification at the Company's Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2019, which will be held on June 16, 2020.

FINANCING

On August 21, 2019, the Company entered into a termination agreement with Kreos pursuant to which, following a payment of approximately €16.4 million, all of the financing agreements with

[23] The Company's principal shareholders – Bpifrance, Andera Partners, Auriga Partners, Mérieux Participations, and CDC PME Croissance – together holding 10,841,409 shares, sold all of the shares at a price of €1.50 per share; there was no additional price for the acquisition.
[24] On the basis of the Company's share capital as of December 31, 2019, namely 24,029,494 shares representing the same number of theoretical voting rights.
[25] On the basis of the Company's share capital as of December 31, 2019, namely 24,029,494 shares representing the same number of theoretical voting rights.

Kreos – namely, the 2017 Venture Loan and the 2018 Venture Loan, together with all of the related documentation, including the agreements relating to the share subscription warrants issued by SuperSonic Imagine – were terminated. In accordance with the termination agreement, SuperSonic Imagine was definitively and fully released from any obligation to Kreos Capital V (UK) Ltd. and Kreos Capital V (Expert Fund) L.P. under the various financing agreements.

To enable the Company to finance its working capital requirement and to repay its debt, in particular to Kreos, the Company and Hologic Hub Ltd. entered into an English-language revolving loan agreement (the “Loan Agreement”) on August 14, 2019, which was amended on November 22, 2019. As of December 31, 2019, there was €34.1 million outstanding under the Loan Agreement. In addition, in connection with its entry into the Loan Agreement in its capacity as Hologic Hub Ltd., the Company acceded to an Intercompany Demand Promissory Note dated May 29, 2015, entered into by Hologic Inc. (the parent company of the Hologic group) and its subsidiaries in connection with a Credit and Guaranty Agreement dated May 29, 2015 (and later amended) between Hologic, Inc., Hologic GGO 4 Ltd., and Bank of America, N.A. The Intercompany Demand Promissory Note subordinates certain cash flows between members of the Group to the obligations arising under the Credit and Guaranty Agreement

In addition, during the fiscal year, the Company obtained a new innovation loan from BPI for €750,000, repayable quarterly beginning on September 30, 2021 and ending on June 30, 2026, with a fixed annual interest rate of 1.08%.

LITIGATION

On May 16, 2019, the Company announced that it had reached a settlement agreement with Verasonics to terminate the various legal proceedings and disputes between the companies concerning the ownership rights relating to Aixplorer® and to withdraw the complaint filed by Verasonics Inc. in the U.S. District Court for the Western Disctrict of Washington. Pursuant to the settlement agreement, the Company undertook to pay Verasonics a total amount of €5.3 million (including the external costs incurred by Verasonics).

Following that agreement, the Company is permitted to continue marketing its innovative products Aixplorer® and Aixplorer MACH®, using its revolutionary elastography technology, ShearWave™.

SALE OF SUPERSONIC IMAGINE, INC.

On December 27, 2019, the Company sold all of the shares of its U.S. subsidiary, SuperSonic Imagine Inc., and a receivable that the Company held against SuperSonic Imagine Inc., to Hologic Inc., a U.S. company that holds all of the share capital and voting rights of Hologic Hub Ltd. (the Company’s majority shareholder) for a total sale price of €2,718,000.

The principal business of this subsidiary, formed in March 2007 and having its registered office in Weston, Florida (United States), was marketing and sales on behalf of the Company in the U.S. territory. This subsidiary had eight employees as of December 31, 2018.

The sale of this subdiary enables the Company to monetize a receivable whose repayment was uncertain and to improve the Group's overall sales performance. The sale also made sense generally from a commercial and organizational standpoint, for the following reasons:

– The Company was required to financially support SuperSonic Imagine Inc. – which regularly recorded losses – each year, using resources that the Company could have used otherwise; and

– SuperSonic Imagine Inc. had experienced difficulties in fully penetrating the U.S. ultrasound products market, while Hologic is a leader in the United States in mammography and has significant resources to serve as the Company's U.S. distributor;

SuperSonic Imagine Inc.'s eight employees were integrated into the Hologic group and now have access to the same tools and resources that are available to all of the Hologic group's sales representatives and clinical specialists. These resources, combined with a strengthened sales team, will help the Company to grow as a manufacturer and distributor of ultrasound products.

QUALITY ASSURANCE AND REGULATORY AFFAIRS

In October 2019, the Company obtained Section 510(k) clearance from the FDA for the V2 version of Aixplorer MACH 30®, as well as for Aixplorer MACH® 20.

COMMERCIAL

Revenue for the fiscal year was €26.4 million in 2019, a 9% increase from 2018.

In 2019 the Company marketed two major products as part of its marketing strategy:
- Version 2 of the Aixplorer MACH® 30, a next generation ultrasound machine using Ultrafast™ imaging, introduced the previous year. It consolidated the product's high-end positioning, improving its performance and introducing new biomarkers (Att PLUS, SSp PLUS, and Vi PLUS) for chronic liver diseases; and
- The Aixplorer MACH® 20, designed to target a new segment, the mid-market radiology segment. It is based on the same technological platform as the Aixplorer MACH® 30 and offers this market segment excellent performance including SuperSonic Imagine's main innovations (in particular the ShearWave PLUS mode).

2. Basis for preparing the Company's Consolidated Financial Statements under IFRS

On March 17, 2020, the Board of Directors approved the consolidated financial statements. These financial statements will only be final after they are approved by the General Shareholders' Meeting, called for June 16, 2020.

2.1. Basis of preparation of the Financial Statements

The Group's consolidated financial statements were prepared in compliance with IFRS (International Financial Reporting Standards) and IFRIC and SIC interpretations, as adopted by the European Union and their application was mandatory as of December 31, 2019. The IFRS are available on the European Commission's website: http://ec.europa.eu/internal_market/accounting/ias_en.htm.
The accounting policies used are identical to the ones used for the preparation of the annual consolidated financial statements for the fiscal year ended December 31, 2018, with the exception of the adoption of the new standards described below.

On December 31, 2011, the Company prepared consolidated financial statements under IFRS for the first time. These first consolidated financial statements had been prepared in accordance with IFRS 1, "First-time adoption of International Financial Reporting Standards." The date of transition adopted by the Company was January 1, 2009. The Group has not used any of the exemptions set out in IFRS 1.

The consolidated financial statements were prepared under the historical cost convention, with the exception of certain financial assets and liabilities which are recognized at fair value.

The presentation currency of the Group is the euro. The consolidated financial statements are presented in thousands of euros with all values rounded to the nearest thousand, unless otherwise indicated.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

2.2. Going concern

The financial statements have been prepared on a going concern basis, bearing in mind the following elements:

- The Company's historical loss-making situation may be explained by the innovative nature of the products developed, which involve several years of research and development, and by funding of its sales force. The Company has been in the active marketing phase of its products since 2009;
- The available cash as of December 31, 2019 was €6.5 million;
- To give the Company the necessary financial means and to support its growth and development, SuperSonic Imagine and Hologic Hub Ltd. entered into a revolving loan agreement on August 14, 2019, which was amended on November 22, 2019, on February 12, 2020, and on March 17, 2020, for a maximum cumulative amount of €65 million.

The Group believes that this loan agreement will enable it to cover all of its operating activities and investments planned for the 12 months following the date of these financial statements.

3. Summary of significant accounting policies

The accounting policies used are identical to the ones used for the preparation of the annual IFRS consolidated financial statements for the fiscal year ended December 31, 2018, with the exception of the adoption of new standards, amendments and interpretations described below.

The Group applied the following new standards, amendments and interpretations adopted by the European Union, which are mandatory for the Group as from January 1, 2019:

- IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- Amendments to IAS 28: Long-term interests in Associates and Joint Ventures;
- Annual IFRS improvements for the 2015-2017 cycle:
    - Amendements to IFRS 3, Business Combinations, & IFRS 11, Joint Arrangements
    - Amendments to IAS 12, Income Taxes;
    - Amendments to IAS 23, Borrowing Costs; and
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The adoption of the new mandatory standards, amendments, and interpretations listed above had no impact on the Group's financial statements.

The Group chose to voluntarily apply IFRS 16 – Leases, as from January 1, 2018 rather than from its mandatory application date of January 1, 2019.

The Group did not apply early any other standard, interpretation, amendment or revision that had not yet been adopted by the European Union or that was not mandatory for financial statements beginning on or after January 1, 2019:

	Standard/Interpretation	**IASB anticipated date of application (fiscal years beginning on or after)**	**EU application date (at the latest for fiscal years beginning on or after)**
1	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	*Postponed indefinitely*	*Suspended*
2	IFRS 17 Insurance Contracts	1/01/2021	NC
3	Amendment to IFRS 3: Definition of a Business	1/01/2020	Adoption expected in Q1 2020
4	Amendments to IAS 1 and IAS 8: Definition of "Material"	1/01/2020	1/01/2020
5	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, and IFRS 7	1/01/2020	1/01/2020
6	Amendments to IAS 1: Classification of Liabilities as Current or Non current	1/01/2022	NC

The process of determining the potential impacts of these standards and interpretations on the Group's consolidated financial statements is currently pending.

Furthermore, the Group's annual consolidated financial statements do not take into account the draft standards and interpretations that remained at exposure draft stage at the IASB and IFRIC as of the reporting date.

3.1. Consolidation

Subsidiaries are entities with respect to which the Group has power over financial and operating policies and holds more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing the Group's control over another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.
They are de-consolidated from the date that control ceases. Gains and losses on the transfer of subsidiaries are determined by comparing the fair value of the sale price to the consolidated carrying amount of the subsidiary on the date of loss of exclusive control, and are recorded in the income statement under financial income (loss). Cumulative currency translation adjustments, historically recorded in other comprehensive income [or] in shareholders' equity are then recycled and included in the proceeds from the sale.
Thus, the total gain or loss from the sale includes:
- the gain or loss on the interests sold; and
- the recycling of items previously recorded directly in other comprehensive income.

Since all subsidiaries were created by the Group, no goodwill has been recorded since the creation of the Company.

Intragroup transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated for the assets transferred and are considered as an indicator of impairment loss. Accounting policies of subsidiaries have been changed to ensure consistency with the Group's policies.

The Group has no non-controlling interests or holdings in any associates or joint ventures.

3.2. Segment Reporting

The Group, which only markets products from the Aixplorer® range, primarily operates in France, the United States, Asia, Europe, and the Middle East.

Research and development expenses, production expenses, regulatory expenses and most marketing and administrative expenses are incurred in France. At this stage, these expenses are not subject to a strict allocation by geographic region where the Company's products are marketed. As a result, the performance of the Group is currently analyzed at the consolidated level.

Non-current assets and revenue by geographic region are detailed in Note 6.

3.3. Conversion of Foreign Currency Transactions

a) Functional and presentation currency of financial statements
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euros, which is the Company's functional currency and the Group's presentation currency.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement in the "Financial income" or "Financial expenses" line items if they relate to financial items, and in the "Other operational income (expense)" if they relate to operational items.

c) Group Companies
The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency that differs from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet line item presented are translated at the closing rate on the reporting date;
- Income and expenses for each income statement line item are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- Exchange differences resulting from the two points above are recorded as separate components of shareholders' equity in Currency Translation Reserves under Consolidated Reserves.

d) Net investment
Receivables held against consolidated foreign subsidiaries the payment of which is not foreseeable are considered net investments in foreign currencies. As such, in accordance with IAS 21, unrealized foreign exchange gains and losses on these receivables denominated in functional currencies translated into euros for the purposes of consolidation have been recorded in Other Comprehensive Income (Loss) and in Currency Translation Reserves. They are recycled into financial income (loss) on the date of sale of the investment in question.

3.4. Intangible assets

a) Licenses and patents
Acquired technologies are recorded at acquisition cost less accumulated depreciation charges determined based on the duration of the legal protection of each technology.

In the case of payments taking the form of future royalties, a debt corresponding to the discounted future minimum payments is recorded in Other Current and Non-Current Liabilities against the cost of the acquisition if the future royalties can be reliably estimated. Variable royalties are expensed under the "Cost of sales" line for the fiscal year in which they are incurred.

Acquired technologies are depreciated in the income statement under "Research and development expenses" to the extent they are used for research projects.

Where an acquired technology is no longer used, the corresponding gross value and cumulative depreciation are removed from assets.

b) Research and development

Research charges are expensed as incurred.

In accordance with IAS 38, expenses corresponding to project developments – design and test of new or improved solutions – are recognized as an intangible asset when the following criteria are met:

- The Group has the intention, the financial capacity and the technical capability to see the development project through;
- The Group has the resources necessary to finish the development and to use or market the product developed;
- There is a high probability that the future economic benefits attributable to the products developed will flow to the Group; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Development expenses that do not meet the criteria are recognized as an expense for the period.

Capitalized development, which is principally composed of employee expenses, is depreciated in the income statement in the line "Research and Development expenses" on a straight-line basis over the duration of the estimated residual life of the product. This estimate of residual life is reviewed at each balance sheet date. The costs of ongoing developments are tested annually to ensure their recoverable amount exceeds their carrying amount.

c) Other intangible assets

Other intangible assets correspond to acquired software, which is depreciated over 12 months, with the exception of the ERP which is depreciated over five years. Costs linked to the acquisition of software licenses are recorded as assets based on the costs incurred to acquire and put into service the software concerned.

3.5. Property, plant and equipment

The Group's business premises principally comprise the head office located in Aix-en-Provence (France) and the premises of the Chinese subsidiary in Shanghai. None of these premises is fully owned.

Equipment primarily consists of equipment for research and development, as well as production equipment made available to the subcontractor.

Furniture and administrative equipment consist of IT equipment and office furniture.

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line basis over the estimated useful lives as follows:

Fixtures and fittings	3 to 10 years
Research equipment and materials	18 months to 5 years
Production equipment and materials	5 years
Furniture, office and IT equipment	3 to 5 years

Residual values and useful lives are reviewed and adjusted if necessary at each reporting date.

Gains and losses on the transfer of assets are determined by comparing the proceeds from the transfer to the carrying amount of the asset transferred and are recorded in the income statement in the line "Other operating income/(expenses)".

3.6. Impairment of non-financial assets and cash-generating units

The Group does not hold any goodwill or any property, plant and equipment or intangible asset that is non-depreciable or that has an indefinite useful live.

Non-financial assets including intangible assets and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

3.7. Financial assets

a) Non-consolidated securities

The non-consolidated securities are recognized at fair value through profit and loss, and the Group did not take the one-off option, on the date of application of IFRS 9 or upon initial recognition, to recognize them at fair value through other comprehensive income.

b) Loans and receivables

Non-current loans and receivables are recognized at amortized cost using the effective interest rate method. Upon initial recognition, impairment is systematically recognized for expected credit losses from events that may occur over the coming twelve months. In the event of a significant deterioration in the credit quality of a counterparty, the initial impairment is supplemented to cover all expected losses over the residual maturity of the receivable. Trade and operating receivables are recognized at amortized cost. They are impaired using the IFRS 9 simplified model.

3.8. Inventories

Since the production of ultrasound devices is outsourced, the Group mainly holds inventories of finished goods and spare parts as well as demonstration equipment to be sold.

Inventory is valued at the purchase price and recorded according to the FIFO method. Impairment is recognized for items whose net realizable value is lower than the carrying amount.

Inventories are reduced to their net realizable value if it is lower than their cost. Net realizable value represents the estimated sale price in normal conditions of activity, less cost of sales.

3.9. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets.

3.10. Cash and cash equivalents

Cash and cash equivalents include: cash and sight deposits, deposits and loans maturing within three months, marketable securities not exposed to a significant risk of changes in value that can be readily converted into cash (particularly true of money market funds).
They are recognized at fair value through profit and loss. Investments in equities and bonds as well as deposits and loans maturing in over three months are excluded from cash and presented on the balance sheet under current or non-current financial assets.

3.11. Share Capital

Share capital is composed of ordinary shares, which are all classified as shareholders' equity. Marginal costs directly attributable to the issuance of new shares or options are shown, as needed, in shareholders' equity as a deduction, net of tax, from the proceeds.

The Group issued dilutive instruments which have been taken into account in the determination of the diluted earnings per share (see Note 35).

3.12. Compound instruments

The Company separately recognizes the components of a financial instrument that (a) creates a financial liability and (b) gives the holder of the instrument an option of conversion into Company equity instruments. Accordingly, bonds with warrants (OBSA or OCABSA) are hybrid financial instruments.

When it issues an OBSA or OCABSA, the Company first determines the carrying amount of the liability component by measuring the fair value of a similar liability not accompanied by a warrant. The carrying amount of the instrument represented by the warrants is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole.

Liabilities at fair value through profit and loss
When the Company issues share subscription warrants (BSA) that do not result in the subscription of a fixed number of shares against a fixed amount of cash or another financial asset, these instruments cannot be characterized as equity instruments and are therefore presented on a separate line in the balance sheet and recorded at fair value in accordance with IFRS 9. Subsequent variations in value are recorded in the income statement as either financial income or expenses.

3.13. Measurement and accounting of financial liabilities

Financial liabilities include:

- A loan received from the majority shareholder, Hologic Hub Ltd.;
- Repayable advances from ANR and BPI for which the Group does not have reasonable assurance that they will not be repaid;
- Use of an RTC pre-financing facility;
- A trade receivables factoring facility;
- A short-term bank financing facility; and
- Three long-term loans from BPI.

Borrowings and other financial liabilities are initially recorded at fair value and then remeasured at amortized cost, calculated using the effective economic interest method.

Transaction costs that are directly attributable to the acquisition or issue of a financial liability are recorded as a decrease of this financial liability. These expenses are then amortized actuarially over the life of the liability, based on the effective economic interest. The effective economic interest is the rate that equalizes the expected cash flows from future cash expenditure to the current net carrying amount of the financial liability so as to deduct its amortized cost.

3.14. Employee benefits

- **Retirement obligations**

The Group has both defined benefit (mainly for French employees) and defined contribution plans. A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The retirement plans that are not defined contribution plans are defined benefit plans. Typically defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation as of the reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to Actuarial profits/losses on retirement benefit obligations in Other comprehensive income in the period in which they arise.

In France, the Group's commitments to employees concerning retirement are limited to a lump-sum payment based on the amount of time an employee has worked and paid when the employee reaches the age of retirement. This retirement benefit is determined for each employee based on the time they have worked for the Company and their final projected salary.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that this advance results in a reduction in future payments or a cash refund.

The Group provides no other retirement benefits or rights to its employees.

- **Termination benefits**

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes these termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

3.15. Provisions

- **Provisions for contingencies**

Provisions for contingencies correspond to commitments resulting from litigation and other risks, the maturity and amount of which are uncertain, which the Company may be faced with as part of its activities.

Provisions are recognized when the Company has a legal or implicit obligation to a third party as a result of past events, for which it is probable or certain that an outflow of resources to the third party will be required to settle the obligation, without at least an equivalent value expected to be received in exchange, and when future outflows of liquidity may be reliably estimated.

The amount recorded as a provision is the best estimate of the expense necessary to extinguish an obligation, discounted as of the date of the financial statements if necessary.

- **Provision for warranties**

Product sales made by the Group are covered by a one-year warranty. The measurement of the cost of the warranty as well as the probability that these costs will be incurred is based on an analysis of historic data. The provision corresponds to the number of months remaining on existing warranties as of the reporting date for all equipment sold. Additions and reversals on the provision for warranties given to clients are recorded in the income statement in direct cost of sales.
No provisions are funded for future operating losses.

3.16. Trade payables and related

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less after the reporting date.

3.17. Revenue recognition

For both sales by distributors sales by Group sales representatives, the accounting treatment of revenue remains the same, and in compliance with standards on revenue recognition, including IFRS 15:

- **Revenue from the sales of systems**

The Group's products are generally sold through contracts or via purchase orders issued by customers that include fixed, determinable prices that do not contain a right of return or any significant post-delivery obligation, nor any other clause inducing deferred revenue.

Group contracts with customers for equipment sales generally comprise a single performance obligation.
The Group concluded that the proceeds of equipment sales should be recognized when control over the asset is transferred to the customer, typically upon delivery of the equipment.

Product distributors do not benefit from any contractual right of return on acquired products beyond the statutory 12-month warranty on products.

- **Revenue for services**

Revenue for services (principally maintenance, after-sales service, and warranty extensions) is recognized over the period when services are rendered and when collectibility is reasonably assured. Revenue for maintenance services is recognized in a linear manner over the term of the maintenance contract.

Revenue from contracts with multiple elements, such as those including services, is recognized as each element is earned based on the relative fair value of each element.

- **Revenue from the Group's technology and industrial partnerships**

Revenue from the Group's technology and industrial partnerships represents a third source of income. It corresponds to the access rights to the technology developed by the Group or partnerships to access that technology. The income is non-recurring in nature, and, as such, is presented on a separate line in the income statement under Other Income.

This income corresponds to a limited number of contracts for which the proceeds are recognized according to the terms and conditions negotiated.

Each contract is subjected to a technical analysis that determines how the revenue will be recognized. Based on this analysis, the associated profit will be recognized in full upon the signing of the contract or spread over the relevant periods.

- **Provision for warranties**

Group product sales are covered by a one-year warranty, as required by law, for the general repair of defects that existed when sold. Accordingly, most of the warranties provided by the Group are classified as assurance-type warranties under IFRS 15, which the Group recognizes in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. These statutory warranties are recognized by means of a provision for contingencies upon recognition of the income from the sale of the product. The measurement of the cost of the warranty as well as the probability that these costs will be incurred is based on an analysis of historic data. The provision corresponds to the number of months remaining on existing warranties as of the reporting date for all equipment sold. Additions and reversals on the provision for warranties given to clients are recorded in the income statement within direct cost of sales.

However, in certain non-standard contracts, the Group provides warranties for over one year. These warranties are recognized as service-type warranties and, accordingly, are recognized as separate performance obligations to which the Group allocates a portion of the transaction price on the basis of the relative individual sales price. Income is then recognized over time.

- **Cost of winning and performing contracts**

The marginal costs of winning customer contacts are capitalized and then amortized when the performance obligations under the contract are satisfied, and only where material, which is almost never the case given the nature of the Group's contracts.
Contract performance costs are capitalized if the costs are directly connected with an ongoing contract or an anticipated identifiable contract; and that they generate or enhance a resource needed to satisfy future performance obligations; and that they are recoverable. They are amortized when the performance obligations under the contract are satisfied.

3.18. Cost of sales

The item Cost of sales includes expenses directly attributable to the production of Aixplorer® systems, as well as services related to sales. This includes mainly:

- Product cost (purchase of components and assembly);
- The cost of the Group's Production department, which oversees the supply chain;
- Provision for warranties on systems sold;
- Royalties due for the technological elements that the Company exploits under licenses; and
- The provision for write down of inventory due to obsolescence and scrapping.

3.19. Selling and marketing expenses

Selling and marketing expenses mainly include the following costs:

- Commercial roll-out; and
- Development of the related sales force.

They also include most of the overhead incurred by the sales subsidiaries.

3.20. General and administrative expenses

General and administrative expenses mainly include:

- Wages of senior management, Administrative and Finance Department, IT Department, Quality Assurance & Regulatory Affairs; and
- Audit, legal and consultancy fees and other costs relating to regulatory affairs and quality assurance (obtaining certification for Group products) as well as insurance and rental costs (excluding those included in selling and marketing expenses).

3.21. Operating costs

The Company wished to track and present the Operations group. This department consists primarily of the Company's industrial arm.

Its role is as follows:

- To set manufacturing policy in line with the Company's overall strategy;
- To make investment decisions regarding the production plant;
- To optimize the means of production across the Company: oversee the implementation of an IT system, develop synergies between production sites, etc.;
- To enter into industrial partnerships; and
- To oversee the company's purchasing and industrial outsourcing policy.

Operating expenses mainly include the costs of the following departments: purchasing, logistics, customer satisfaction, sales administration and the Group's Service division.

3.22. Tax credits and other government grants

Tax credits (including the Research Tax Credit, the Innovation Tax Credit, and the Job Competitiveness Tax Credit) are provided by the government to give incentives for companies to perform technical and scientific research. These tax credits are recorded as reductions in the expenses recognized in the income statement when (i) the Group can receive them irrespective of taxes paid or owed in the future; (ii) the costs corresponding to the eligible programs have been incurred; and (iii) supporting documentation is available.

The portion of the research tax credit relating to capitalized development expenses is considered an investment grant and recorded as a reduction of the intangible asset.

These tax credits are included in "Other receivables – current" or "non-current" based on the timing of expected cash inflows.

In addition, grants may be available to companies that perform technical and scientific research. Such grants are typically subject to performance conditions over an extended period of time. The Group recognizes these grants in the income statement as a reduction of "Research and development expenses" (i) over the cost of the corresponding research and development program and (ii) when confirmation of the grant has been received.

Subsidies for research and development activities can take the form of repayable advances. A non-repayable loan with conditions is treated like a government grant (recorded on a pro rata basis in the income statement as a reduction of research and development expenses) if there is reasonable assurance that the company will meet the conditions relating to the exemption from repaying the loan. Otherwise, it is classified in Financial debt and measured at amortized cost. Insofar as the Company pays no interest on these advances, they were initially recognized at fair value, that is to say, with a discount equal to the market rate so as to reduce their effective interest rate to that of ordinary debt. The difference between the fair value of the advance and its nominal value constitutes a subsidy recorded as a reduction of R&D expenses as the subsidized expenses are incurred.

3.23. Leases

Since January 1, 2018, the Group has applied IFRS 16, which sets out the principles for the recognition, measurement, presentation and disclosures in the notes on leases and requires lessees to recognize their leases using a single model directly in the balance sheet, without distinction between finance leases and operating leases.
A lease involves (i) an identified asset and (ii) control by the Group of the right-of-use over this asset. Control over the right-of-use is recognized for the Group when it can benefit from substantially all the benefits flowing from the asset during the lease and it has the right to decide the purpose for which the asset will be used and the manner in which it will be used.
On the effective date of the lease, the Group recognizes:

- A debt (the lease liability), representing the sum of the present values of the remaining payments over the life of the lease, such payments including fixed lease payments and, as the case may be, sums payable by virtue of the exercise of options, residual value guarantees, and discounted at the Group's marginal borrowing rate; and
- An asset representing the right to use the underlying asset throughout the lease (the right to use the leased asset, recorded in non-current assets), initially measured at the amount of the liability recognized. To this are added payments already made by the lessee, the costs of arranging the lease and future refurbishment costs.

The Group then recognizes separately the interest on the lease liability and the amortization expense on the asset connected with the right-of-use. The lease liability, once initially measured, is recognized using a technique approximating amortized cost at the effective interest rate. The result is an interest expense corresponding to the application of the initial discount rate to the amount of the liability at the start of the fiscal year. The payments made by the Group are deducted from the amount of the debt. The right-of-use is amortized and impaired in accordance with the respective provisions of IAS 16 "Property, plant and equipment" and IAS 36 "Impairment of Assets". With respect to amortization, the schedule cannot exceed the term of the lease if the Group is not to become the owner of the underlying asset.
The Group applied the following optional exemptions:

- Exemption for short-term leases under 12 months for certain asset categories; and
- Exemption for low value leases (replacement value under USD 5,000).

The Group elected not to split out non-lease components because it feels they are not material.
The right-of-use and the debt are presented on separate lines in the balance sheet.
Subsequent measurement of the right-of-use is recognized using the cost model.
The Group remeasures the lease liability upon occurrence of certain events (for example, the term of the lease, a change in future lease payments resulting from a change in the index or rate used to determine the payments).
The Group then adjusts the amount of the lease liability by adjusting the right-of-use asset.

3.24. Share-based payments

- **Plans paid out in equity instruments:**

The Group operates a number of share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services rendered in exchange for the granting of options is recognized as an expense, in accordance with IFRS 2. The total amount to be recorded corresponds to the fair value of the instruments granted.

When the instruments are exercised, the Company issues new shares. The amounts received when the options are exercised are credited to Share Capital (nominal value) and Share premiums, net of any directly attributable transaction costs.

- **Cash-settled plans:**

The Group established two compensation plans, under which it receives services from its employees. These plans will be paid out in cash, but the amount payable is indexed according to the share price. The fair value of the employee services rendered in exchange for the granting of options is recognized as an expense, with the corresponding debt being recorded under Other Current Liabilities, in accordance with IFRS 2. The total amount to be recorded corresponds to the fair value of the instruments granted.

When the instruments are exercised, the Company does not create any shares but rather pays the amounts due in cash. Where appropriate, it reduces the corresponding debt.

3.25. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except for the portion related to items recognized in Other comprehensive income or directly in shareholders' equity. In this case, tax is also recognized in Other comprehensive income or directly in shareholders' equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantially enacted at the reporting date in the countries where the Group's companies operate and generate taxable income. The Group's management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of the adjustments expected to be made by the tax authorities.

Deferred income tax is recognized using the liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that a future taxable profit will be available, against which the temporary differences can be utilized.

Deferred income tax arising from temporary differences on investments in subsidiaries is recorded, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not expire in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Pursuant to IFRIC 23, if it is not probable that a treatment will be accepted by the tax authorities, the uncertainties regarding the recording of income tax on the income statement are reflected in the determination of tax assets and liabilities, using the most predictive method for resolving the uncertainty (the most probable amount or the weighted average of the possible scenarios).

3.26. Earnings per share

Earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares after deducting the weighted average number of treasury shares.
Diluted earnings per share are computed by dividing net income attributable to equity holders of the Company by the average number of ordinary shares issued after deducting the weighted average number of treasury shares, adjusted for the effects of all dilutive potential shares.

Dilutive instruments are taken into account when, and only when, their dilutive effect decreases earnings per share or increases loss per share.

3.27. Non-current operating income (expense)

There is an entry for the item Other non-current operating income (expenses) only if a major event that occurred during the accounting period is likely to distort the reading of the Company's performance. As a result, it includes a very limited number of incomes or expenses that are unusual, abnormal and infrequent that the Company discloses separately in its income statement to facilitate understanding of current operating performance and allow the reader of the financial statements to have useful information to forecast future results.

It may include, for example:

- Significant and unusual capital gains or losses on disposals – or impairment – of non-current assets, property, plant and equipment or intangible assets;
- Certain restructuring or reorganization expenses that would distort the readability of current operating income; and
- Other operating income and expenses, such as a provision for litigation for a considerable amount.

Items identical in nature to those mentioned above that do not meet the characteristics specified are classified as current operating income.

4. Financial risk management

4.1. Financial risk factors

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

- **Foreign exchange risk**

As the Group carries out its business internationally, it is exposed to foreign exchange risks stemming from its operations in currencies other than the euro, which is the Company's functional currency and the currency in which it presents its financial statements.

The operating results and assets of the foreign entities (US, Chinese and British), as well as the Group's liquidities, are exposed to foreign exchange fluctuations, mainly to the EUR/USD exchange rate.

The Group's sales are denominated in EUR, except for sales in China, sales by the Company's U.S. subsidiary until December 27, 2019, and sales by the Hologic group in the United States, which are in dollars.

The Group's exposure to fluctuations in EUR/USD exchange rates is limited to the extent that the dollar amounts collected cover supplier invoices and personnel costs (until December 27, 2019, the date of the sale of the U.S. subsidiary) in that currency.

During the periods presented, the Group has not engaged in any hedging operations.

- **Credit risk**

Credit risk is managed on a Group-wide basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Credit risk linked to cash, cash equivalents and current financial instruments is not significant given the quality of the co-contracting financial institutions.

Customer credit risk is monitored by management on an individual basis and gives rise, for a portion of export receivables, to the purchase of suitable insurance coverage.

- **Liquidity risk**

Cash flow forecasting is performed by the Finance department. On the basis of regularly updated projections, Group management monitors the Group's liquidity requirements to ensure it has sufficient cash available to meet operational needs.

Such forecasting occurs on a monthly basis and takes into consideration the Group's financing plans. The Group's surplus cash is invested in interest-bearing current accounts, time deposits and money market deposits through the choice of instruments with appropriate maturities or sufficient liquidity to provide sufficient flexibility as determined by the above-mentioned forecasts.

4.2. Capital risk management

The Group's objectives when managing its capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, generate benefits for other partners and maintain an optimal capital structure to reduce capital costs.

5. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

- **Going concern**

See Note 2.2.

- **Amortization and impairment of intangible assets**

Intangible assets mainly relate to the acquisition of technologies and development work on the various versions of Aixplorer as well as the new MACH® 30 and MACH® 20 products. These assets are depreciated on a straight-line basis over their useful life, which is reviewed at every reporting date.

The need to write down intangible assets is confirmed when there are signs of impairment. The recoverable value is then estimated.

As of the closing date on December 31, 2019, management's view was that there were no signs of impairment and that the value of its intangible assets remained justified.

During the periods presented, the Group has not recorded any impairment of intangible assets.
A loss of €1.2 million was recorded as of December 31, 2019, corresponding to the net book value of the intangible assets that were disposed of due to the cancellation of the ERP replacement project following Hologic's acquisition of a majority stake in the Company.

- **Share-based payments**

The Group grants options (such as BSA, BSPCE, stock options, etc.) to acquire the Company's shares and other equity instruments, as well as free shares to Group executives and employees and to persons associated with the Company by consulting agreements. The determination of the fair value of share-based payments is based on a binomial option-pricing model and/or the Black & Scholes model, which take into account assumptions regarding a number of complex and subjective variables. These variables include, but are not limited to, the fair value of the Company's stock, expected share price volatility over the term of the instrument and current and future behavior of holders of these instruments. There is an inherent high degree of subjectivity involved when using such option-pricing models to determine the fair value of share-based payments under IFRS 2.

The valuation assumptions are presented in Note 17.

- **Accounting for income taxes**

The Group is subject to the income tax laws of France and those of the foreign jurisdictions in which it has business operations. These tax laws are often complex and subject to different interpretations by the taxpayer and the relevant taxation authorities. The Group must make judgments and interpretations about the application of these tax laws when determining the provision for income taxes.

Deferred tax assets, which correspond primarily to loss carry-forwards, are only recorded when it is probable that the Group will record a taxable profit in the future. The Group must exercise its judgment when determining the probability of the existence of a future taxable profit. This analysis is performed on a tax jurisdiction by tax jurisdiction basis.

- **TUCE contingent advance**

As part of its development programs, the Group received a repayable advance as part of the TUCE project. The amount of the advance appears as financial debt on the balance sheet.

Repayments will be based on future sales of products resulting from the project, i.e., 2.5% of revenue, upon reaching €1.5 million. Repayments may therefore exceed the nominal amount received, but in the absence of a reliable estimate of the amount to be paid until 2023, this amount is not recorded in the balance sheet.

6. Information by geographic region

Revenue by product type breaks down as follows:

In thousands of euros	Dec. 31, 2019	%	Dec. 31, 2018	%
Sales of goods	22,540	85%	20,653	85%
Sales of services	3,871	15%	3,637	15%
Total	**26,411**	**100%**	**24,290**	**100%**

Revenue by geographic region breaks down as follows:

In thousands of euros	Dec. 31, 2019	%	Dec. 31, 2018	%
EMEA	8,634	33%	9,074	37%
Americas	3,817	14%	3,491	14%
Asia	13,960	53%	11,725	48%
Total	**26,411**	**100%**	**24,290**	**100%**

In 2019, the countries in which the Group earned more than 10% of its revenue were China (€12.796 million), the United States (€3.795 million) and France (€3.530 million).

In 2018, the countries in which the Group earned more than 10% of its revenue were China (€10.035 million), the United States (€3.197 million) and France (€3.013 million).

For 2019 and 2018 the Group's top five customers represented a combined 56% and 49% of consolidated revenue, respectively.

Only a single customer, in Asia, accounted for over 10% of the Group's revenue, with an invoiced amount of €8.799 million in 2019.

In 2018, the customer representing over 10% of consolidated revenue was also in Asia, with an invoiced amount of €8.118 million.

Revenue by distribution channel breaks down as follows:

In thousands of euros	Dec. 31, 2019	%	Dec. 31, 2018	%
Direct	20,766	79%	16,309	67%
Distributors	5,645	21%	7,981	33%
Total	**26,411**	**100%**	**24,290**	**100%**

The breakdown of property, plant and equipment and intangible assets by geographic region for the two fiscal years ended December 31, 2019 and 2018 is as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
EMEA	21,355	20,887
Americas		7
Asia	53	21
Total	21,407	20,347

For purposes of geographical analysis, Group management has allocated revenue based on the location where the goods are delivered or the services are rendered (destination of sales). Property, plant and equipment and intangible assets are allocated according to their geographic location.

7. Other income

Other income essentially consists of income linked to Group technology and industrial partnerships that is not recurring in nature, as it is not part of normal business activities. In 2018, the Company signed its first industrial partnership agreement with a U.S. company and presents the income from that activity in "Other income," for the amounts presented below.

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Other income	343	338

8. Intangible assets

As of December 31, 2019, aggregate gross development costs amounting to €27,128 million (€15,828 net) primarily related to the development of Aixplorer® versions V3 to Ultimate (amortized on a straight-line basis to end-2021), as well as capitalized expenses for the next generation ultrasound system amortized since early October 2018 (when sales began), with a useful life of 12 years.

The amount of internal development costs capitalized for the fiscal year ended December 31, 2019 stood at €3.472 million, corresponding exclusively to the new version of the Aixplorer MACH® 30 and the MACH® 20, as compared with €3.234 million capitalized for the fiscal year ended December 31, 2018.

Changes in intangible assets break down as follows over the last two fiscal years:

In thousands of euros	Patents/licenses	Development Costs	Others	Total
Year ended December 31, 2018				
Opening amount	687	13,405	66	14,158
Acquisitions	126	3,234	709	4,069
Depreciation and amortization	(162)	(1,975)	(41)	(2,178)
Closing amount	**651**	**14,663**	**735**	**16,049**
As of December 31, 2018				
Gross value	2,099	23,653	1,882	27,634
Cumulative depreciation	(1,448)	(8,990)	(1,148)	(11,585)
Net book value	**651**	**14,663**	**735**	**16,049**

In thousands of euros	Patents/licenses	Development Costs	Others	Total
Year ended December 31, 2019				
Opening amount	651	14,663	735	16,049
Acquisitions	207	3,475	594	4,276
Disposal/sale			(1,270)	(1,270)
Depreciation and amortization	(174)	(2,310)	(45)	(2,529)
Closing amount	**684**	**15,828**	**14**	**16,526**
As of December 31, 2019				
Gross value	2,306	27,128	1,206	30,640
Cumulative depreciation	(1,622)	(11,300)	(1,192)	(14,114)
Net book value	**684**	**15,828**	**14**	**16,526**

The capitalized internal development costs break down as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Personnel	3,232	3,424
Fees, External Services	82	442
Travel and entertainment expenses	41	112
Depreciation, amortization & provisions	940	449
Purchases and consumables	-	245
Others	460	223
Subtotal expenses	**4,755**	**4,895**
Operating grants	-	-
Research Tax Credit	(1,282)	(1,661)
Subtotal income	**(1,282)**	**(1,661)**
Capitalized R&D costs	**3,472**	**3,234**

The amount of acquisitions of other intangible assets for the period totals €594,000, primarily composed of costs incurred in the development phase of the ERP replacement project. A loss of €1.270 million was recorded as of December 31, 2019, corresponding to the net book value of the tangible assets that were disposed of due to the cancellation of the ERP replacement project following Hologic's acquisition of a majority stake in the Company.
There was no other impairment as defined under IAS 36 noted during the periods presented.

Given that the usable life of the Aixplorer® product was extended from end-2020 to end-2021, primarily due to sales prospects on the Chinese market, the remaining amortization schedule for the development costs of the Aixplorer® product was accordingly changed from 12 to 13 years, applied prospectively from July 1, 2019. This change in estimate had a €308,000 impact on allocations for the fiscal year (calculated as follows: 2019 allocation under the former amortization schedule: €2.619 million, 2019 allocation under the new amortization schedule: €2.310 million).

9. Property, plant and equipment

During fiscal year 2019, the Group made investments in R&D equipment, production equipment (the Group owns certain production tools, such as the molds for the design of the ultrasound systems, which are made available to the subcontractor responsible for their manufacture), as well as IT and transport equipment.

Changes in property, plant and equipment break down as follows for the last two years:

In thousands of euros	Tools, plant and technical equipment	Office and IT equipment	Others	Total
Year ended December 31, 2018				
Opening amount	4,274	90	79	**4,443**
Acquisitions	852	72	10	**934**
Disposals	-	-	-	**-**
Depreciation and amortization	(393)	(75)	(72)	**(540)**
Unrealized foreign exchange gains or losses	15	3	11	**15**
Closing net amount	**4,748**	**90**	**28**	**4,865**
As of December 31, 2018				
Gross value	9,965	1,167	1,032	**12,164**
Cumulative depreciation	(5,217)	(1,077)	(1,005)	**(7,299)**
Net book value	**4,748**	**90**	**28**	**4,865**

In thousands of euros	Tools, plant and technical equipment	Office and IT equipment	Others	Total
Year ended December 31, 2019				
Opening amount	4,748	90	28	**4,865**
Acquisitions	699	-	5	**704**
Disposals	(4)	(2)	-	**(6)**
Depreciation and amortization	(630)	(30)	(13)	**(673)**
Deconsolidation	(5)	(5)	-	**(10)**
Unrealized foreign exchange gains or losses	-	-	-	**-**
Closing net amount	**4,808**	**54**	**20**	**4,881**
As of December 31, 2019				
Gross value	10,627	1,105	814	**12,546**
Cumulative depreciation	(5,819)	(1,052)	(794)	**(7,665)**
Net book value	**4,808**	**54**	**20**	**4,881**

10. Leases

The Group elected to apply IFRS 16 early as from January 1, 2018.
Rights-of-use and lease liabilities for the 2019 fiscal year were changed as follows:

In thousands of euros	Dec. 31, 2018	New leases signed during the period	Disposals relating to expiring leases	Dec. 31, 2019
Buildings	606	460	(594)	472
Equipment	56	-	(23)	33
Vehicles	176	119	(6)	289
Total rights-of-use under leases – gross	**838**	**579**	**(622)**	**795**

In thousands of euros	Dec. 31, 2018	New leases signed during the period	Depreciation and amortization during the period	Disposals relating to expiring leases	Dec. 31, 2019
Buildings	(365)	-	(326)	599	(92)
Equipment	(23)	-	(20)	25	(18)
Vehicles	(64)	-	(80)	-	(144)
Total amortization of rights-of-use under leases	**(452)**	**-**	**(426)**	**624**	**(253)**
Buildings	241	460	(326)	5	380
Equipment	33		(20)	2	15
Vehicles	112	119	(80)	(6)	146
Total rights-of-use under leases – net	387	579	(426)	**1**	**541**

In thousands of euros	Dec. 31, 2018	New leases signed during the period	Disposals relating to expiring leases	Capital payments over the period	Dec. 31, 2019	*Of which current lease liabilities*	*Of which non-current lease liabilities*
Buildings	297	460	31	(356)	**433**	*173*	*231*
Equipment	36		(11)	(20)	**5**	*5*	-
Vehicles	110	119	(18)	(77)	**135**	*94*	*69*
Total lease liabilities	**443**	**579**	**1**	**(453)**	**572**	***272***	***300***

As of December 31, 2019, rights-of-use amounted to €795,000 gross and €541,000 net and involved the following items (gross):

- Buildings €472,000 relating to premises occupied by various Group entities in Aix-en-Provence and China.
- Equipment €33,000
- Vehicles €289,000

The residual average term as from December 31, 2019 was about a year and a half (20 months for buildings and 18 months for vehicles),

Rights-of-use increased by €426,000 in 2019, with amortization of lease liabilities principal of €453,000 and interest of €64,000 recorded in financial income (expense).

The average marginal borrowing rate used to discount the liability from new leases entered into 2019 is 2% for buildings and 1% for equipment and vehicles.
There was no sale and lease-back during the fiscal year.
There was no sub-leasing during the fiscal year.
There are no restrictions or covenants in the Group's leases.

The expenses recognized for short-term leases and low value leases not restated under IFRS 16 were not material for the fiscal year.

11. Other non-current assets

Other non-current assets break down as follows:

In thousands of euros	*Dec. 31, 2019*	*Dec. 31, 2018*
Securities and cash pledged	163	163
Deposits paid	190	187
Assets provided for the liquidity agreement	74	65
Research Tax Credit	2,078	-
Total Other non-current assets	**2,505**	**415**

Assets provided under the liquidity agreement totaled €74,000. The liquidity agreement is described in Note 16.3.

The 2019 research tax credit of €2,184 thousand was recorded in Non-current assets as of December 31, 2019: because the Company lost its status as a European Union SME when Hologic acquired majority control of it in 2019, the 2019 RTC will not be payable for another three years. See details in Note 14.

12. Inventories

Inventories break down as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Raw materials & spare parts	3,904	4,409
WIP and finished goods	3,042	2,896
Demonstration equipment	2,009	1,723
Total gross inventories	**8,955**	**9,028**
Inventory impairment	(2,482)	(2,364)
Total Net Inventories	**6,474**	**6,664**

Loss on inventories during the period primarily corresponds to write-downs of items that were defective or returned by clients expecting an eventual repair, as well as the straight-line depreciation of demonstration materials.

Movements concerning the provisions for loss on inventories are recorded in the income statement in the Costs of sales and break down as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
As of January 1	(2,363)	(1,567)
Changes in scope of consolidation	82	
Provisions for impairment of inventories	(1,010)	(1,780)
Reversals of impairments used	810	984
As of December 31	**(2,482)**	**(2,363)**

Reversals of provisions used correspond to fully provisioned inventories that were obsolete or irreparable, and disposed of during the year.

13. Trade receivables

Trade and other receivables break down as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Trade receivables	7,045	12,082
Provisions for bad debt	(745)	(1,906)
Trade receivables, net	**6,299**	**10,176**

Provisions for trade receivables primarily concerned three customers:

- **Chinese distributor:**

In April 2013, the Group chose to terminate its exclusive distribution agreement with its Chinese distributor. The latter had disputed and blocked the payment of the amounts due, a total of €474,000.

On October 22, 2009, the Company had signed an exclusive distribution agreement with its distributor for some of its products in China (excluding Taiwan, Hong Kong and Macao).

In April 2013, the Company terminated this agreement, noting that its distributor had not achieved its contractual objectives. After discussion between the parties, the distributor commenced action against the Company in the Beijing Chaoyang district court and in the intermediate district court of Beijing. It asked the court to order the contract to be continued and extended, given its interruption during the discussions between the parties, and that the Company comply with its exclusivity arrangement. It contested the Company's assertions and the applicability of the contractual arbitration clause. In September 2013, the Company commenced an arbitration proceeding before the International Chamber of Commerce for payment of amounts owed under the contract, as well as for damages.

In October 2014, the Company won its case and the Chinese distributor was ordered to repay its debt as plus €1 million in principal amount for damages suffered by the Group. Provisions continue to be recorded for the related assets (€474,000 in trade receivables and €1.002 million in income receivable) as of December 31, 2018, unchanged as compared with December 31, 2014.
At the same time, the distributor's claims were dismissed.

As of the date of these 2019 consolidated financial statements, proceedings for recovery were ongoing.

However, as of December 31, 2019, the Company reclassified the receivable from the Chinese distributor as an unrecoverable loss, for a total amount of €537,000, as well as the payments due, in an amount of €1.002 million. At the same time, the Company reversed the corresponding provision for bad trade receivables by a total amount of €537,000, as well as the provision for income receivable in the amount of €1.002 million. These transactions had no impact on net results of operations for the 2019 fiscal year.

- **Brazilian distributors:**

The receivables owed by the former Brazilian distributor for a total of €520,000 were fully provisioned in 2013, since the distributor was facing significant financial difficulties.
The same year, the Company signed an exclusive agreement with a new distributor for the Brazilian market, which included a repayment schedule for the debt of the former distributor. Payment deadlines were met until August 2014, and the corresponding provisions were reversed for a total of €181,000.

In 2015, the new distributor faced cash flow issues, primarily due to the decline in the BRL vis-à-vis the euro (which fell 34% over the fiscal year) (foreign exchange risks were borne by the distributor, since the Group invoiced it in euros).

The Group is in regular contact with the new distributor, which wishes to continue distributing SuperSonic Imagine products once it has been able to clear its debt. To this end, a 100% provision has been recorded for the debt owed by the new distributor since the 2016 reporting date.

Legal proceedings were brought in 2017 and were still ongoing in 2019.

However, as of December 31, 2019, the Company reclassified the receivable from the Brazilian distributor as an unrecoverable loss, for a total amount of €593,000. At the same time, the Company reversed the corresponding provision for a total amount of €593,000. These transactions had no impact on net results of operations for the 2019 fiscal year.

As of December 31, 2019, €1.825 million in receivables were overdue, including €744,000 provisioned, for a total of €1.081 million in receivables that were past due but not impaired. They relate to customers for which the Company has found that there is no risk of non-collection for these receivables.

As of December 31, 2018, €5.359 million in receivables were overdue, including €1.906 provisioned, for a total of €3.453 million in receivables that were past due but not impaired. They relate to customers for which the Company has found that there is no risk of non-collection for these receivables.

The breakdown of these receivables by duration is as follows:

In thousands of euros	Total	Not due	1 to 30 days	30 to 60 days	60 to 90 days	90+ days
2018	12,082	6,723	1,997	234	283	2,845
2019	**7,045**	**5,220**	**349**	**257**	**112**	**1,107**

The gross carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Euro	4,074	6,327
US Dollar	2,971	5,637
Other currencies	-	118
Total	**7,045**	**12,082**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The amount of trade receivables at the reporting date is covered under a reservation of property clause in the general conditions of sale, to the benefit of the Company.

Changes in the provision for doubtful trade receivables, both current and non-current, were as follows:

In thousands of euros	2019	2018
As of January 1	(1,906)	(1,740)
Increase in provision for doubtful receivables	(260)	(420)
Reversals of impairments used	1,127	-
Reversals of provisions not used	159	254
Changes in scope of consolidation	135	-
As of December 31	**(745)**	**(1,906)**

- **Customer contract assets**

The Company had no invoices not yet issued in respect of customer contracts as of December 31, 2018, and had €4,000 in such invoices as of December 31, 2019, recorded in Trade receivables.

- **Customer contract liabilities**

Deferred income recorded in respect of customer contracts totaled €1.388 million as of December 31, 2018, and €983,000 as of December 31, 2019, recorded in Other non-current liabilities for €358,000, and in Other current liabilities for €625,000. The decrease over the fiscal year is due to the deconsolidation of the U.S. subsidiary as of December 27, 2019 (see Note 41), generating a decrease of €304,000 in deferred income in respect of customer contracts.
Prepaid income recorded in respect of customer contracts totaled €205,000 as of December 31, 2018, and €458,000 as of December 31, 2019, recorded in Other current liabilities.

The financing portion of customer contracts is not significant.

14. Other current assets

Other current assets break down as follows:

In thousands of euros	*Dec. 31, 2019*	*Dec. 31, 2018*
Research tax credit receivable	-	2,407
VAT receivable	633	852
Prepaid expenses	336	208
Supplier advances trade receivables	943	646
Share capital called but not paid up	30	-
Other receivables	40	16
Total other current assets	**1,982**	**4,129**

The tax credit receivable has changed as follows over the last two fiscal years:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Tax credit receivables	2,407	2,212
Tax credits received	(2,407)	(2,240)
Tax credits for the fiscal year	2,077	2,436
Adjustments to prior tax credits	-	-
Others	1	(1)
Tax credit receivables at close	**2,078**	**2,407**

Given its status as an SME in EU terms, receivables relating to Tax Credits had been repaid in the year following their recognition. The 2019 research tax credit of €2,184 thousand was recorded in Non-current assets as of December 31, 2019 (see Note 11): because the Company lost its status as a European Union SME when Hologic acquired majority control of it in 2019, the 2019 RTC will not be payable for another three years.

As of December 31, 2019, the amount of RTC for the past fiscal year was pre-financed for 55% of its estimated value, namely €1.116 million. As a result, the financial statements include a short-term liability for this amount (see Note 18).

15. Cash and cash equivalents

Cash and cash equivalents break down as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Cash on hand	6,500	8,585
Marketable securities	8	8
Cash and cash equivalents	**6,508**	**8,593**

Cash held in banks is principally held in euros, for €4.4 million, in USD held by the Company for €1.811 million, as well for €206,000 in the Chinese subsidiary and €51,000 in the UK subsidiary.

As of December 31, 2019, the Group had short-term overdraft facilities totaling €2.1 million, composed primarily of €1.2 million in 2019 RTC pre-financing and €0.8 million in revolving bank facilities.

16. Shareholders' equity

Since April 10, 2014, the Company's shares have been admitted to trading on Euronext Paris under ISIN code FR0010526814 and the mnemonic SSI.

In 2018, 207,500 new shares were created following the effective allocation of the first tranche of free shares. This raised the number of outstanding shares to 23,416,627 as of December 31, 2018.

In 2019, 612,559 new shares were created following the exercise of stock options and share subscription warrants (see description of these plans in Note 17), and 308 shares were added as a correction for 2018. This raised the number of outstanding shares to 24,029,494 as of December 31, 2019.

16.1. Share Capital

Changes in share capital break down as follows:

In thousands of shares	January 1, 2019	Capital increase	Expenses relating to the capital increase	Retained earnings (losses) allotted to the share premium	Subscription of dilutive instruments			Dec. 31, 2019
					Stock options	Founders' warrants (BSPCE)	Warrants (BSA)	
Ordinary shares	23,416,627	-	-	-	576,225	-	36,642	24,029,494
Total number of shares	**23,416,627**	**-**	**-**	**-**	**576,225**	**-**	**36,642**	**24,029,494**
In thousands of euros								
Share Capital	**2,342**	-	-	-	58	-	4	**2,403**
Share premium	**19,365**	-	-	(13,596)	-	-	-	**5,769**

Change in share capital over the last two fiscal years

Transaction	Share capital	Share premium	Number of shares
	(In thousands of euros)		
As of January 1, 2018	**2,321**	**29,550**	**23,209,127**
Cash capital increase	21	(21)	207,500
Expenses relating to the capital increase	0	28	0
Reclassification of retained earnings as a deduction from the share premium	0	(10,192)	-
Exercise of Stock options	0	0	0
Exercise of founders' warrants (BSPCE)	0	0	0
Exercise of warrants	0	0	0
As of December 31, 2018	**2,342**	**19,365**	**23,416,627**
As of January 1, 2019	**2,342**	**19,365**	**23,416,627**
Cash capital increase	0	0	0
Expenses relating to the capital increase	0	0	0
Reclassification of retained earnings as a deduction from the share premium	0	(13,596)	0
Exercise of Stock options	58	0	576,225
Exercise of founders' warrants (BSPCE)	0	0	0
Exercise of warrants	4	0	36,642
As of December 31, 2019	**2,403**	**5,769**	**24,029,494**

16.2. Dividends

The Company has never distributed dividends and does not intend to do so for fiscal year 2019.

16.3. Liquidity agreement

On April 15, 2017, a liquidity agreement was entered into with Gilbert Dupont. This agreement was entered into for a term of 12 months ending on April 14, 2018, automatically renewable.

As of December 31, 2019, the number of treasury shares held under the liquidity agreement was 100,732, in addition to €74,000 in cash, as compared with 110,931 shares and €65,000 as of December 31, 2018.

Changes in shares held under this agreement, as well as the gains and losses for the fiscal year, increased the amount of consolidated shareholders' equity by €8,000 in 2019.
In connection with the tender offer for the Company's shares by Hologic Hub Ltd. between October and December of 2019, the liquidity agreement with Gilbert Dupont was suspended at the Company's request and until further notice.

16.4. Consolidated reserves

Consolidated reserves break down as follows:

In thousands of euros	2019	2018
As of January 1	**(9,146)**	**(6,282)**
Profit (loss) for the year	(22,508)	(13,294)
Currency translation differences	610	(23)
Share-based payments – Expenses for the fiscal year	241	223
Subscription for warrants	-	31
Actuarial profits/(losses) on retirement commitments	209	36
Change in treasury shares	8	(31)
Allocation of negative retained earnings to the share premium	13,596	10,192
Miscellaneous	(19)	-
As of December 31	**(17,008)**	**(9,146)**
Of which:		
Retained earnings (losses)	3,688	3,404
Loss for the year	(22,508)	(13,294)
Statutory reserve	-	-
Treasury stock	(626)	(634)
Total comprehensive income (loss)	229	(590)
Share-based payments	2,209	1,968
As of December 31	**(17,008)**	**(9,146)**

In France, companies must transfer 5% of their annual profit to a legal reserve until the reserve reaches 10% of the share capital. Since the Group has not generated any profits in the past, no contribution has been made.

17. Share-based payments

The Group granted two types of instruments to certain senior managers, employees, and people related to the Company by a consulting agreement:

- Share-based dilutive instruments, such as options for shares, free shares, warrants or founders' warrants. These are described below in Note 17.1; and
- Non-dilutive instruments based on shares. These are described below in Note 17.2;

17.1. Share-based dilutive instruments

17.1.1. Conditions of plans granted

As of December 31, 2019, the following share-based payments were granted by the Company[26]:

Ordinary shares/Stock options:

Plan – Date of grant	Vesting conditions	Exercise price per share	Number of instruments: awarded at outset Exercisable as of Dec. 31, 2019	Expiration date
2013 ordinary options October 4, 2013	Exercisable up to 25% after 12 months starting from the grant date then for the rest up to 7.5% at the end of each quarter for 30 months. (1)	€0.10	381,250 22,593	Oct. 4, 23
AGA Exchange 2013 options October 4, 2013	Exercisable up to 55% starting from the grant date then for the rest up to 7.5% at the end of each quarter starting October 1, 2013. (1)	€0.10	254,500 0	Oct. 4, 23
09-2014 options September 19, 2014	Up to 6.25% of options may be exercised at the expiration of each successive 3-month period that has elapsed from the date of grant, and at the latest within the 10 years following the date of grant.	€8.18 (2)	411,850 105,689	Sep. 18, 24

(1) Following the IPO on April 9, 2014, these instruments became immediately exercisable.
(2) Exercise price adjusted following the capital increase of the Company on May 15, 2017.

[26] As of December 31, 2019, there were no outstanding warrants issued by the Company. The beneficiaries of the warrants issued under the plans still in effect during the fiscal year ended December 31, 2019 either exercised them or released them. It should also be noted that the only founders' share warrant plan in effect during the fiscal year ended December 31, 2019 (BSPCE 10-2008) expired on November 5, 2019.

Free shares:

Plan – Date of grant	Vesting conditions	Exercise price per share	Number of instruments awarded at outset	Expiration date
Free performance shares March 31, 2017	Vested and delivered to the beneficiaries in tranches of 20% at the end of 12, 24, 36, 48 and 60 month vesting periods from the Grant. (1)	-	1,037,500	N/A
Free performance shares April 2018	Vested and delivered to the beneficiaries in tranches of 20% at the end of 12, 24, 36, 48 and 60 month vesting periods from the Grant. (1)	-	114,000	N/A

(1) Except in special circumstances approved by the Board of Directors, beneficiaries irrevocably lose their performance shares for unvested tranches:

- *If they resign effective before the end of a vesting period, the loss of the performance shares takes effect on the date that the beneficiary's employment contract or corporate office ends;*
- *If they are dismissed or terminated for any reason whatsoever before the end of the vesting period, the loss of the performance shares takes effect on the date of notification of dismissal or termination, as the case may be.*

On April 26, 2018, the Management Board, after consulting the Supervisory Board, decided to change the performance conditions for the 2017 performance shares.

The former performance conditions were thus dropped in favor of a new performance condition (the "**Performance Condition**") corresponding to achievement of a ratio of Company EBITDA to revenue (the "**EBIDTA/Revenue Ratio**"). This condition will also be assessed annually for the delivery of each of the remaining tranches of 2017 performance shares, starting with the tranche that vested on March 31, 2019.

The performance shares will be delivered to each beneficiary for each tranche at the end of each vesting period subject to the Company's achievement of a performance condition (the "**Performance Condition**") representing a ratio of Company EBITDA to revenue (the "**EBIDTA/Revenue Ratio**").

In March 2018, 207,500 new shares were created for delivery of the first tranche following achievement of the performance targets.
In March 2019, no new shares were created for delivery of the second tranche of the 2017 plan, since the performance conditions had not been achieved.

Moreover, on April 26, 2018, the Management Board granted 114,000 free performance shares to the Company's employees under authorizations granted by the Combined Shareholders' Meeting of June 24, 2016.

During the vesting periods, the beneficiaries will not own the shares granted to them and may not transfer the rights arising from such grants. The free shares will be delivered to their beneficiaries at the end of this vesting period.

Performance shares will only be delivered to beneficiaries who remain as employees or officers of the Company or of an affiliate throughout the vesting period for each tranche, except where otherwise provided for under the plan and below.

The performance shares will be delivered to each Beneficiary for each tranche at the end of each vesting period subject to the Company's achievement of a performance condition (the "**Performance Condition**") representing a ratio of Company EBITDA to revenue (the "**EBIDTA/Revenue Ratio**").

The EBITDA/Revenue ratio is calculated for each tranche by dividing Company EBITDA by revenue in the fiscal year immediately preceding the corresponding vesting date. If the actual EBITDA/Revenue Ratio is equal to or greater than 80% of the target EBITDA/Revenue Ratio for the fiscal year in question, the number of shares to be delivered shall be equal to 100% of the performance shares awarded for the tranche in question, before the adjustments provided for in Article 7. If it is under 80% of the target EBITDA/Revenue Ratio, no shares will be delivered for the tranche in question.

In March 2019, no new shares were created for delivery of the first tranche of the 2018 plan, since the performance conditions had not been achieved.

The rules of the 2017 and 2018 free share plans included the following provision: "In the event of a change of control of the Company (as such term is defined in Article L.233-3 of the French Commercial Code), the Performance Condition shall no longer apply; only those provisions of the plan that relate to presence [at the Company] shall apply."
As a result, the Hologic group's acquisition of control of the Company in 2019 cancelled all of the performance conditions applicable to the free share plans instituted in 2017 and 2018.

17.1.2. Changes in outstandings for dilutive instruments

a) Share Subscription Options/Stock Options

The number of stock options in circulation breaks down as follows:

	2019		2018	
Share Subscription Options (OSA)	**Exercise price in € per share**	**Number of options**	**Exercise price in € per share**	**Number of options**
As of January 1	0.20	701,174	0.20	701,481
Adjustment following the capital increase		-	-	-
Granted	-	-	-	-
Expired	-	-	-	-
Exercised	0.10	(572,892)	0.10	(308)
As of December 31	**6.76**	**128,282**	**0.20**	**701,174**
Exercisable	**6.76**	**128,282**	**0.20**	**701,174**

b) Free shares

The number of free shares in circulation breaks down as follows:

	2019		2018	
Free shares (AGA)	Exercise price in € per share	Number of free shares	Exercise price in € per share	Number of free shares
As of January 1	-	896,500	-	1,022,500
Adjustment following the capital increase	-	-	-	-
Granted	-	-	-	114,000
Null and void	-	(259,000)	-	(32,500)
Granted during the period	-	-	-	(207,500)
As of December 31	-	637,500	-	896,500

17.1.3. Plan valuation

The valuation of share subscription options and free shares is as follows:

Plan	Valuation model	Share price at the grant date (in euros)	Annual risk-free interest rate	Expected volatility	Expected maturity (years)	Discount for non-transferability	Unit fair value (in euros)
Ordinary shares/Stock options:							
2013 ordinary options	B&S and binomial	0.10	2.42%	35.00%	10	30.48%	0.030
AGA Exchange options	B&S and binomial	0.10	2.42%	35.00%	10	30.48%	0.030
Options 09-2014	B&S	8.40	0.35%	37.51%	7	0.00%	3.980
Free shares:							
2017 free performance shares		1.52					1.52 to 1.768
2018 free performance shares		1.768					1.768

No assumption of turnover or dividend distribution was used for the valuation of these instruments.

17.2. Share-based non-dilutive instruments

On July 1, 2014, the Group granted Stock Appreciation Rights (SAR) to the employees at the Chinese representative office.

The principle is as follows:
Each of the nine beneficiaries has received a fixed number of SARs, which vest over two years (with the exception of one person where they were fully vested upon allocation), except in cases of a change in Company control, where all of them would immediately become exercisable. These SARs are exercisable through October 23, 2023 (subject to attendance conditions within the Group).

The Group shall pay the grantee upon written request, and for each year of the allotted SARs, the lower amount between the following two amounts:

- The market price of the Company's stock on the eve of the request for exercise, less €0.10; and
- €20.

At the reporting date, the valuation of the SARs allotted was €25,400, namely €2,400 more than as of December 31, 2018.

17.2.1. Conditions of plans granted

Plan – Date of grant	Vesting conditions	Number of instruments: awarded at outset. Exercisable as of Dec. 31, 2019	Expiration date
Stock Appreciation Right			
SAR 07-2014 July 1, 2014	Exercisable in thirds on July 1 of each year (2014, 2015, 2016), or immediately exercisable in the event of a change in control	10,000 10,000	Oct. 23, 23
SAR 07-2014 July 1, 2014	Fully exercisable on July 1, 2014.	5,000 5,000	Oct. 23, 23

17.2.2. Changes in outstandings for non-dilutive instruments

SAR	2019	2018
	Number of instruments	Number of instruments
As of January 1	15,000	15,000
Granted	-	-
Null and void	-	-
Exercised	-	-
Expired	-	-
As of December 31	**15,000**	**15,000**
Exercisable	**15,000**	**15,000**

17.3. Plan charges by fiscal year

Expenses recognized in the financial statements in prior fiscal years are as follows:

In thousands of euros	2014 and earlier	2015	2016	2017	2018	2019	Total
Free shares	20	-	-	321	199	244	784
Stock options	443	30	-	-	-	-	473
SAR	113	(71)	3	(9)	(11)	-	25
Total	**576**	**(41)**	**3**	**313**	**188**	**244**	**1282**

18. Financial debt

Financial debt breaks down as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Non-current		
Repayable advance – Tuce	204	204
Repayable advance – Icare	1,725	1,338
Long-term loan	37,900	3,726
Bond issuance	-	9,775
Total non-current	**39,829**	**15,043**
Current		
Repayable advance Business France:	15	15
Repayable advance – Tuce	204	204
Short-term loans	2,077	5,063
Current portion of long-term loans	460	-
Interest incurred on loan	422	-
Bond issuance	-	4,550
Total current	**3,178**	**9,832**
Total financial debts	**43,007**	**24,875**

As of December 31, 2019, financial debts are primarily comprised of:

- Repayable advances (described below) for a total amount of €2.1 million;
- A long-term loan (described below) from the majority shareholder, Hologic Hub Ltd., in an amount of €34.5 million, including interest incurred;
- Short-term loans corresponding primarily to the pre-financing of the 2019 RTC for €1.1 million, and to revolving bank credit facilities for €0.8 million. The Company had no outstanding balance under a factoring agreement as of December 31, 2019, as compared with a financial liability of €3.254 million as of December 31, 2018; and
- Three long-term innovation loans arranged with Bpifrance, with €1.8 million received in 2017, €2 million received in 2018, and €750,000 received in 2019, for an outstanding balance of €4.3 million.

The amounts due under the bond issuance to Kreos that existed as of December 31, 2018 were repaid early in full in August 2019 (see details below).

During the fiscal year, the Company obtained a new innovation loan from BPI for €750,000, repayable quarterly beginning on September 30, 2021 and ending on June 30, 2026, with a fixed annual interest rate of 1.08%.

Financial debt changed as follows over the fiscal year:

In thousands of euros	Dec. 31, 2018	Subscription	Repayment	Interest provision	Dec. 31, 2019
Repayable advance – Business France:	15				15
Repayable advance – Icare	1,338			387	1,725
Repayable advance – Tuce	408				408
Short-term loans	1,825	2,006	(1,754)		2,077
Factoring debt	3,254		(3,254)		-
Long-term BPI loans	3,710	750	(180)		4,280

Long-term loans from the majority shareholder	-	34,080			34,080
Interest incurred on long-term loans from the majority shareholder	-			422	422
Bond issuances to Kreos	14,325		(14,618)	293	-
Total financial debts	**24,875**	**36,836**	**(19,806)**	**1,102**	**43,007**

18.1. Repayable advances

Within the framework of its development programs, the Company received repayable advances (granted by OSEO at the time, and now under the control of BPI), two of which are still outstanding:

Icare repayable advance:
A non-interest bearing repayable advance was granted, for a total of €3.0 million for the Icare program, including €516,000 received on March 8, 2010, €347,000 received on June 13, 2012 and €274,000 received in 2018. The initial contract stipulated that the advance will be repaid according to the future sales of products from the project, up to the fiscal year ending in 2022. Repayments could therefore exceed the nominal amount received.
In the 2017 fiscal year, the Company had reached an agreement with Bpifrance, which is funding this program, in particular regarding the revenue base to be considered for future payments, since part of the initial objectives were not achieved.
The portion of the outstanding payments in excess of the amount of the advance is recognized on the balance sheet at 25% of the repayable advance received, as well as for the interest component.

TUCE repayable advance:
A non-interest bearing repayable advance was granted, for a total of €0.4 million for the TUCE program, including €77,000 received on June 26, 2012, €242,000 received on July 1, 2015, €27,000 on June 13, 2016 and €61,000 on July 5, 2017. The repayments will be based on future sales of products from this project, and may thus exceed the nominal amount received, but in the absence of a reliable estimate of the amount to be paid until 2023, this amount is not recorded in the balance sheet (see also Note 38.3).

Business France repayable advance:
A repayable advance under the "Export+ santé Cosmétique" program covering up to 50% of the total amount of filing and certification costs with €200,000 being awarded. This program is meant to support corporate growth. A €15,000 advance was paid on December 21, 2016.
The repayments plus a 7.5% surcharge will be made if within 18 months to three years from certification, revenue from the products and countries in question is equal to or more than double the amount of expenses the advance helped finance.

The contingent advances changed as follows during the fiscal year:

In thousands of euros	Business France	OSEO ICARE	OSEO TUCE	Total
Debt as of December 31, 2017	**15**	**1,025**	**407**	**1,447**
+ payments received	-	274	-	274
- repayments	-	-	-	-
- discounting	-	-	-	-
+ interest provision	-	-	-	-
+ accretion	-	38	-	38
- Cancellation of the debt	-	-	-	-
+/- change in assumption	-	-	-	-
Debt as of December 31, 2018	**15**	**1,337**	**407**	**1,759**
+ payments received	-	-	-	-
- repayments	-	-	-	-
- discounting	-	-	-	-
+ interest provision	-	387	-	387
+ accretion	-	-	-	-
- Cancellation of the debt	-	-	-	-
+/- change in assumption	-	-	-	-
Debt as of December 31, 2019	**15**	**1,725**	**407**	**2,147**

The repayment schedule for the advances above is as follows at the reporting date:

In thousands of euros	Total	< 1 year	1 to 5 years	> 5 years
TUCE advance	407	203	204	-
ICARE advance	1,725	-	913	812
Business France	15	15	-	-
Total	2,147	219	1,117	812

18.2. Bond issues

2017 Kreos bond (Tranches 1 and 2) and 2018 Kreos bond (Tranche 3)

On August 21, 2019, the Company entered into a termination agreement with Kreos pursuant to which, following a payment of approximately €16.4 million, all of the financing agreements with Kreos – namely, the 2017 Venture Loan and the 2018 Venture Loan, together with all of the related documentation, including the agreements relating to the share subscription warrants, the put-option agreements, and the guarantees and pledges given by SuperSonic Imagine – were terminated. In accordance with the termination agreement, SuperSonic Imagine was definitively and fully released from any obligation to Kreos Capital V (UK) Ltd. and Kreos Capital V (Expert Fund) L.P. under the various financing agreements.

Principal remaining due as of August 21, 2019, totaled €13.357 million, and interest incurred was €569,000. Costs relating to the early termination are recorded in fiscal year 2019 in financial income (loss), for approximately €2.5 million.

Norgine warrant

The €5 million bond subscribed by Norgine in 2013 was repaid early in March 2017.

Norgine abandoned its 50,000 remaining warrants in 2019.

18.3. Revolving loan agreement with the majority shareholder

To enable the Company to finance its working capital requirement and to repay its debt, in particular to Kreos, the Company and Hologic Hub Ltd. entered into a revolving loan agreement on August 14, 2019, which was amended on November 22, 2019, and on February 12, 2020, for a maximum cumulative amount of €50 million. After the closing date, on March 17, 2020 (see Note 40.3), the maximum amount of this loan was increased to €65 million.

The loan's terms and conditions are as follows:

- Maturity date: August 12, 2024
- Fixed rate: 5.47% per annum
- Interest payments: Quarterly
- Pledges: None
- Holdback: None

In thousands of euros	Total Dec. 31, 2019
Share capital	34,080
Interest incurred	422
Total	34,502

19. Retirement commitments and similar benefits

In France, the Group makes payments to the national retirement benefit scheme and its commitment to employees concerning retirement is limited to a lump-sum payment based on the amount of time an employee has worked and paid when the employee reaches the age of retirement. This retirement benefit is determined for each employee based on the time they have worked for the Company and their final projected salary. In the United Kingdom and the United States, the Group contributes to a defined contribution scheme that limits its commitments to the payments made. These contributions are recorded in fiscal year charges.

The amounts recognized in the balance sheet are determined as follows. They relate to the retirement pay plans for French employees.

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Provision for retirement benefit obligations	414	529

Changes in the obligation under the defined-benefit plan during the year are presented below:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
As of January 1	**529**	**481**
Cost of services rendered during the period	86	77
Financial cost	9	7
Services paid	-	-
Reductions/terminations	-	-
Actuarial gains and losses	(209)	(36)
Currency translation differences	-	-
As of December 31	**414**	**529**

The amounts recognized in the income statement are determined as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Cost of services rendered during the period	86	77
Financial cost	9	7
Reductions/terminations	-	-
Services paid	-	-
Total	**95**	**84**

The main actuarial assumptions used are as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Discount rate	0.80%	1.65%
Rate of increase in salaries	3.0%	3.0%
Inflation rate	2.0%	2.0%
Social security rate: Non-management	25.0%	38.5%
Social security rate: Management	46.0%	45.9%

Obligations are calculated based on an assumption of voluntary retirement at 62 for employees and 64 for management.

Assumptions regarding future mortality expectations are set based on data from published statistics and historical data in France (INSEE table TD/TV 2013 – 2015).
The mobility rates used were determined on the basis of statistics from recent years. This rate represents an average annual mobility rate of 11.5% of employees.

20. Other non-current liabilities

Other non-current liabilities are detailed below:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Trade payables – non-current portion	727	532
Deferred revenue – non-current portion	358	549
Total	**1,085**	**1,081**

The non-current portion of suppliers principally corresponds to future payments discounted for the minimum fixed royalties on acquired patents and licenses.

The non-current portion of deferred revenue consists of maintenance contracts with a term of more than one year.

21. Trade payables and related

Trade payables break down as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Trade payables	**4,803**	**6,702**
Of which current	4,076	6,170
Of which non-current	727	532

22. Other current liabilities

Other current liabilities break down as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Social security costs	2,616	2,748
Deferred revenue – current portion	918	1,381
Provisions for contingencies - current (see details)	552	586
Tax liabilities	840	647
Advances received on orders and customer credits	458	205
Miscellaneous	14	50
Total other current liabilities	**5,399**	**5,617**

The deferred revenue pertains to (i) revenue relating to technology that is not fully recognized on the signature date of the contract but instead spread out over the relevant period; (ii) a portion of the income from operating grants staggered to reflect actual expenses; and (iii) services (primarily maintenance, after-sales service, warranty extensions) the revenue for which is recognized once the service has been provided.
In 2019, the Group received no grants, compared to €624,000 in 2018.

Current provisions for contingencies break down as follows:

In thousands of euros	Warranties	Others	Total
As of January 1, 2018	535	150	**685**
- Increase in provision	707	-	**707**
- Used amounts reversed	(806)	-	**(806)**
- Unused amounts reversed	-	-	**-**
- Currency translation gains or losses	-	-	**-**
As of December 31, 2018	**436**	**150**	**586**
As of January 1, 2019	436	150	**586**
- Increase in provision	783	-	**783**
- Used amounts reversed	(817)	-	**(817)**
- Unused amounts reversed	-	-	**-**
- Currency translation gains or losses	-	-	**-**
As of December 31, 2019	**402**	**150**	**552**

At the reporting date, the provisions for contingencies included in particular provisions for warranties that were current provisions. The sales made by the Group are subject to a one-year warranty period. The measurement of the cost of the warranty as well as the probability that these costs will be incurred is based on an analysis of historic data. The provision corresponds to the number of months remaining on existing warranties at the reporting date for all equipment sold. Additions and reversals on the provision for warranties given to clients are recorded in the income statement in direct cost of sales.

The provision for retirement pay is fully presented in non-current liabilities (see Note 19).

23. Financial instruments by category

The fair value of financial instruments traded on an active market, such as short-term marketable securities, is based on the market price at the reporting date. Market prices used for the Company's financial assets are the buy prices on the market at the valuation date. The nominal value, less provisions for write-down of current receivables and payables, is assumed to approximate the fair value of these elements, as it does for floating rate financial debts.

As of December 31, 2019:

In thousands of euros	Loans and receivables at amortized cost	Financial assets at fair value through profit and loss	Total
Securities and cash pledged	-	163	163
Deposits paid	190	-	190
Trade receivables	6,299	-	6,299
Assets provided for the liquidity agreement	-	74	74
Cash and cash equivalents	-	6,508	6,508
Total December 31, 2019	**6,489**	**6,745**	**13,235**
	Liabilities at fair value through profit and loss	**Financial liabilities valuated at amortized cost**	**Total**
Trade payables	-	4,803	4,803
Long-term loan	-	38,782	38,782
Lease liabilities	-	572	572
Short-term debt	-	2,077	2,077
Repayable advances	-	2,148	2,148
Total December 31, 2019	**-**	**48,382**	**48,382**

As of December 31, 2018:

In thousands of euros	Loans and receivables at amortized cost	Financial assets at fair value through profit and loss	Total
Securities and cash pledged	-	163	163
Deposits paid	187	-	187
Trade receivables	10,176	-	10,176
Assets provided for the liquidity agreement	-	65	65
Cash and cash equivalents	-	8,593	8,593
Total December 31, 2018	**10,363**	**8,821**	**19,184**
	Liabilities at fair value through profit and loss	**Financial liabilities valuated at amortized cost**	**Total**
Trade payables	-	6,702	6,702
Bond issuance	1,167	14,325	14,325
Lease liabilities	-	443	443
Short-term debt	-	8,789	8,789
Repayable advances	-	1,760	1,760
Total December 31, 2018	**1,167**	**30,852**	**32,019**

24. Cost of sales

The gross margin for the previous two years breaks down as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Revenue from Products	22,540	20,653
Revenue from Services	3,871	3,637
Other income	343	338
Total income	**26,754**	**24,628**
Cost of sales	(14,303)	(13,530)
Gross margin on total income	**12,451**	**11,098**
Gross margin as a % of total revenue	*46,5%*	*45,1%*
Gross margin on revenue	**12,108**	**10,760**
Gross margin as a % of revenue	*45.8%*	*44.3%*

The gross margin on total revenue represents total revenue (€26.754 million) minus the cost of sales (€14.303 million).
In 2019, €343,000 was recognized under other revenue in relating to an industrial partnership agreement.

The gross margin on revenue represents revenue less cost of sales, *i.e.* €12.108 million in 2019, and €10.760 million in 2018.

25. Research and development expenses

Research and development expenses break down as follows (excluding development expenses capitalized as intangible assets):

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Personnel	873	744
Fees, External Services	450	410
Travel and entertainment expenses	69	45
Depreciation, amortization & provisions	2,133	1,956
Purchases and consumables	-	221
Others	145	174
Subtotal expenses	**3,670**	**3,550**
Operating grants	(164)	(186)
Research Tax Credit	(612)	(186)
Subtotal income	**(776)**	**(372)**
Total	2,894	3,178

Total research and development expenses break down as follows including research and development expenses capitalized as intangible assets:

In 2019:

In thousands of euros	R&D expenses	Capitalized expenses	Total Expenditures
Personnel	873	3,232	4,105
Fees, External Services	450	82	531
Travel and entertainment expenses	69	41	110
Depreciation, amortization & provisions	2,133	940	3,073
Purchases and consumables			
Others	145	460	605
Subtotal expenses	**3,670**	**4,755**	**8,425**
Operating grants	(164)	-	(164)
Research Tax Credit	(612)	(1,282)	(1,895)
Subtotal income	**(776)**	**(1,282)**	**(2,059)**
Total	**2,894**	**3,472**	**6,366**

In 2018:

In thousands of euros	R&D expenses	Capitalized expenses	Total Expenditures
Personnel	744	3,424	4,168
Fees, External Services	410	442	852
Travel and entertainment expenses	45	112	157
Depreciation, amortization & provisions	1,956	449	2,404
Purchases and consumables	221	245	466
Others	174	223	397
Subtotal expenses	**3,550**	**4,895**	**8,445**
Operating grants	(186)	-	(186)
Tax credits and innovation tax credits	(186)	(1,661)	(1,846)
Subtotal income	**(372)**	**(1,661)**	**(2,033)**
Total	**3,178**	**3,234**	**6,412**

During the period, the Company continued its programs to develop new functionalities for the Aixplorer MACH®.

Research and development expenses recorded during the fiscal year are composed primarily of the R&T team's salaries, as well as subcontracting costs. They also include amortization on capitalized development costs.

26. Selling and marketing expenses

Selling and marketing expenses break down as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Personnel	5,735	5,546
Fees, External Services	2,521	2,152
Travel and entertainment expenses	2,795	2,649
Depreciation, amortization & provisions	519	694
Others	748	643
Total	**12,319**	**11,685**

27. General and administrative expenses

General and administrative expenses break down as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Personnel	1,937	2,213
Fees, External Services	1,682	1,668
Travel and entertainment expenses	152	175
Depreciation, amortization & provisions	362	421
Others	(94)	(104)
Total	**4,039**	**4,374**

28. Operating expenses

The operations department's expenses break down as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Personnel	1,282	1,067
Fees, External Services	168	223
Travel and entertainment expenses	51	47
Depreciation, amortization & provisions	67	59
Others	66	101
Total	**1,634**	**1,497**

29. Other operating income/(expenses)

Other operating income (expenses) break down as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Customer provisions	(243)	(420)
Losses on unrecoverable receivables	(1,127)	-
Other operating expenses	**(1,370)**	**(420)**
Reversal of used customer provisions	1,127	-
Reversal of unused customer provisions	160	265
Foreign exchange gains on transactions	91	176
Miscellaneous	-	-
Other operating income	**1,378**	**441**
Other operating income and expenses	**8**	**21**

30. Other non-current operating income/(expenses)

Other non-current operating income/(expenses) are recognized using the methods described in Note 3.27 for the determination of non-current operating income.

In 2018 and 2019, this involved primarily an non-recurring expense related to the dispute described in Note 37 presented below.

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Dispute described in Note 37	5,252	1,674
Costs relating to the change in majority shareholder	2,807	-
Reclassification of costs of ERP replacement to losses related to the change in majority shareholder	1,225	-
Miscellaneous	41	-
Other operating income and expenses	**9,326**	**1,674**

31. Operating expenses by type

Operating expenses by type break down as follows (excluding development expenses capitalized as intangible assets; see details in Note 25):

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Purchases including inventory variations	11,094	10,424
Depreciation and amortization	2,713	2,664
Salaries and other short-term employee benefits	8,461	8,202
Social security costs	2,768	2,489
Taxes	700	583
Subcontracting	1,112	710
External services	2,949	2 228
Travel and entertainment expenses	2,545	2,313
Buildings and office leases	87	56
Advertising, promotion and trade shows	763	928
Fees, commissions and royalties	10,497	4,328
Grants and research tax credits	(1,094)	(381)
Additions and reversals of provisions	(790)	933
Net Book Value of assets for disposal	1,225	-
Others	1,475	439
Total	**44,506**	**35,918**

32. Employee benefit expenses

Employee benefit expenses break down as follows (excluding development expenses capitalized as intangible assets, see details in Note 25):

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Salaries and other short-term employee benefits	8,217	7,979
Social security costs	2,768	2,489
Share-based payments	244	223
Retirement obligations	86	84
Total	**11,315**	**10,775**

As of December 31, 2019, the Group employed 173 people, compared to 179 as of December 31, 2018.

33. Financial income and expenses

Financial income and expenses break down as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Foreign currency exchange losses	(109)	-
Interest	(5,168)	(1,960)
Financial expenses	**(5,276)**	**(1,960)**
Foreign currency exchange gains	-	-
Interest	13	16
Gain on sale of the U.S. subsidiary	524	-
Financial income	**537**	**16**
Financial income (loss)	**(4,740)**	**(1,944)**

The 2019 fiscal year ended with a financial loss of €4.740 million, as compared with a loss of €1.944 million in 2018, a decline of €2.796 million, explained primarily by the early repayment of the bonds issued to Kreos (see Note 18.2) and by the sale of the subsidiary, SuperSonic Imagine Inc., to Hologic for a price of €2.7 million (see Note 41), which generated a gain with a book value of €524,000.

34. Income tax expense

The amount of tax on Group income is different from the theoretical amount which would result from the tax rate calculated based on the tax rates applicable in France for the reasons set out in the table below.

Available loss carryforwards totaled €155.7 million, primarily including €150.3 million for the French entity, €3.1 million for the German entity, and €2.3 million for the English subsidiary. These loss carryforwards were not capitalized in deferred tax assets, accordance with the principles described in Note 3.25.

In France, the use of these tax losses is capped at 50% of the taxable profit of the period. This limit is applicable to the part of profit above €1 million. The unused balance of the tax losses is carried forward to the following periods and is usable under the same conditions with no time limit.

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Income (loss) before tax	(22,491)	(13,234)
Tax calculated based on the tax rate applicable at the parent company (34.43%)	(7,744)	(4,556)
Tax effect on:		
Loss carry-forwards for the period not capitalized and assets not recorded for temporary differences	8,376	5,272
Research tax credit not subject to income tax	(715)	(816)
Non tax-deductible share based payment	84	77
Flat-rate taxation of the representation office in China	15	12
Capital increase expenses allotted to the share premium	-	-
Other permanent differences	-	-
Differences in tax rates	-	72
Effective income tax expense (income)	**16**	**61**

35. Earnings per share

35.1. Basic

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of shares outstanding during the year:

	Dec. 31, 2019	Dec. 31, 2018
Loss attributable to equity holders of the Company (in thousands of euros)	(22,508)	(13,294)
Weighted average number of ordinary shares outstanding	23,549,849	23,364,233
Weighted average number of treasury shares	(107,789)	(96,785)
Weighted average number of ordinary shares used to calculate basic earnings per share	23,442,060	23,267,448
Basic earnings per share (in euros)	**(0.96)**	**(0.57)**

35.2. Diluted

Potentially dilutive instruments are described in Note 17 (breakdown of the remaining number outstanding, as well as the number exercisable as of December 31 for the last two years). During the periods presented, the equity instruments granting deferred access to capital (founders' warrants, warrants, stock options, free shares, etc.) are considered anti-dilutive, as they lead to a reduction in the loss per share. As such, the diluted earnings per share are identical to the basic earnings per share.

36. Licensing agreements

36.1. Licenses acquired or adopted

When it was incorporated, the Group entered into licensing agreements on basic patents.
During the second round of funding in 2008, the Group acquired licensed CNRS patents upon their creation, and the share of the CNRS patents taken in co-ownership arising from the collaborative framework contract with the CNRS (contract from 2006 to 2008). These agreements also provide for the payment of royalties.

In 2014, the Company signed a new non-exclusive international licensing agreement for the entire portfolio of patents of a major industry player in the area of ultrasound medical imaging methods and equipment.

At present, the Company is committed to paying royalties, in an amount that is indexed on a portion of its revenue, with the expense being recorded under Other Operating Expenses.

36.2. Licenses granted

Through an agreement signed March 3, 2014, the Company granted a major industrial player a worldwide non-exclusive license over some of its patents. This agreement will run until at least November 2023, in consideration for the payment of royalties that were spread out over 2014 and 2015. All these royalties were recognized in "Other operating income" in 2014. This player also agreed not to enforce the medical ultrasound imaging patents that it owns against the Company. The company also negotiated a worldwide non-exclusive cross licensing agreement in 2016 for some of its patents with a second major industrial player.
No other license has since been granted.

37. Contingent liability related to ongoing operations

On May 16, 2019, the Company announced that it had reached a settlement agreement with Verasonics to terminate the various legal proceedings and disputes between the companies concerning the ownership rights relating to Aixplorer® and to withdraw the complaint filed by Verasonics Inc. in the U.S. District Court for the Western District of Washington. Pursuant to the settlement agreement, the Company undertook to pay Verasonics a total amount of €5.3 million (including the external costs incurred by Verasonics), which was recorded in Other Non-Current Operating Expenses as of December 31, 2019 (see Note 30).

Following that agreement, the Company is permitted to continue marketing its innovative products Aixplorer® and Aixplorer MACH®, using its revolutionary elastography technology, ShearWave™.

38. Commitments

38.1. Investments

Fixed asset orders contracted for but not yet incurred are not significant.

38.2. Pledges given

To guarantee all the Company's obligations under the Kreos Tranches 1 to 3 bond issuance agreement (see Note 18.2), the Company granted a series of sureties to Kreos in the event of an unresolved Event of Default that is not cured, until the date of full payment of all amounts due under the Venture Loan. On August 21, 2019, the Company entered into a termination agreement with Kreos pursuant to which, following a payment of approximately €16.4 million, all of the financing agreements with Kreos – namely, the 2017 Venture Loan and the 2018 Venture Loan, together with all of the related documentation, including the agreements relating to the share subscription warrants issued by SuperSonic Imagine – were terminated. In accordance with the termination agreement, SuperSonic Imagine was definitively and fully released from any obligation to Kreos Capital V (UK) Ltd. and Kreos Capital V (Expert Fund) L.P. under the various financing agreements, and all of the sureties granted were released.

Pledge of marketable securities:
Marketable securities amounting to €158,000 have been pledged to BNP Paribas Real Estate as a security deposit on the rent for the Aix-en-Provence business premises. This pledge was given for a period of nine years and will end on September 30, 2024.

38.3. Other commitments given

Icare repayable advance:
The Company received a repayable Bpifrance advance for €863,000 for the Icare program and a grant for the amount of €1.775 million.
The initial contract stipulated that the advance will be repaid according to the future sales of products from the project, up to the fiscal year ending in 2022. Repayments may therefore exceed the nominal amount received.
In the 2017 fiscal year, the Company had reached an agreement with Bpifrance, which is funding this program, in particular regarding the revenue base to be considered for future payments, since part of the initial objectives were not achieved.
The portion of the outstanding payments in excess of the amount of the advance is recognized on the balance sheet for the interest portion.
The portion of the outstanding payments in excess of the amount of the advance is recognized on the balance sheet at 25% of the repayable advance received.

TUCE repayable advance:
A non-interest bearing repayable advance was granted, for a total of €0.4 million for the TUCE program, including €77,000 received on June 26, 2012, €242,000 received on July 1, 2015, €27,000 on June 13, 2016 and €61,000 on July 5, 2017. The repayments will be based on future sales of

products from this project, and may thus exceed the nominal amount received, but in the absence of a reliable estimate of the amount to be paid until 2023, this amount is not recorded in the balance sheet.

Business France repayable advance:
A repayable advance under the "Export+ santé Cosmétique" program covering up to 50% of the total amount of filing and certification costs with €200,000 being awarded. This program is meant to support corporate growth. A €15,000 advance was paid on December 21, 2016.

The repayments plus a 7.5% surcharge will be made if within 18 months to three years from certification, revenue from the products and country in question is equal to or more than double the amount of expenses the advance helped finance.

Financing by assignment of receivables:
The assignment of receivables arranged in December 2016 with a securitization fund enabled the pre-financing of 54% of the 2019 RTC as of December 31, 2019, for a total of €1.1 million.

38.4. Commitments received

The amount of trade receivables at the reporting date is subject to a reservation of title clause included in the general terms and conditions of sale, to the Group's benefit.

As the Group benefits from the assistance of BPI in the financing of its research and development activities, it received commitments to finance a part of its future work in the form of operating grants and repayable advances:

- Commitments and income received for grants break down as follows:

In thousands of euros	Grants received				Amount of grant on contract	Balance receivable
	Before 2018	2018	2019	Cumulative total		
ICARE – OSEO	1,775	354		**2,129**	2,838	709*
DARMUS – DGA	645			**645**	645	
CARDIO – ANR	215			**215**	215	
TUCCIRM – ANR	126			**126**	126	
Elastobus – OSEO	454			**454**	454	
TUCE – OSEO	1,208			**1,208**	1,208	
Micro Elasto – ANR	181			**181**	186	4
PLIK – OSEO	54			**54**	133	79
PLIK –Pays d'Aix	25			**25**	80	55
PLIK – PACA					80	80
BITHUM – ANR	112			**112**	118	6
IDITOP – OSEO	268	67		**335**	335	
IDITOP – PACA	219	31		**250**	250	0
Cartographics – INCA INSERM	133			**133**	133	
Capacity – BPI SOLUS	197	147		**344**	408	64
Ultra Fast 4D-ANR	92			**92**	306	214
RHU STOP AS	80	25		**105**	203	98
Total	**5,783**	**624**		**6,407**	**7,716**	**1,309**

** Icare grant: see Note 38.3 above, the outstanding amount of the grant will likely never be obtained.*

- The commitments received relating to the repayable advances break down as follows:

In thousands of euros	Balance as of Dec. 31, 2018	Advances received	Repayments	Balance as of Dec. 31, 2019	Amount of grant on contract	Outstanding amounts to be received
Business France	15			15	200	185*
ICARE – BPI	1,300			1,300	3,039	1,739
TUCE – BPI	407			407	407	
Total	**1,722**			**1,722**	**3,646**	**1,924**

** Icare contingent advance: see Note 38.3 above, the remainder of the advance will likely never be paid.*

39. Related-party transactions

Key management compensation
The key managers are the members of the Management Board and of the Supervisory Board (to May 28, 2018) and of the Board of Directors and Senior Management (since May 28, 2018), executive and non-executive.

The only items of compensation, indemnities or benefits due or likely to be due as a result of the assumption, termination or change in functions of corporate officers are described below; the Company has not provided for them elsewhere.

The Chief Executive Officer (Michèle Lesieur) enjoys, subject to performance conditions, a severance benefit in the event she is forced out of office, equal to a maximum of 12 months of gross remuneration (fixed and variable) namely €400,000 if all objectives have been met.

The benefit is not due in the event of dismissal for gross negligence or willful misconduct (as these terms are construed in the case law of the labor division of the Court of Cassation), resignation or where the Chief Executive Officer exercises her right to retire.

The performance conditions are assessed by the Board of Directors at the end of each fiscal year on the basis of the aforementioned criteria. The 12 most recent months taken into consideration will be the 12 most recent months published prior to the event triggering the payment of the benefit[27].

The compensation paid or payable is as follows:

In thousands of euros	2019	2018
Salaries and other short-term employee benefits	462	589
Compensation (ex attendance fees)	91	30
Share-based payments	244	36
Total	**797**	**655**

[27] Michèle Lesieur was removed as CEO after the end of the 2019 fiscal year (see below for more details). Because the Board of Directors decided that the performance conditions for payment had not been satisfied (on the basis of available informatin), Ms. Lesieur did not receive any severance payment.

Other related parties
The Group has no related parties other than the members of the Board of Directors and the members or affiliates of the Hologic group (the Company's majority shareholder).
Amounts relating to the Hologic group in the financial statement for the year ended December 31, 2019, are as follows:

- Hologic loan and interest incurred €34.503 million
- Financial interest during the year €542,000

40. Subsequent Events

40.1. Removal of Michèle Lesieur, Chief Executive Officer

At its meeting on January 23, 2020, the Company's Board of Directors decided to remove Michèle Lesieur as CEO.
With respect to the financial terms of Ms. Lesieur's removal as CEO, the Company indicated that:

- She will be paid the remaining fixed portion of her annual compensation for 2019 (a gross annual amount of €275,000), which remains due pursuant to a payment reminder, as well as the fixed portion of her annual compensation for 2020 (a gross annual amount of €275,000), calculated on a pro rata basis from January 1, 2020 (the first day of the 2020 fiscal year) through January 23, 2020 (the date of her termination), for a total gross amount of €87,500;
- Because the performance conditions (based on revenue, EBITDA and profit margin) for payment were not satisfied, Ms. Lesieur will not receive any severance payment.
- As a result of her departure, Ms. Lesieur irrevocably lost the benefit of her rights to the grant of free performance shares of the Company for those tranches that have not yet vested (it being noted that the total number of Ms. Lesieur's vested free performance shares as of January 23, 2020 was 60,000 shares); and
- The question of and full payment of her 2019 bonus (a total gross amount of €125,000) due upon the closing of a merger or acquisition of the Company (namely, the 2019 closing of Hologic Hub Ltd.'s acquisition of control of the Company) will be submitted for a vote of the Company's shareholders in accordance with Articles L. 225-37-2 and L. 225-100 of the French Commercial Code.

Following her departure from the Company, Ms. Lesieur resigned from all of her company officer positions with the Company's subsidiaries.

The Company entered into a settlement agreement with Ms. Lesieur on January 29, 2020, definitively ending the dispute between the parties following her departure as Chief Executive Officer. The settlement agreement, entered into in accordance with Articles 1103, 1104, 2044 *et seq*. and 2052 of the French Civil Code, provides, first, that the Company will pay a settlement amount of €500,000 gross, in consideration of which Ms. Lesieur releases all claims relating to her position and departure and, second, that Ms. Lesieur will not compete with the Company for a period of 12 months following the complete cessation of her work on behalf of the Company and the Group, including as a consultant, in return for the payment of a gross monthly payment of €8,333.33.

Independently of the items referred to above, Ms. Lesieur agreed to assist the Company as a consultant, in connection with a specific assignment that is distinct from the position as a corporate officer that she had previously occupied within the Company, for a period of six months beginning February 1, 2020. The total amount of fees that she will receive for this assignment is €50,000, excluding tax.

40.2. Appointment of a Chief Executive Officer

Following the departure of Michèle Lesieur as CEO on January 23, 2020, effective immediately, Antoine Bara, who was a member of the Company's Board of Directors, was appointed CEO of the Company by decision of the Board of Directors dated January 23, 2020.
Mr. Bara, 48, has significant experience in the software and healthcare fields, acquired over his twenty-year career. He joined the Hologic group in 2018 to run its French operations.
Mr. Bara will receive no compensation in respect of his position as CEO.

40.3. Amendments to the loan agreement (the "Loan Agreement") between SuperSonic Imagine S.A. and Hologic Hub Ltd., the majority shareholder

On February 12, 2020, the Loan Agreement entered into on August 14, 2019, between SuperSonic Imagine S.A. and Hologic Hub Ltd., its majority shareholder, was amended for a second time to remove the acceleration clause, which had provided that the lender could accelerate the loan if it held at least 90% of the share capital of SuperSonic Imagine S.A. on February 12, 2020. The loan thus retains its maturity date of August 12, 2024.

On March 17, 2020, the Company and Hologic Hub Ltd. entered into a third amendment to the revolving loan agreement dated August 14, 2019, in order to raise the maximum amount of the Loan Agreement from €50 million to €65 million.

40.4. Potential consequences of the Coronavirus (Covid-19) epidemic

With respect to the Coronavirus (Covid-19) epidemic that began in early 2020, it is possible that the Company may encounter difficulties in obtaining the products that it distributes. As of the date of this document, it is difficult to predict and quantify the impact of the Coronavirus (Covid-19) epidemic on the Company's 2020 results.

The Company's existing extra inventory in its supply chain can absorb disturbances for a few weeks, but the Company cannot exclude the possibility of breaks in the supply chain if the measures restricting movements of people and goods remain in place or are extended worldwide beyond a few weeks. A systematic analysis of supply-chain link risks is underway. In the event that a significant break in the supply chain should occur, the Company might be able to assert the *force majeure* provisions in its agreements to limit litigation resulting from late deliveries to its customers. Depending on the supply delays that may occur, and once the situation stabilizes, the Company and its partners would have the capacity to institute a production catch-up program, if necessary, in order to cure the delays in delivering orders. The catch-up program could, however, result in additional unforeseen operating costs (such as overtime hours and express transport).

In that context, since the beginning of 2020, the Group has recorded a decrease in activity in France and in China. With respect to our capacity to deliver, as of the date hereof the logistics flows remain active, although transit times may be a few days longer. In the short term, the Company does not have significant exposure, since invoicing occurs at the time of shipment (Ex Works).

As this epidemic is affecting more and more countries throughout the world, the Group's companies could see their revenue, their profitability, and their cash position affected.

The Company's management is closely monitoring epidemic developments in each of the relevant geographic regions and is taking all necessary measures to protect its employees, customers, and partners (thus participating in the worldwide effort to slow the spread of the virus). Most of the Company's activities, including its R&D activities, are now conducted through telework. At the same time, the Company has taken all preventive health measures to continue its essential logistical activities in order to distribute and ship orders. In order to manage the confinement period ordered by the authorities, the Company has already begun to take partial layoff measures.

In a new, uncertain economic environment, the Company is implementing all necessary actions to protect the Group.

The SuperSonic Group's cash position (which was strengthened by the revolving loan entered into between Hologic Hub Ltd. and the Company, for a total maximum amount of €65 million) should enable the Group to manage the uncertainties relating to the current epidemic.

However, the Group can give no assurance that it will not be seriously affected, in particular due to confinement measures, whether already decided or to come, in France or in the other countries where the Group does business (in particular in the United States).

41. Changes in scope of consolidation

The consolidated financial statements as of December 31, 2019 include the accounts of SuperSonic Imagine, the parent company, and the following entities:

Country	Company	Dec. 31, 2019	Dec. 31, 2018
France	SuperSonic Imagine	Parent company	Parent company
USA	SuperSonic Imagine, Inc.	0%	100%
UK	SuperSonic Imagine Ltd	100%	100%
Germany	SuperSonic Imagine, GmbH	100%	100%
Italy	SuperSonic Imagine Srl	100%	100%
China	SuperSonic Imagine (Shanghai) Medical Devices Co. Ltd	100%	100%
China	SuperSonic Imagine (H.K.) Limited	100%	100%

During the last two fiscal years, the Group did not acquire any companies.

There is no restriction on the auditing of subsidiaries that are fully owned and entirely controlled by the parent company.

The statutory accounts of the UK subsidiary SuperSonic Imagine Ltd will not be audited for their annual reporting date at March 31, 2020. Instead, the Company will make use of the audit exemption in the UK, pursuant to S479A of the Companies Act 2006, which it is permitted to use insofar as the accounts of the SuperSonic Imagine Ltd subsidiary are consolidated in these financial statements, which are audited by the Group's auditors.

On December 27, 2019, the Company sold all of the shares of its U.S. subsidiary, SuperSonic Imagine Inc., and a receivable that the Company held against SuperSonic Imagine Inc., to Hologic Inc., a U.S. company that holds all of the share capital and voting rights of Hologic Hub Ltd. (the Company's majority shareholder) for a total sale price of €2,718,000, paid in cash before the end of the fiscal year. Existing cash in the subsidiary on the date of sale was €249,000. Proceeds from the sale, recorded in 2019 in financial income (loss), totaled €524,000 (see Note 33), including €(641,000) of exchange rate adjustments recycled into income (see Section 4.1, Consolidated Statement of Comprehensive Income, of Section 4 (Consolidated Financial Statements and Notes)). The U.S. subsidiary was consolidated in the Group's financial statements until December 27, 2019, and contributed €3.658 million in revenue and €(2.004) million in net loss for the fiscal year ended December 31, 2019, before elimination of intragroup payments.

The simplified balance sheet of the transferred subsidiary as of the date of sale was as follows:

In thousands of euros	**Dec. 27, 2019**
Property, plant and equipment	8
Inventories	550
Trade receivables	1,254
Other current assets	64
Cash and cash equivalents	249
Total assets	**2,125**
Total shareholders' equity	(21,306)
Intragroup current account	22,761
Trade payables	100
Other current liabilities	570
Total liabilities and shareholders' equity	**2,125**

The principal business of this subsidiary, formed in March 2007 and having its registered office in Weston, Florida (United States), was marketing and sales on behalf of the Company in the U.S. territory. This subsidiary had eight employees as of December 31, 2018.

The decision to sell this subsidiary enabled the Group to monetize a receivable whose repayment was uncertain and to improve the Group's overall sales performance, of which the Company and Hologic Inc. are a part, it being noted that SuperSonic Imagine Inc. regularly recognized losses. The sale also made sense generally from a commercial and organizational standpoint, for the following reasons:

- The Company was required to financially support SuperSonic Imagine Inc. – which regularly recorded losses – each year, using resources that the Company could have used otherwise; and

- SuperSonic Imagine Inc. had experienced difficulties in fully penetrating the U.S. ultrasound products market, while Hologic is a leader in the United States in mammography and has significant resources to serve as the Company's U.S. distributor.

SuperSonic Imagine Inc.'s eight employees were integrated into the Hologic group and now have access to the same tools and resources that are available to all of the Hologic group's sales representatives and clinical specialists. These resources, combined with a strengthened sales team, will help the Company to grow as a manufacturer and distributor of ultrasound products.

42. Statutory Auditors' fees

Statutory auditors' fees in the income statement for the fiscal year break down as follows:

Statutory Auditors' fees in euros, excl. tax	Ernst & Young et Autres	AresXpert Audit	Ernst & Young et Autres	AresXpert Audit
	Year ended December 31, 2019		***Year ended December 31, 2018***	
Certification of the separate and consolidated financial statements and limited review	84,000	35,500	88,000	37,000
Services other than statutory auditing	16,614	-	26,105	4,000
Total	**100,614**	**35,500**	**114,105**	**41,000**

5. COMPANY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

5.1 SuperSonic Imagine' S.A.'s Financial Statements for the Fiscal Year Ended December 31, 2019

Balance Sheet

In thousands of euros	Note	Gross	Amortization , depreciation & impairment	December 31, 2019 (Net)	December 31, 2018 (Net)
Intangible assets	2	30,822	(13,951)	16,871	16,393
Property, plant and equipment	3	14,305	(9,518)	4,787	4,756
Financial assets	4	8,164	(5,999)	2,164	2,687
Total assets		**53,291**	**(29,468)**	**23,822**	**23,836**
Inventories	5	8,539	(2,446)	6,093	5,755
Trade receivables	6	6,785	(738)	6,047	4,741
Other receivables	7	1,955	-	1,955	2,865
Marketable securities	8	163	-	163	163
Cash on hand	8	6,089	-	6,089	7,800
Total current assets		**23,531**	**(3,183)**	**20,347**	**21,324**
Prepaid expenses	9.2	321	-	321	191
Deferred expenses	9.2	0	-	0	480
Unrealized foreign exchange losses	9.1	1,145	-	1,145	2,235
Total accruals		**1,466**	-	**1,466**	**2,906**
Total assets		78,288	(32,652)	45,636	48,066

In thousands of euros	Note	December 31, 2019	December 31, 2018
Share Capital	12.1	2,403	2,342
Share premiums	12.1	6,549	20,145
Regulated reserves		(8)	(8)
Retained earnings (losses)		-	-
Profit (loss) for the year		(18,047)	(13,597)
Regulated provisions		(2)	(2)
Total shareholders' equity	**12**	**(9,104)**	**8,880**
Contingent advances	16	2,148	1,864
Provisions for contingencies	17	1,764	2,844
Convertible bonds	14	-	14,623
Loans and other financial debts	18	42,565	6,449
Advances and deposits received on current orders		54	55
Trade payables		4,135	6,728
Tax & corporate debts	18	2,605	2,518
Other debts		-	1
Total debts		**53,270**	**35,082**
Deferred revenue	21	650	949
Unrealized foreign exchange gains	9.1	821	3,152
Total accruals		**1,470**	**4,101**
Total liabilities		**45,636**	**48,064**

INCOME STATEMENT

(In thousands of euros)	Note	December 31, 2019	December 31, 2018
Sale of merchandise		377	435
Production sold (goods)		22,000	20,548
Production sold (services)		3,296	2,368
Revenue	**22.1**	**25,673**	**23,352**
Changes in inventory		817	1,294
Capitalized production	**2 and 3**	4,191	3,700
Operating grants		164	195
Reversals of depreciations, amortizations and provisions, transfers of expenses		2,894	2,222
Product liability		595	659
Operating income		**34,334**	**31,422**
Purchase of goods and raw materials		11,918	12,392
Changes in inventory		280	(1,058)
Other purchases and external expenses		12,257	14,631
Taxes and similar payments		413	251
Salaries and other short-term employee benefits		7,189	7,326
Social security costs		3,004	3,009
Amortization and depreciation of fixed assets	**2 and 3**	3,205	2,677
Provisions for current assets		1,682	2,520
Provisions for contingencies	**17**	783	707
Other expenses		1,815	831
Operating expenses		**42,546**	**43,285**
Operating income		**(8,211)**	**(11,862)**
Financial income from investments	22.3	183	172
Other interest and similar income	22.3	11	370
Reversals of provisions and transfers of expenses	22.3	2,405	522
Foreign exchange gains	22.3	772	-
Financial income	**22.3**	**3,370**	**1,064**
Financial allocations to depreciation, amortization and provisions	22.3	1,665	3,680
Interest and similar expenses	22.3	4,954	1,432
Foreign exchange losses	22.3	1,139	-
Financial expenses	**22.3**	**7,758**	**5,112**
Financial income (loss)	**22.3**	**(4,388)**	**(4,048)**
Non-recurring income from management operations	9	56	60
Non-recurring income from capital operations	22.4	2,762	-
Reversals of provisions and transfers of expenses	22.4	32,726	-
Non-recurring income	**22.4**	**35,544**	**60**
Non-recurring expenses from management operations	22.4	63	107
Non-recurring expenses from capital operations	22.4	43,098	(4)
Non-recurring allocations to depreciation, amortization and provisions	22.4	-	-
Non-recurring expenses	**22.4**	**43,161**	**103**
Non-recurring income	**22.4**	**(7,617)**	**(43)**
Income tax	29	(2,169)	(2,356)
Net income (loss)		(18,047)	(13,597)

TABLE OF CONTENTS – NOTES

1. General Information and Accounting Policies

The fiscal year is 12 months long and covers the period from January 1 to December 31, 2019.
The notes and tables below form an integral part of the Annual Financial Statements.

1.1. General Information

1.1.1. Presentation of the Company

SuperSonic Imagine ("the Company") is specialized in research and development and the sale of ultrasound medical imaging systems.
In 2009, it brought a 3rd generation ultrasound device called Aixplorer® to market, with a radically new, entirely software-based architecture that integrates several technological innovations. It also developed the related software (which forms an integral part of its Aixplorer® ultrasound system), allowing breast, thyroid, prostate, liver and abdominal lesions to be diagnosed in real time by measuring tissue elasticity (elastography).
In 2018, SuperSonic Imagine brought a new generation of the Aixploror® to the market: the MACH 30, followed in 2019 by the MACH 20, a version designed to target the mid-market radiology segment.
The Group owns or co-owns numerous patents that it developed, acquired or operates under license. The Company subcontracts production of the ultrasound systems it sells.
SuperSonic Imagine and its subsidiaries have sold the products of the Aixplorer® range since 2009.
In connection with its international development, the Company has created five distribution subsidiaries in the following countries:

- SuperSonic Imagine GmbH, Germany, in March 2008;
- SuperSonic Imagine Ltd., United Kingdom, in March 2008;
- SuperSonic Imagine Srl, Italy, in October 2009;
- SuperSonic Imagine (H.K) Limited, China, in June 2011; and
- SuperSonic Imagine (Shanghai) Medical Devices Co. Ltd, China, in December 2015.

The Company also has a representative office based in Beijing, comprising a team of three people, responsible for coordinating the local distributor network.

The Company is a limited company (*société anonyme*) with a Board of Directors incorporated in France. Its registered office is located at Jardins de la Duranne, 510 rue René Descartes, 13290 Aix-en-Provence, France. It is registered in the Trade and Companies Register of Aix-en-Provence under number 481 581 890 and listed on Euronext Paris (ISIN FR0010526814).

1.1.2. Key Events of the Year

Shareholders/Change of Control

Following the August 1, 2019, off-market acquisition of a total of 10,841,409 shares of SuperSonic Imagine at a price of €1.50 per share (representing as of the date hereof approximately 45.93% of the share capital and theoretical voting rights of the Company on a non-diluted basis), Hologic Hub Ltd. filed a draft tender offer document with the AMF to acquire the Company's remaining shares, at the same price per share. The AMF approved the draft tender offer document on October 8, 2019. [28]

Following the definitive close of the tender offer on December 13, 2019, Hologic Hub Ltd. held 19,186,609 shares of the Company, representing approximately 79.85% of the Company's share capital and voting rights.[29]

To the Company's knowledge, as of the date of these consolidated financial statements Hologic Hub Ltd. holds 19,208,807 shares of the Company, representing approximately 79.94% of the Company's share capital and voting rights.[30]

GOVERNANCE

At the General Shareholders' Meeting on May 13, 2019, the shareholders voted to ratify the cooptations of the following:

- Danièle Guyot-Caparros, appointed as a director on an interim basis at the Board of Directors' meeting on June 21, 2018, to replace Sabine Lochmann, who resigned. Ms. Guyot-Caparros was appointed for the remainder of Ms. Lochmann's term, to expire at the close of the Annual Shareholders' Meeting called to vote on the financial statements for the fiscal year ended December 31, 2020; and

- Ghislaine Gueden, appointed as a director on an interim basis at the Board of Directors' meeting on February 13, 2019, to replace Alexia Perouse, who resigned. Ms. Gueden was appointed for the remainder of Ms. Perouse's term, to expire at the close of the Annual Shareholders' Meeting called to vote on the financial statements for the fiscal year ended December 31, 2020.

Following the closing of Hologic Hub Ltd.'s August 1, 2019, acquisition of 46% of the Company's share capital of the Company, the composition of the Company's Board of Directors was modified on August 2, 2019, with (i) the successive resignations of Guy Frija, Danièle Guyot-Caparros, Bpifrance Investissement, and Mérieux Participations from their positions as members of the Board of Directors and of Maurizio Petitbon from his position as an observer; and (ii) the successive cooptations of Michelangelo Stefani, Patricia Dolan, and Antoine Bara, replacing three of the four departing directors. The cooptations of Michelangelo Stefani, Patricia Dolan, and Antoine Bara will be submitted for ratification at the Company's Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2019, which will be called for June 16, 2020.

FINANCING

On August 21, 2019, the Company entered into a termination agreement with Kreos pursuant to which, following a payment of approximately €16.4 million, all of the financing agreements with Kreos – namely, the 2017 Venture Loan and the 2018 Venture Loan, together with all of the related documentation, including the agreements relating to the share subscription warrants issued

[28] The Company's principal shareholders – Bpifrance, Andera Partners, Auriga Partners, Mérieux Participations, and CDC PME Croissance – together holding 10,841,409 shares, sold all of the shares at a price of €1.50 per share; there was no additional price for the acquisition.
[29] On the basis of the Company's share capital as of December 31, 2019, namely 24,029,494 shares representing the same number of theoretical voting rights.
[30] On the basis of the Company's share capital as of December 31, 2019, namely 24,029,494 shares representing the same number of theoretical voting rights.

by SuperSonic Imagine – were terminated. In accordance with the termination agreement, SuperSonic Imagine was definitively and fully released from any obligation to Kreos Capital V (UK) Ltd. and Kreos Capital V (Expert Fund) L.P. under the various financing agreements.

To enable the Company to finance its working capital requirement and to repay its debt, in particular to Kreos, the Company and Hologic Hub Ltd. entered into an English-language revolving loan agreement (the "Loan Agreement") on August 14, 2019, which was amended on November 22, 2019, As of December 31, 2019, the outstanding amount under the Loan Agreement was €34.1 million. In addition, in connection with its entry into the Loan Agreement in its capacity as a subsidiary of Hologic Hub Ltd., the Company acceded to an Intercompany Demand Promissory Note dated May 29, 2015, entered into by Hologic Inc. (the parent company of the Hologic group) and its subsidiaries in connection with a Credit and Guaranty Agreement dated May 29, 2015 (and later amended) between Hologic, Inc., Hologic GGO 4 Ltd., and Bank of America, N.A. The Intercompany Demand Promissory Note subordinates certain cash flows between members of the Group to the obligations arising under the Credit and Guaranty Agreement.

In addition, during the fiscal year, the Company obtained a new innovation loan from BPI for €750,000, repayable quarterly beginning on September 30, 2021 and ending on June 30, 2026, with a fixed annual interest rate of 1.08%.

LITIGATION

On May 16, 2019, the Company announced that it had reached a settlement agreement with Verasonics to terminate the various legal proceedings and disputes between the companies concerning the ownership rights relating to Aixplorer® and to withdraw the complaint filed by Verasonics Inc. in the U.S. District Court for the Western District of Washington.Pursuant to the settlement agreement, the Company undertook to pay Verasonics a total amount of €5.3 million (including the external costs incurred by Verasonics).

Following that agreement, the Company is permitted to continue marketing its innovative products Aixplorer® and Aixplorer MACH®, using its revolutionary elastography technology, ShearWave™.

SALE OF SUPERSONIC IMAGINE, INC.

On December 27, 2019, the Company sold all of the shares of its U.S. subsidiary, SuperSonic Imagine Inc., and a receivable that the Company held against SuperSonic Imagine Inc., to Hologic Inc., a U.S. company that holds all of the share capital and voting rights of Hologic Hub Ltd. (the Company's majority shareholder) for a total sale price of €2,718,000.

The principal business of this subsidiary, formed in March 2007 and having its registered office in Weston, Florida (United States), was marketing and sales on behalf of the Company in the U.S. territory. This subsidiary had nine employees as of December 31, 2018.

The sale of this subsidiary enables the Company to monetize a receivable whose repayment was uncertain and to improve the Group's overall sales performance. The sale also made sense generally from a commercial and organizational standpoint, for the following reasons:

– The Company was required to financially support SuperSonic Imagine Inc. – which regularly recorded losses – each year, using resources that the Company could have used otherwise; and

– SuperSonic Imagine Inc. had experienced difficulties in fully penetrating the U.S. ultrasound products market, while Hologic is a leader in the United States in mammography and has significant resources to serve as the Company's U.S. distributor.

SuperSonic Imagine Inc.'s eight employees were integrated into the Hologic group and now have access to the same tools and resources that are available to all of the Hologic group's sales representatives and clinical specialists. These resources, combined with a strengthened sales team, will help the Company to grow as a manufacturer and distributor of ultrasound products.

QUALITY ASSURANCE AND REGULATORY AFFAIRS

In October 2019, the Company obtained Section 510(k) clearance from the FDA for the V2 version of Aixplorer MACH® 30, as well as for Aixplorer MACH® 20.

COMMERCIAL

Revenue for the fiscal year was €25.6 million in 2019, a 10% increase from 2018.

In 2019 the Company marketed two major products as part of its marketing strategy:
- Version 2 of the Aixplorer MACH® 30, a next generation ultrasound machine using Ultrafast™ imaging, introduced the previous year. It consolidated the product's high-end positioning, improving its performance and introducing new biomarkers (Att PLUS, SSp PLUS, and Vi PLUS) for chronic liver diseases; and
- The Aixplorer MACH® 20, designed to target a new segment, the mid-market radiology segment. It is based on the same technological platform as the Aixplorer MACH® 30 and offers this market segment excellent performance including SuperSonic Imagine's main innovations (in particular the ShearWave PLUS mode).

1.2. Accounting principles

a) Going concern

The financial statements have been prepared on a going concern basis, bearing in mind the following elements:

- The Company's historical loss-making situation may be explained by the innovative nature of the products developed, which involve several years of research and development, and by funding of its sales force. The Company has been in the active marketing phase of its products since 2009;
- The available cash as of December 31, 2019 was €6.1 million;
- To give the Company the necessary financial means and to support its growth and development, SuperSonic Imagine and Hologic Hub Ltd. entered into a revolving loan agreement on August 14, 2019, which was amended on November 22, 2019, on February 12, 2020, and on March 17, 2020, for a maximum cumulative amount of €65 million. The Group believes that this loan agreement will enable it to cover all of its operating activities

and investments planned for the 12 months following the date of these financial statements.

b) Accounting principles and methods

The financial statements are presented in euros.
The general accounting conventions were applied, in accordance with the conservatism principle, and in conformity with the basic assumptions – going concern basis, independence of fiscal years, continuity of accounting methods from one year to the next – and in accordance with the general rules for preparing and presenting annual financial statements in France, pursuant to ANC Regulation 2014-03.
The basic method used to evaluate the items recorded in the accounting is the historical cost basis.

The main methods used are as follows:

1.2.1. Intangible assets

Licenses and patents

The technologies acquired are recorded at acquisition cost, excluding the costs incurred in their acquisition.
In the case of payments taking the form of future royalties, a debt corresponding to the discounted future payments is recorded in debts, against the cost of the acquisition, if the future royalties can be reliably estimated.
Acquired technologies are amortized in the income statement to the extent they are used for research projects. The amortization rate is determined on the basis of the term of legal protection for each technology.
Where an acquired technology is no longer used, the corresponding gross value and cumulative depreciation are removed from assets.

Research and development

Research charges are expensed as incurred.
The expenses corresponding to project developments – design and testing of new or improved solutions – are recognized as an intangible asset when the following criteria are met:

- The Company has the intention, financial capacity and technical capacity to complete the development project;
- The Company has the resources necessary to finish the development and to use or market the product developed;
- There is a high probability that the future economic benefits attributable to the products developed will flow to the Company; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Development expenses that do not meet the criteria are recognized as an expense for the period.
Capitalized development, which is principally composed of employee expenses, is amortized in the income statement upon the commissioning of the product, under the line "Amortization and depreciation of fixed assets" on a straight-line basis over the estimated residual life of the product. This estimate of residual life is reviewed at each balance sheet date.

Other intangible assets

Other intangible assets correspond to acquired software, which is depreciated over 12 months, with the exception of the ERP which is depreciated over five years. Costs linked to the acquisition of software licenses are recorded as assets based on the costs incurred to acquire and put into service the software concerned.

1.2.2. Property, plant and equipment

The offices of the Company primarily consist of the registered office located in Aix-en-Provence (France), under a lease expiring on September 30, 2021.

Equipment primarily refers to the items dedicated to research and development activities.
Furniture and administrative equipment is primarily comprised of IT equipment and office furniture.

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line basis over the estimated useful lives as follows:

- Fixtures and fittings — 3 to 10 years (Straight-line basis)
- Research equipment and materials — 18 months to 5 years (Straight-line basis)
- Production equipment and materials — 5 years (Straight-line basis)
- Furniture, office and IT equipment — 3 to 5 years (Straight-line basis)

Residual values and useful lives are reviewed and adjusted if necessary at each reporting date.

1.2.3. Financial assets

Financial assets consist of securities, related receivables, deposits and securities paid, treasury shares, and the cash account for the Company's liquidity agreement.

Equity securities, as well as other capitalized securities, were evaluated at the price at which they were acquired, excluding the costs incurred for their acquisition. In the event of a disposal affecting all securities of the same nature which grant the same rights, the starting value of the securities disposed was estimated at the weighted average purchase price. A write-down may, where appropriate, be recorded to take the present value into account.

Capitalized receivables were recorded in the Company's assets at their nominal value. A write-down may, where appropriate, be recorded to take the present value into account.

The present value of the equity investments and related receivables is estimated according to the amount of equity of the subsidiaries at year-end, along with their forecast performance for the upcoming years.

1.2.4. Inventories

Given the fact that the production of Aixplorer® products is outsourced, the Company mainly holds inventories of finished goods and spare parts as well as demonstration equipment to be sold.

Inventory is valued at the purchase price and recorded according to the FIFO method. Impairment is recognized for items whose net realizable value is lower than the carrying amount.

Inventories are reduced to their present value if this is lower than their cost. Net realizable value represents the estimated sale price in normal conditions of activity, less cost of sales.

1.2.5. Receivables and payables

These are recorded at their nominal value. Receivables and payables denominated in foreign currency have been evaluated based on the most recent exchange rate known at the reporting date.

Receivables are written down where applicable, on a case-by-case basis, after the Company assesses the risk of non-recovery.

As of the closing date, financial liabilities include:

- A loan received from the majority shareholder, Hologic Hub Ltd.;
- Repayable advances from ANR and Bpifrance for which the Group does not have reasonable assurance that they will not be repaid;
- Three long-term loans from BPI; and
- A short-term bank financing facility;

1.2.6. Tax credit and other grants

The research tax credit (RTC) and the innovation tax credit (ITC) are provided by the French tax authorities to encourage companies to carry out scientific and technical research and for the design of prototypes or pilot installations of new products.

These tax credits are recorded when (i) the Company can receive them irrespective of taxes paid or owed in the future, (ii) the costs corresponding to the eligible programs have been incurred, and (iii) supporting documentation is available.
These receivable tax credits are recorded in the balance sheet as “Other receivables”.
When the RTC is pre-financed by means of the assignment of receivables, the receivable is derecognized from the balance sheet.

The research tax credit and the innovation tax credit can be set against the corporate income tax due by the company for the year in which it incurred its research expenses, and if they cannot be set against corporate income taxes they are repaid to the company in fiscal year N+1 in light of its status as an SME in EU terms.

They are presented as a reduction to the tax expense.

In addition, grants may be available to companies that perform technical and scientific research. Such grants are typically subject to performance conditions over an extended period of time. The Company recognizes these grants in the income statement as “Operating Grants” (i) over the cost of the corresponding research and development program and (ii) when confirmation of the grant has been received.

1.2.7. Tax Credit for Competitiveness and Employment (Crédit Impôt pour la Compétitivité et l'Emploi – CICE)

The competitiveness tax credit is a tax credit which was equal in 2018 to 6% of the gross compensation under 2.5 times the minimum wage (SMIC). The tax credit is allocated to corporate income tax or, for SMEs, reimbursed to the company if the tax credit exceeds the corporate income tax payable. The tax credit funds the company's competitiveness through investment efforts, R&D, training and recruitment.

The tax credit is presented less personnel costs. In 2018, it helped finance expenditure on research and innovation.

It was eliminated as of January 1, 2019.

1.2.8. Marketable securities

Marketable securities, primarily consisting of money market funds (SICAVs), are recorded in assets at their historical cost, excluding the costs incurred to acquire them. In the case of a disposal affecting all securities of a given type granting the same rights, the capital gains from the disposal have been assessed using the FIFO (First-In First-Out) method.

1.2.9. Conversion of foreign currency items

Transactions in foreign currencies other than the euro are recorded at the most recent price known at the transaction date.

At year-end, the assets and liabilities denominated in foreign currencies are translated at the closing price. In case of unrealized losses (translation losses), a provision for exchange risks is established. Unrealized foreign exchange gains (translation gains) are not recorded in income.

For fiscal years 2018 and 2019, the Company has not used an exchange rate risk-hedging instrument.

1.2.10. Provisions

Provisions for contingencies
Provisions correspond to commitments resulting from litigation and other risks, the maturity or amount of which are uncertain, which the Company may be faced with as part of its activities.
Provisions are recognized when the Company has a legal or implicit obligation to a third party as a result of past events, for which it is probable or certain that an outflow of resources to the third party will be required to settle the obligation, without at least an equivalent value expected to be received in exchange, and when future outflows of liquidity may be reliably estimated.
The amount recorded as a provision is the best estimate of the expense needed to settle an obligation.

Provision for warranties
Sales are subject to a one-year warranty period. The measurement of the cost of the warranty as well as the probability that these costs will be incurred is based on an analysis of historic data.

The provision corresponds to the number of months remaining on existing warranties at the reporting date for all equipment sold.

No provisions are recorded for future operating losses.

1.2.11. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below.

For both sales by the distributors or through Group sales representatives, the accounting treatment of revenue remains the same, and in compliance with standards on revenue recognition:

- **Revenue from the sale of Aixplorer® systems**

- The Group's products are generally sold through contracts or via purchase orders issued by customers, which include fixed, determinable prices that do not contain a right of return or any significant post-delivery obligation, nor any other clause inducing deferred revenue. Revenue is recognized for products when title and risk are transferred, in accordance with Incoterms as defined in the contracts, when the price is fixed and determined, and collectability of the receivable is reasonably assured.
- Distributors of Aixplorer® products do not benefit from any contractual right of return on acquired products beyond the statutory warranty of 12 months granted on products.

- **Revenue for services**

- Revenue for services (principally maintenance, after-sales service, and warranty extensions) is recognized over the period when services are rendered and when collectibility is reasonably assured. Revenue for maintenance services is recognized in a linear manner over the term of the maintenance contract.
- A warranty is included in each sale of an Aixplorer® system (see Note 1.2.10). Only revenue relating to the warranty period exceeding one year is deferred and recorded as revenue during the period concerned. Warranties of one year or less are not sold separately. Revenue from contracts with multiple elements, such as those including services, is recognized as each element is earned based on the relative fair value of each element.

1.2.12. Other operating income

Other operating income includes income linked to the SuperSonic Imagine technological and industrial partnerships, which corresponds to a third source of income after sales of products and services. It corresponds to rights to access technology developed by the Company or to technology or industrial access partnerships.

This income corresponds to a limited number of contracts for which the proceeds are recognized according to the terms and conditions negotiated. Depending on the latter, the associated income may be fully recognized upon signing the contract or spread out over the periods concerned.

1.2.13. Earnings per share

Earnings per share are calculated by dividing the net income (loss) attributable to equity holders of the Company by the average number of shares issued net of treasury shares. Diluted earnings per share are computed by dividing net income attributable to equity holders of the Company by the average number of shares issued, adjusted for the effects of all dilutive potential shares.

Dilutive instruments are taken into account when, and only when, their dilutive effect decreases earnings per share or increases loss per share.

1.2.14. Loan issuance costs

Loan issuance costs are recorded in expenses, to be distributed and spread out over the term of the loan.

1.2.15. Staff retirement commitment

The Company has chosen not to record retirement commitments in the balance sheet, and to consider them to be off-balance sheet commitments.

1.2.16. Preparation of Consolidated Financial Statements

The Company is required to have its consolidated financial statements certified because it is listed on a regulated market. As the Company is the parent company of the Group, it thus prepares consolidated financial statements according to IFRS.

2. Intangible assets

As of December 31, 2019, aggregate gross development costs amounting to €27,482 million primarily related to developments of Aixplorer® versions V3 to Ultimate (amortized on a straight-line basis to end-2021), as well as capitalized expenses for the next generation ultrasound system Aixplorer MACH® 30 that came into service in September 2018.

In thousands of euros	Patent/Licenses and software	Development Costs	Total
Year ended December 31, 2019			
Opening amount	1,375	15,017	16,393
Acquisitions	803	3,475	4,278
Disposal/sale	(1,269)	-	(1,269)
Depreciation and amortization	(221)	(2,310)	(2,531)
Closing amount	**689**	**16,181**	**16,871**
As of December 31, 2019			
Gross value	3,340	27,482	30,822
Cumulative amortization and depreciation	(2,651)	(11,300)	(13,951)
Net book value	**689**	**16,182**	**16,871**

In thousands of euros	Patent/Licenses and software	Development Costs	Total
Year ended December 31, 2018			
Opening amount	743	13,759	14,502
Acquisitions	834	3,234	4,068
Depreciation and amortization	(202)	(1,975)	(2,177)
Closing amount	**1,375**	**15,017**	**16,393**
As of December 31, 2018			
Gross value	3,805	24,007	27,812
Cumulative amortization and depreciation	(2,430)	(8,990)	(11,419)
Net book value	**1,375**	**15,017**	**16,393**

The amount of internal development costs capitalized for the fiscal year stood at €3.475 million, related solely to the Aixplorer MACH® 30, as compared with €3.234 million for the previous year.

The new Aixplorer MACH® 30 platform came into service in September 2018, the date it was first launched, and its useful life is set at 12 years.

Given that the usable life of the Aixplorer® product was extended from end-2020 to end-2021, primarily due to sales prospects on the Chinese market, the remaining amortization schedule for the development costs of the Aixplorer® product was accordingly changed from 12 to 13 years, applied prospectively from July 1, 2019. This change in estimate had a €308,000 impact on allocations for the fiscal year (calculated as follows: 2019 allocation under the former amortization schedule: €2.619 million, 2019 allocation under the new amortization schedule: €2.310 million).

3. Property, plant and equipment

In thousands of euros	Technical installations, plant and industrial equipment	General installations, fittings, other fixtures	Office and IT equipment	Property, plant and equipment in progress	Total
Year ended December 31, 2018					
Opening amount	4,662	27	67	-	4,756
Acquisitions	696	-	12	-	708
Disposals	(6)	-	-	-	(5)
Transfers	-	-	-	-	-
Depreciation and amortization	(628)	(8)	(36)	-	(671)
Closing amount	**4,724**	**19**	**44**	**-**	**4,787**
Year ended December 31, 2019					
Gross value	12,479	492	1,334	-	14,305
Cumulative amortization and depreciation	(7,555)	473	(1,290)	-	(9,518)
Net book value	**4,724**	**19**	**44**	**-**	**4,787**

In thousands of euros	Technical installations, plant and industrial equipment	General installations, fittings, other fixtures	Office and IT equipment	Property, plant and equipment in progress	Total
Year ended December 31, 2017					
Opening amount	4,186	70	77	-	4,332
Acquisitions	866	10	52	-	928
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Depreciation and amortization	(390)	(53)	(61)	-	(504)
Closing amount	**4,662**	**27**	**69**	**-**	**4,756**
As of December 31, 2018					
Gross value	11,789	492	1,341	-	13,622
Cumulative amortization and depreciation	(7,127)	(465)	(1,274)	-	(8,866)
Net book value	**4,662**	**27**	**69**	**-**	**4,756**

In 2018 and 2019, the Company mainly purchased research and production equipment (test bench, control set, various tools, etc.).

4. Financial assets

In thousands of euros	Equity securities	Receivables	Other financial assets	Total
Year ended December 31, 2019				
Opening amount	1,721	10	957	2,687
Increases	-	2,651	8	2,659
Disposals	(11,209)	(22,760)	(592)	(34,561)
Reversals of impairments used	11,209	20,515	170	31,894
Reclassifications	-		-	-
Provision for impairment	(62)	(409)	(44)	(515)
Closing amount	**1,659**	**7**	**499**	**2,164**
As of December 31, 2019				
Gross value	2,038	5,627	499	8,164
Cumulative impairment	(379)	(5,620)	-	(5,999)
Net book value	**1,659**	**7**	**499**	**2,164**

In thousands of euros	Equity securities	Other financial assets	Total
Year ended December 31, 2018			
Opening amount	1,553	721	2,274
Increases	-	1,956	1,956
Disposals	-	-	-
Reclassifications			-
Provision for impairment	168	(1,711)	(1,543)
Closing amount	**1,721**	**967**	**2,687**
As of December 31, 2018			
Gross value	13,247	26,818	40,065
Cumulative impairment	(11,526)	(25,852)	(37,378)
Net book value	**1,721**	**967**	**2,687**

The securities and receivables vis-à-vis subsidiaries, except those for the Chinese subsidiary, were written off; their net realizable value not pointing to the short-term repayment of the advances granted.

Reversals of impairment totaled €31.850 million, from the reversals of impairment of the shares and related receivable following the sale of the subsidiary SuperSonic Imagine Inc. on December 27, 2019 (see Note 22.4). These shares and the related receivables were fully written down as of December 31, 2018, and totaled €33.969 million as of December 31, 2018.

As of December 31, 2019, the number of treasury shares held under the liquidity agreement was 100,732, in addition to €74,000 in cash, as compared with 110,931 shares and €65,000 as of December 31, 2018.

When arranging its €2 million loan from BPI in 2018, the Company paid a €90,000 deposit that was refunded following payment of all sums due under this loan.

The decreases in other financial assets were primarily related to the repayment of €582,000 following the termination of the bond issuance to Kreos in August 2019 (see Note 14).

5. Inventories

In thousands of euros	December 31, 2019	December 31, 2018
Raw materials and spare parts	3,869	4,149
WIP and finished goods	2,657	2,198
Demonstration equipment	2,012	1,654
Total gross inventories	**8,539**	**8,001**
Impairment of inventories	(2,446)	(2,246)
Total Net Inventories	**6,093**	**5,755**

Impairment of inventories primarily corresponds to write-downs of items that were defective or returned by clients pending possible repair, as well as the straight-line impairment of demonstration equipment.

6. Trade receivables

In thousands of euros	December 31, 2019	December 31, 2018
Trade receivables, gross	6,785	6,498
Impairment	(738)	(1,757)
Trade receivables, net	6,047	4,741

- **Chinese distributor:**

In April 2013, the Group chose to terminate its exclusive distribution agreement with its Chinese distributor. The latter had disputed and blocked the payment of the amounts due, a total of €474,000.

On October 22, 2009, the Company had signed an exclusive distribution agreement with its distributor for some of its products in China (excluding Taiwan, Hong Kong and Macao).
In April 2013, the Company terminated this agreement, noting that its distributor had not achieved its contractual objectives. After discussion between the parties, the distributor commenced action against the Company in the Beijing Chaoyang district court and in the intermediate district court of Beijing. It asked the court to order the contract to be continued and extended, given its interruption during the discussions between the parties, and that the Company comply with its exclusivity arrangement. It contested the Company's assertions and the applicability of the contractual arbitration clause. In September 2013, the Company commenced an arbitration proceeding before the International Chamber of Commerce for payment of amounts owed under the contract, as well as for damages.

In October 2014, the Company won its case and the Chinese distributor was ordered to repay its debt as plus €1 million in principal amount for damages suffered by the Group. Provisions continue to be funded for the related assets (€474,000 in trade receivables and €1.002 million in income receivable), unchanged on December 31, 2014.
At the same time, the distributor's claims were dismissed.

As of the date of these 2019 consolidated financial statements, proceedings for recovery were ongoing.

However, as of December 31, 2019, the Company reclassified the receivable from the Chinese distributor as an unrecoverable loss, for a total amount of €537,000, as well as the payments due, in an amount of €1.002 million. At the same time, the Company reversed the corresponding provision for bad trade receivables by a total amount of €537,000, as well as the provision for income receivable in the amount of €1.002 million. These transactions had no impact on net results of operations for the 2019 fiscal year.

- **Brazilian distributors:**

The receivables owed by the former Brazilian distributor for a total of €520,000 were fully provisioned in 2013, since the distributor was facing significant financial difficulties.
The same year, the Company signed an exclusive agreement with a new distributor for the Brazilian market, which included a repayment schedule for the debt of the former distributor. Payment deadlines were met until August 2014, and the corresponding provisions were reversed for a total of €181,000.

In 2015, the new distributor faced cash flow issues, primarily due to the decline in the BRL vis-à-vis the euro (which fell 34% over the fiscal year) (foreign exchange risks were borne by the distributor, since the Group invoiced it in euros).

The Group is in regular contact with the new distributor, which wishes to continue distributing SuperSonic Imagine products once it has been able to clear its debt. To this end, a 100% provision has been recorded for the debt owed by the new distributor since the 2016 reporting date.

Legal proceedings were brought in 2017 and were still ongoing in 2019.

However, as of December 31, 2019, the Company reclassified the receivable from the Brazilian distributor as an unrecoverable loss, for a total amount of €593,000. At the same time, the Company reversed the corresponding provision for a total amount of €593,000. These transactions had no impact on net results of operations for the 2019 fiscal year.

7. Other receivables

In thousands of euros	December 31, 2019	December 31, 2018
Supplier advances and deposits	402	511
Income Tax – Research Tax Credit – Innovation Tax Credit	961	868
Value added tax	535	706
Factor current account	-	779
Receivables	10	1,002
Personnel	16	2
Share capital called but not paid up	30	-
Gross total	**1,955**	**3,868**
Impairment	-	(1,002)
Net total	**1,955**	**2,865**

Income Tax – Research Tax Credit – Innovation Tax Credit

Given its status as an SME in EU terms, receivables relating to Tax Credits had been repaid in the year following their recognition. Since the Company lost its status as a European Union SME when Hologic acquired majority control of it in 2019, the 2019 RTC, for €2.184 million, will not be payable for another three years.

As of December 31, 2019, the RTC for the past fiscal year was pre-financed for 55% of its estimated value, totaling €1.1 million deducted from the above receivable.

8. Cash

Cash held in banks is principally held in euros and in USD, for €1.811 million.

As of December 31, 2018, cash consisted of the following:

In thousands of euros	December 31, 2019	December 31, 2018
Marketable securities	163	163
Cash on hand	6,089	7,800
Total Cash	6,252	7,963

The Company's marketable securities in the amount of €158,000 (see Note 25.1).
As of December 31, 2019, the Group €0.8 million in short-term revolving credit facilities and €1.2 million in 2019 RTC pre-financing.

9. Accrued assets and liabilities

9.1. Total unrealized foreign exchange gains and losses

Following the revaluation of foreign currency payables and receivables at the closing price, the Company recognized unrealized foreign exchange gains and losses as of December 31, 2019 as per the following tables:

In thousands of euros	December 31, 2019	December 31, 2018
Trade and intragroup receivables	314	1,665
Trade payables	831	570
Total unrealized foreign exchange losses	1,145	2,235

As of December 31, 2019, provisions were fully funded for unrealized foreign exchange losses under financial expenses in the income statement.

In thousands of euros	December 31, 2019	December 31, 2018
Trade and intragroup receivables	206	2,617
Trade payables	615	536
Total unrealized foreign exchange gains	**821**	**3,152**

The decrease in unrealized foreign exchange gains and losses is primarily due to the sale of the Company's U.S. subsidiary on December 27, 2019 (see Note 22.4).

9.2. Other accruals

ASSETS		
In thousands of euros	December 31, 2019	December 31, 2018
Prepaid expenses	321	191
Of which operating expenses	*321*	*191*
Loan Issuance costs	-	480
Total other accrued assets	**321**	**671**
LIABILITIES		
In thousands of euros	December 31, 2019	December 31, 2018
Deferred revenue	650	949
Total other accrued liabilities	**650**	**949**

The deferred revenue pertains to (i) revenue relating to technology that is not fully recognized on the signature date of the contract but instead spread out over the relevant period; (ii) a portion of the income from operating grants staggered to reflect actual expenses; and (iii) services (primarily maintenance, after-sales service, warranty extensions) the revenue for which is recognized once the service has been provided.

The expenses to be allocated were fully amortized during fiscal year 2019, due to the termination of the bond issuance to Kreos (see Note 14).

10. Maturity dates of receivables

Maturity date of receivables at end of period

The table below shows gross receivables and their maturity dates:

In thousands of euros	December 31, 2019	Less than 1 year	More than one year
Receivables related to equity interests	5,627	-	5,627
Other financial assets	499	-	499
Doubtful or contested receivables	738	-	738
Other trade receivables	6,047	6,047	-
Trade receivables	6,785	6,047	738
Supplier advances and deposits	402	402	
Income Tax – Research Tax Credit – Innovation Tax Credit and Tax Credit for Competitiveness and Employment	961	(1,117)	2,078
Value added tax	535	535	
Factor current account	-	-	-
Receivables	10	10	-
Share capital called but not paid up	30	30	
Personnel	16	16	-
Other receivables	1,955	(124)	2,078
Prepaid expenses	321	321	-
Loan Issuance costs	-	-	-
Total	**15,187**	**6,244**	**8,942**

11. Impairment of assets

The chart below presents the change in the impairment of assets between the opening and closing dates.

In thousands of euros	December 31, 2018	Provisions	Reversals	December 31, 2019
Equity securities	11,526	62	(11,209)	379
Other financial assets	25,852	453	(20,685)	5,620
Inventories	2,246	997	(798)	2,446
Trade receivables	1,756	204	(1,223)	738
Other receivables	1,002	-	(1,002)	-
Total impairment of assets	**42,382**	**1,716**	**(34,916)**	**9,183**
Of which Operating income		*1,201*	*(2,021)*	
Of which Financial income (loss)		*515*	*(170)*	

The provision for other financial assets mainly relates to the impairment of receivables from Group subsidiaries.

12. Shareholders' equity and composition of share capital

Since April 10, 2014, the Company's shares have been admitted to trading on Euronext Paris under ISIN code FR0010526814 and the mnemonic SSI.

In 2018, 207,500 new shares were created following the effective allocation of the first tranche of free shares. This raised the number of outstanding shares to 23,416,627 as of December 31, 2018.

In 2019, 612,559 new shares were created following the exercise of stock options and share subscription warrants (see description of these plans in Note 13), and 308 shares were added as a correction for 2018. This raised the number of outstanding shares to 24,029,494 as of December 31, 2019.

12.1. Share Capital

Changes in share capital break down as follows:

In thousands of shares	January 1, 2019	Capital increase	Expenses relating to the capital increase	Retained earnings (losses) allotted to the share premium	Subscription of dilutive instruments			Dec. 31, 2019
					Stock options	Founders' warrants (BSPCE)	Warrants (BSA)	
Ordinary shares	23,416,627	-	-	-	576,225	-	36,642	24,029,494
Total number of shares	**23,416,627**	**-**	**-**	**-**	**576,225**	**-**	**36,642**	**24,029,494**
In thousands of euros								
Share Capital	**2,342**	**-**	**-**	**-**	**58**	**-**	**4**	**2,403**
Share premium	**20,145**	**-**	**-**	**(13,596)**	**-**	**-**	**-**	**6,549**

The table below presents changes in the Company's capital and share premium (in thousands of euros) over two years:

Transaction	Share capital	Share premium	Number of shares
As of January 1, 2018	**2,321**	**30,300**	**23,209,127**
Capital increase	21	(21)	0
Expenses relating to the capital increase	0	28	0
Reclassification of retained earnings as a deduction from the share premium	0	(10,192)	0
Allocation of free shares	0	0	207,500
Subscription for warrants	0	31	0
As of December 31, 2018	**2,342**	**20,145**	**23,416,627**
As of January 1, 2019	**2,342**	**20,145**	**23,416,627**
Cash capital increase	0	0	0
Expenses relating to the capital increase	0	0	0
Reclassification of retained earnings as a deduction from the share premium	0	(13,596)	0
Exercise of Stock options	58	0	576,225
Exercise of founders' warrants (BSPCE)	0	0	0
Exercise of warrants	4	0	36,642
As of December 31, 2019	**2,403**	**6,549**	**24,029,494**

12.2. Dividends

The Company has never distributed dividends and will not do so for fiscal year 2019.

12.3. Liquidity agreement

On April 18, 2017, a liquidity agreement was entered into with Gilbert Dupont. This agreement was entered into for a term of 12 months ending on April 17, 2018, automatically renewable.

As of December 31, 2019, the number of treasury shares held under the liquidity agreement was 100,732, in addition to €74,000 in cash, as compared with 110,931 shares and €65,000 as of December 31, 2018.
In connection with the tender offer for the Company's shares by Hologic Hub Ltd. between October and December of 2019, the liquidity agreement with Gilbert Dupont was suspended at the Company's request and until further notice.

13. Share-based payments

The Group grants two types of instruments to certain executives, employees, and people related to the Company by a consulting agreement:

- Share-based dilutive instruments, such as options for shares, free shares, warrants or founders' warrants. These are described below in Note 13.1; and
- Non-dilutive instruments based on shares. These are described below in Note 13.2;

13.1. Share-based dilutive instruments

13.1.1. Conditions of plans granted

As of December 31, 2019, the following share-based payments were granted by the Company[31]:

Ordinary shares/Stock options:

Plan – Date of grant	Vesting conditions	Exercise price per share	Number of instruments: awarded at outset Exercisable as of Dec. 31, 2019	Expiration date
2013 ordinary options October 4, 2013	Exercisable up to 25% after 12 months starting from the grant date then for the rest up to 7.5% at the end of each quarter for 30 months. (1)	€0.10	381,250 22,593	Oct. 4, 23
AGA Exchange 2013 options October 4, 2013	Exercisable up to 55% starting from the grant date then for the rest up to 7.5% at the end of each quarter starting October 1, 2013. (1)	€0.10	254,500 0	Oct. 4, 23
09-2014 options September 19, 2014	Up to 6.25% of options may be exercised at the expiration of each successive 3-month period that has elapsed from the date of grant, and at the latest within the 10 years following the date of grant.	€8.18 (2)	411,850 105,689	Sep. 18, 24

(3) Following the IPO on April 9, 2014, these instruments became immediately exercisable.
(4) Exercise price adjusted following the capital increase of the Company on May 15, 2017.

[31] As of December 31, 2019, there were no outstanding warrants issued by the Company. The beneficiaries of the warrants issued under the plans still in effect during the fiscal year ended December 31, 2019 either exercised them or released them. It should also be noted that the only founders' share warrant plan in effect during the fiscal year ended December 31, 2019 (BSPCE 10-2008) expired on November 5, 2019.

Free shares:

Plan – Date of grant	Vesting conditions	Exercise price per share	Number of instruments awarded at outset	Expiration date
Free performance shares March 31, 2017	Vested and delivered to the beneficiaries in tranches of 20% at the end of 12, 24, 36, 48 and 60 month vesting periods from the Grant. (1)	-	1,037,500	N/A
Free performance shares April 2018	Vested and delivered to the beneficiaries in tranches of 20% at the end of 12, 24, 36, 48 and 60 month vesting periods from the Grant. (1)	-	114,000	N/A

(2) Except in special circumstances approved by the Board of Directors, beneficiaries irrevocably lose their performance shares for unvested tranches:

- *If they resign effective before the end of a vesting period, the loss of the performance shares takes effect on the date that the beneficiary's employment contract or corporate office ends;*
- *If they are dismissed or terminated for any reason whatsoever before the end of the vesting period, the loss of the performance shares takes effect on the date of notification of dismissal or termination, as the case may be.*

On April 26, 2018, the Management Board, after consulting the Supervisory Board, decided to change the performance conditions for the 2017 performance shares.

The former performance conditions were thus dropped in favor of a new performance condition (the "**Performance Condition**") corresponding to achievement of a ratio of Company EBITDA to Revenue (the "**EBIDTA/Revenue Ratio**"). This condition will also be assessed annually for the delivery of each of the remaining tranches of 2017 performance shares, starting with the tranche that vested on March 31, 2019.

The performance shares will be delivered to each beneficiary for each tranche at the end of each vesting period subject to the Company's achievement of a performance condition (the "**Performance Condition**") representing a ratio of Company EBITDA to revenue (the "**EBIDTA/Revenue Ratio**").

In March 2018, 207,500 new shares were created for delivery of the first tranche following achievement of the performance targets.

In March 2019, no new shares were created for delivery of the second tranche of the 2017 plan, since the performance conditions had not been achieved.

Moreover, on April 26, 2018, the Management Board granted 114,000 free performance shares to the Company's employees under authorizations granted by the Combined Shareholders' Meeting of June 24, 2016.

During the vesting periods, the beneficiaries will not own the shares granted to them and may not transfer the rights arising from such grants. The free shares will be delivered to their beneficiaries at the end of this vesting period.

Performance shares will only be delivered to beneficiaries who remain as employees or officers of the Company or of an affiliate throughout the vesting period for each tranche, except where otherwise provided for under the Plan and below.

The performance shares will be delivered to each beneficiary for each tranche at the end of each vesting period subject to the Company's achievement of a performance condition (the "**Performance Condition**") representing a ratio of Company EBITDA to revenue (the "**EBIDTA/Revenue Ratio**").

The EBITDA/Revenue ratio is calculated for each tranche by dividing Company EBITDA by revenue in the fiscal year immediately preceding the corresponding vesting date. If the actual EBITDA/Revenue Ratio is equal to or greater than 80% of the target EBITDA/Revenue Ratio for the fiscal year in question, the number of shares to be delivered shall be equal to 100% of the performance shares awarded for the tranche in question, before the adjustments provided for in Article 7. If it is under 80% of the target EBITDA/Revenue Ratio, no shares will be delivered for the tranche in question.

In March 2019, no new shares were created for delivery of the first tranche of the 2018 plan, since the performance conditions had not been achieved.

The rules of the 2017 and 2018 free share plans included the following provision: "In the event of a change of control of the Company (as such term is defined in Article L.233-3 of the French Commercial Code), the Performance Condition shall no longer apply; only those provisions of the Plan that relate to presence [at the Company] shall apply."

As a result, the Hologic group's acquisition of control of the Company in 2019 cancelled all of the performance conditions applicable to the free share plans instituted in 2017 and 2018.

13.1.2. Changes in outstandings for dilutive instruments

a) Share Subscription Options/Stock Options

The number of stock options in circulation breaks down as follows:

	2019		2018	
Share Subscription Options (OSA)	Exercise price in € per share	Number of options	Exercise price in € per share	Number of options
As of January 1	0.20	701,174	0.20	701,481
Adjustment following the capital increase		-	-	-
Granted	-	-	-	-
Expired	-	-	-	-
Exercised	0.10	(572,892)	0.10	(308)
As of December 31	**6.76**	**128,282**	**0.20**	**701,174**
Exercisable	**6.76**	**128,282**	**0.20**	**701,174**

b) Free shares

The number of free shares in circulation breaks down as follows:

Free shares (AGA)	2019 Exercise price in € per share	2019 Number of free shares	2018 Exercise price in € per share	2018 Number of free shares
As of January 1	-	896,500	-	1,022,500
Adjustment following the capital increase	-	-	-	-
Granted	-	-	-	114,000
Null and void	-	(259,000)	-	(32,500)
Granted during the period	-	-	-	(207,500)
As of December 31	**-**	**637,500**	**-**	**896,500**

13.2. Share-based non-dilutive instruments

On July 1, 2014, the Group granted Stock Appreciation Rights (SAR) to employees at the Chinese representative office.

The principle is as follows:
Each of the nine beneficiaries has received a fixed number of SARs, which vest over two years (with the exception of one person where they were fully vested upon allocation), except in cases of a change in Company control, where all of them would immediately become exercisable. These SARs are exercisable through October 23, 2023 (subject to attendance conditions within the Group).

The Group shall pay the grantee upon written request, and for each year of the allotted SARs, the lower amount between the following two amounts:

- The market price of the Company's stock on the eve of the request for exercise, less €0.10; or
- €20.

At the reporting date, the SARs allotted were valued at €25,400. This amount was recorded in the provision for contingencies as of December 31, 2019 (See Note 17).

13.2.1. Conditions of plans granted

Plan – Date of grant	Vesting conditions	Number of instruments: awarded at outset. Exercisable as of Dec. 31, 2019	Expiration date
Stock Appreciation Right			
SAR 07-2014 July 1, 2014	Exercisable in thirds on July 1 of each year (2014, 2015, 2016), or immediately exercisable in the event of a change in control	10,000 *10,000*	Oct. 23, 23
SAR 07-2014 July 1, 2014	Fully exercisable on July 1, 2014.	5,000 *5,000*	Oct. 23, 23

13.2.2. Changes in outstandings for non-dilutive instruments

SAR	2019	2018
	Number of instruments	Number of instruments
As of January 1	15,000	15,000
Granted	-	-
Null and void	-	-
Exercised	-	-
Expired	-	-
As of December 31	**15,000**	**15,000**
Exercisable	**15,000**	**11,600**

14. Bond issues

2017 Kreos bond (Tranches 1 and 2) and 2018 Kreos bond (Tranche 3)

On August 21, 2019, the Company entered into a termination agreement with Kreos pursuant to which, following a payment of approximately €16.4 million, all of the financing agreements with Kreos – namely, the 2017 Venture Loan and the 2018 Venture Loan, together with all of the related documentation, including the agreements relating to the share subscription warrants, the put-option agreements, and the guarantees and pledges given by SuperSonic Imagine – were terminated. In accordance with the termination agreement, SuperSonic Imagine was definitively and fully released from any obligation to Kreos Capital V (UK) Ltd. and Kreos Capital V (Expert Fund) L.P. under the various financing agreements.

Principal remaining due as of August 21, 2019, totaled €13.357 million, and interest incurred was €569,000. Costs relating to the early termination are recorded in fiscal year 2019 in financial income (loss), for approximately €2.7 million.

Norgine warrant

The €5 million bond subscribed by Norgine in 2013 was repaid early in March 2017.

Norgine abandoned its 50,000 remaining warrants in 2019.

15. Revolving loan agreement with the majority shareholder

To enable the Company to finance its working capital requirement and to repay its debt, in particular to Kreos, the Company and Hologic Hub Ltd. entered into a revolving loan agreement on August 14, 2019, which was amended on November 22, 2019, and on February 12, 2020, for a maximum cumulative amount of €50 million. After the closing date, on March 17, 2020 (see Note 34.3), the maximum amount of this loan was increased to €65 million.
The loan’s terms and conditions are as follows:

- Maturity date: August 12, 2024
- Fixed rate: 5.47% per annum
- Interest payments: Quarterly
- Pledges: None
- Holdback: None

In thousands of euros	Total December 31, 2019
Principle	34,080
Interest	422
Total	34,502

16. Contingent advances

Repayable advances *(in thousands of euros)*	Balance as of Dec. 31, 2019	Balance as of Dec. 31, 2018
Business France	15	15
ICARE – OSEO	1,725	1,441
TUCE – OSEO	407	407
Total	**2,148**	**1,863**

The change in the Icare contingent advance relates to €284,000 in interest recorded.

17. Provisions for contingencies and Other provisions

In thousands of euros	December 31, 2018	Provisions	Reversals	December 31, 2019
Provisions for foreign exchange losses	2,234	1,149	(2,234)	1,149
Provisions given to clients – Warranties	436	783	(780)	439
Provisions for litigation	150	-	-	150
Other provisions for contingencies	24	2	-	25
Total provisions for contingencies	**2,844**	**1,934**	**(3,014)**	**1,764**
Of which Operating income		*783*	*(780)*	
Of which Financial income (loss)		*1,149*	*(2,234)*	
Of which Non-recurring income		*-*	*-*	

All reversals of provisions are used.

Provision for foreign exchange losses
This €1.149 million provision is intended to cover unrealized exchange losses.

Provision for client warranties
This €439,000 provision is intended to cover the costs of warranties for systems sold during the past fiscal year. The sales made by the Company are subject to a one-year warranty period. The measurement of the cost of the warranty as well as the probability that these costs will be incurred is based on an analysis of historic data. The provision corresponds to the number of months remaining on existing warranties at the reporting date for all equipment sold.

SAR China – Other provisions for contingencies
On July 1, 2014, the Group granted Stock Appreciation Rights (SAR) to employees at the Chinese representative office (See Note 13.2).

Provision for litigation
A €150,000 provision was recorded for litigation arising in respect of events prior to December 31, 2017, which remains in place as of December 31, 2019.

18. Loans and other financial debts

In thousands of euros	December 31, 2019	December 31, 2018
Short-term debt	793	-
Payables related to equity interests	2,886	2,635
Long-term BPI loans	4,370	3,800
Loan from the majority shareholder (see Note 15)	34,080	-
Interest incurred on long-term loans	422	-
Others	14	14
Total loans and other financial debts	**42,565**	**6,449**

The Company has three long-term innovation loans arranged with Bpifrance, with €1.8 million received in 2017, €2 million received in 2018, and €750,000 received in 2019, for an outstanding balance of €4.3 million. During the fiscal year, the Company obtained a new innovation loan from BPI for €750,000, repayable quarterly beginning on September 30, 2021 and ending on June 30, 2026, with a fixed annual interest rate of 1.08%.

19. Tax and corporate debts

In thousands of euros	December 31, 2019	December 31, 2018
Personnel and related accounts	1,354	1,044
Corporate bodies	1,053	1,231
Other taxes and similar	199	243
Total tax and corporate debts	**2,605**	**2,518**

20. Maturity dates of debts at period end

The chart on debts is presented below noting the maturity dates:

In thousands of euros	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Contingent advances	2,148	219	1,118	812
Loans and other financial debts	42,565	1,689	37,440	3,436
Including Group and affiliates	*37,388*	*422*	*34,080*	*2,886*
Advances and deposits received on current orders	54	54		
Trade payables	4,135	3,821	25	289
Tax and corporate debts	2,605	2,605	-	-
Other debts	-	-	-	-
Deferred revenue	650	515	134	-
Total debts	**52,157**	**8,906**	**38,717**	**4,537**

The table below shows the breakdown of expenses payable:

In thousands of euros	December 31, 2019	December 31, 2018
Financial debt	422	-
Trade payables	2,492	4,001
Tax and corporate debts	2,020	1,713
Other debts	-	-
Total expenses payable	**4,934**	**5,714**

21. Deferred revenue

In thousands of euros	December 31, 2019	December 31, 2018
Operating income	650	949
Total deferred revenue	**650**	**949**

Deferred revenue includes the amounts billed under the contractual terms, but for which the income is not recognizable for the period, as well as the operating grants for which income is staggered to reflect the rate of the expenses incurred.

22. Additional information relating to the income statement

22.1. Revenue

As of December 31, 2018 and December 31, 2019, revenue broke down as follows:

In thousands of euros	December 31, 2019			December 31, 2018
	France	Foreign	Total	Total
Sale of merchandise	94	283	377	435
Production sold (goods)	2,703	19,297	22,000	20,548
Production sold (services)	642	2,654	3,296	2,368
Total	**3,438**	**22,235**	**25,673**	**23,352**

22.2. Net earnings per share

	Dec. 31, 2019	Dec. 31, 2018
Loss attributable to equity holders of the Company (in thousands of euros)	(18,047)	(13,597)
Weighted average number of ordinary shares outstanding	23,549,849	23,364,233
Weighted average number of treasury shares	(107,789)	(96,785)
Weighted average number of ordinary shares used to calculate basic earnings per share	23,442,060	23,267,448
Basic earnings per share (in euros)	(0.77)	(0.58)

In accordance with applicable rules, since earnings per share are negative for the fiscal years presented, it is not necessary to calculate a diluted loss per share because this would be lower than the basic loss.

22.3. Financial income (loss)

Financial income breaks down as follows:

In thousands of euros	December 31, 2019	December 31, 2018
Financial income from investments	183	172
Other interest and similar income	11	370
Reversals of provisions and transfers of expenses	2,405	522
Foreign exchange gains	772	-
Total financial income	**3,370**	**1,064**
Interest and similar expenses	4,954	1,432
Financial allocations to depreciation, amortization and provisions	1,665	3,680
Foreign exchange losses	1,139	-
Total financial expenses	**7,758**	**5,112**
Total financial income (loss)	**(4,388)**	**(4,048)**

Financial allocations and reversals to amortization, depreciation, and provisions primarily relates to impairment of receivables and equity investments vis-à-vis subsidiaries as well as additions or reversals to the provision for foreign exchange losses.

The 2019 fiscal year ended with a loss of €4.388 million, explained primarily by the early repayment of the bonds issued to Kréos (see Note 14), which generated a financial loss of €2.6 million.

22.4. Non-recurring income

As of December 31, 2018, non-recurring income and expenses broke down as follows:

In thousands of euros	December 31, 2019	December 31, 2018
Non-recurring income from management operations	56	60
Non-recurring income from capital operations	2,762	-
Reversal of provisions and transfers of expenses	32,726	-
Total non-recurring income	**35,544**	**60**
Non-recurring expenses from management operations	63	107
Non-recurring expenses from capital operations	43,098	(4)
Non-recurring allocations to depreciation, amortization and provisions	-	-
Total non-recurring expenses	**43,161**	**103**
Total non-recurring income	**(7,617)**	**(43)**

Non-recurring expenses in 2019 mainly consisted of the following:

- The sale of the U.S. subsidiary SuperSonic Imagine Inc., resulting in the removal of the related receivable for €22,760 and of its shares for €11,209, less unrealized foreign exchange gains for €1.596 million;
- Cancellation of the ERP project (intangible assets) for €1.269 million;
- The reclassification of income due from the Chinese distributor as a loss (see Note 6) for €1.002 million;
- Costs relating to settlement of the dispute described in Note 24, for €5.6 million; and
- Costs relating to the change in majority shareholder, for €2.8 million.

Non-recurring income in 2019 mainly consisted of the following:

- Income from the sale of the Company's U.S. subsidiary, SuperSonic Imagine Inc., for €2.718 million;

- Reversals of provisions on shares and related receivables with respect to the U.S. subsidiary, for €31.724 million; and
- The reversal of a provision for impairment of income due from the Chinese distributor following its reclassification as a loss, for €1.002 million;

On December 27, 2019, the Company sold all of the shares of its U.S. subsidiary, SuperSonic Imagine Inc., and a receivable that the Company held against SuperSonic Imagine Inc., to Hologic Inc., a U.S. company that holds all of the share capital and voting rights of Hologic Hub Ltd. (the Company's majority shareholder) for a total sale price of €2,718,000, paid in cash before the close of the fiscal year.

23. Licensing agreements

23.1. Licenses acquired or adopted

When it was incorporated, the Group entered into licensing agreements on basic patents.
During the second round of funding in 2008, the Group acquired licensed CNRS patents upon their creation, and the share of the CNRS patents taken in co-ownership arising from the collaborative framework contract with the CNRS (contract from 2006 to 2008). These agreements also provide for the payment of royalties.

In 2014, the Company signed a new non-exclusive international licensing agreement for the entire portfolio of patents of a major industry player in the area of ultrasound medical imaging methods and equipment.

At present, the Company is committed to paying royalties, in an amount which is indexed on a portion of its revenue, with the expense being recorded under Other Operating Expenses.

23.2. Licenses granted

Through an agreement signed March 3, 2014, the Company granted a major industrial player a worldwide non-exclusive license over some of its patents. This agreement will run until at least November 2023, in consideration for the payment of royalties which were spread out over 2014 and 2015. All these royalties were recognized in "Other operating income" in 2014. This player also agreed not to enforce the medical ultrasound imaging patents that it owns against the Company. The Company also negotiated a worldwide non-exclusive cross licensing agreement in 2016 for some of its patents with a second major industrial player.
No other license has since been granted.

24. Contingent liability related to ongoing operations

On May 16, 2019, the Company announced that it had reached a settlement agreement with Verasonics to terminate the various legal proceedings and disputes between the companies concerning the ownership rights relating to Aixplorer® and to withdraw the complaint filed by Verasonics Inc. in the U.S. District Court for the Western District of Washington. Pursuant to the settlement agreement, the Company undertook to pay Verasonics a total amount of €5.6 million

(including the external costs incurred by Verasonics), which was recorded in Other Non-Current Operating Expenses as of December 31, 2019 (see Note 22.4).
Following that agreement, the Company is permitted to continue marketing its innovative products Aixplorer® and Aixplorer MACH®, using its revolutionary elastography technology, ShearWave™.
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25. Other financial commitments

Commitments received

The amount of trade receivables at the balance sheet date is covered under a reservation of property clause in the general terms and conditions of sale, to the benefit of the Company.

As the Company benefits from the assistance of OSEO in the financing of its research and development activities, it received commitments to finance a part of its future work in the form of grants and repayable advances:

In thousands of euros	Grants received				Amount of grant on contract	Balance receivable
	Before 2018	2018	2019	Cumulative total		
ICARE – OSEO	1,775	354		**2,129**	2,838	709
DARMUS – DGA	645			**645**	645	
CARDIO – ANR	215			**215**	215	
TUCCIRM – ANR	126			**126**	126	
Elastobus – OSEO	454			**454**	454	
TUCE – OSEO	1,208			**1,208**	1,208	
Micro Elasto – ANR	181			**181**	186	4
PLIK – OSEO	54			**54**	133	79
PLIK –Pays d'Aix	25			**25**	80	55
PLIK – PACA					80	80
BITHUM – ANR	112			**112**	118	6
IDITOP – OSEO	268	67		**335**	335	
IDITOP – PACA	219	31		**250**	250	0
Cartographics – INCA INSERM	133			**133**	133	
Capacity – BPI						
SOLUS	197	147		**344**	408	64
Ultra Fast 4D-ANR	92			**92**	306	214
RHU STOP AS	80	25		**105**	203	98
Total	**5,783**	**624**		**6,407**	**7,716**	**1,309**

** Icare grant: see Note 25.2 below, the outstanding amount of the grant will likely never be obtained.*

Repayable advances

In thousands of euros	Balance as of Dec. 31, 2018	Advances received	Repayments	Balance as of Dec. 31, 2019	Amount of grant on contract	Outstanding amounts to be received
Business France	15			15	200	185*
ICARE – BPI	1,300			1,300	3,039	1,739
TUCE – BPI	407			407	407	
Total	**1,722**			**1,722**	**3,646**	**1,924**

** Icare contingent advance: see Note 25.2 below; the remainder of the advance will likely never be paid.*

Commitments given

To guarantee all the Company's obligations under the Kreos Tranches 1 to 3 bond issuance agreement (see Note 14), the Company granted a series of sureties to Kreos in the event of an unresolved Event of Default that is not cured, until the date of full payment of all amounts due under the Venture Loan. On August 21, 2019, the Company entered into a termination agreement with Kreos pursuant to which, following a payment of approximately €16.4 million, all of the financing agreements with Kreos – namely, the 2017 Venture Loan and the 2018 Venture Loan, together with all of the related documentation, including the agreements relating to the share subscription warrants issued by SuperSonic Imagine – were terminated. In accordance with the termination agreement, SuperSonic Imagine was definitively and fully released from any obligation to Kreos Capital V (UK) Ltd. and Kreos Capital V (Expert Fund) L.P. under the various financing agreements, and all of the sureties granted were released.

25.1. Pledge of marketable securities:

Marketable securities amounting to €158,000 have been pledged to BNP Paribas Real Estate as a security deposit on the rent for the Aix-en-Provence business premises. This pledge was given for a period of nine years and will end on September 30, 2024.

25.2. ICARE program repayable advance and grant

The Company received a repayable Bpifrance advance for €863,000 for the Icare program and a grant for the amount of €1.775 million.
The initial contract stipulated that the advance will be repaid according to the future sales of products from the project, up to the fiscal year ending in 2022. Repayments may therefore exceed the nominal amount received.
In the 2017 fiscal year, the Company had reached an agreement with Bpifrance, which is funding this program, in particular regarding the revenue base to be considered for future payments, since part of the initial objectives were not achieved.
The portion of the outstanding payments in excess of the amount of the advance is recognized on the balance sheet for the interest portion.
The portion of the outstanding payments in excess of the amount of the advance is recognized on the balance sheet at 25% of the repayable advance received.

25.3. Operating lease commitments:

The commercial lease signed by the Company for its premises located in Aix-En-Provence, renewable for a period of three years, which ran to July 17, 2017. This lease was tacitly renewed and will end on September 30, 2021. As of December 31, 2019, the outstanding commitments amounted to €393,000.
In July 2015, the Company signed a new lease for new premises located in Aix-en-Provence, renewable for a three-year period, which runs to June 30, 2018. An amendment was signed in November 2018 permitting departure from the building in question each quarter on 6 months' notice up to December 31, 2019. The outstanding commitments in this respect were €92,000 at December 31, 2019.

25.4. TUCE program repayable advance:

A non-interest bearing repayable advance was granted, for a total of €0.4 million for the TUCE program, including €77,000 received on June 26, 2012, €242,000 received on July 1, 2015, €27,000 on June 13, 2016 and €61,000 on July 5, 2017. The repayments will be based on future sales of products from this project, and may thus exceed the nominal amount received, but in the absence of a reliable estimate of the amount to be paid until 2023, this amount is not recorded in the balance sheet.

25.5. Business France

A repayable advance under the "Export+ santé Cosmétique" program covering up to 50% of the total amount of filing and certification costs with €200,000 being awarded. This program is meant to support corporate growth. A €15,000 advance was paid on December 21, 2016.
The repayments plus a 7.5% surcharge will be made if within 18 months to three years from certification, revenue from the products and country in question is equal to or more than double the amount of expenses the advance helped finance.

25.6. Financing by assignment of receivables:

The assignment of receivables (subject to the provisions of Articles L. 214-169 to L. 214-175 of the French Monetary and Financial Code) arranged in December 2016 with an investment fund enabled the pre-financing of 54% of the 2018 RTC as of December 31, 2019, for a total of €1.1 million. In accordance with applicable accounting rules in France, the receivable was derecognized for the amount financed.

26. Staff retirement commitments

As of December 31, 2019, the amount of staff retirement commitments was €414,000, which was not recorded in the balance sheet.

The main actuarial assumptions used are as follows:

In thousands of euros	Dec. 31, 2019	Dec. 31, 2018
Discount rate	0.80%	1.65%
Rate of increase in salaries	3.0%	3.0%
Inflation rate	2.0%	2.0%
Social security rate: Non-management	25.0%	38.5%
Social security rate: Management	46.0%	45.9%

Obligations are calculated based on an assumption of voluntary retirement at 62 for employees and 64 for management.
Assumptions regarding future mortality expectations are set based on data from published statistics and historical data in France (INSEE table TD/TV 2013 – 2015).
The mobility rates used were determined on the basis of statistics from recent years. This rate represents an average annual mobility rate of 11.5% of employees.

27. Compensation of executives and officers

The total gross amount of compensation and benefits of all kinds for executives and officers paid in fiscal year 2019 totaled €322,000, compared with €927,000 in 2018.

28. Workforce

As of the reporting date, the Company had 117 employees. As of December 31. 2019, it also had three Chinese employees at its Beijing establishment and a manager in Italy.

Headcount in France by category and by year broke down as shown below:

	December 31, 2019	December 31, 2018
Management	91	94
First-line supervisors and technicians	18	18
Employees	8	5
Total employees at year-end	117	117

29. Taxes and future tax position

At the close of the period, the Company's tax position broke down as follows:

- Research Tax Credit as of December 31, 2019: €2.077 million;
- Adjustments to prior tax credits: €106,000
- Income tax: €(16,000)

The income tax concerns the Chinese establishment.

Loss carryforwards totaled €150.3 million as of December 31, 2019, compared with €128 million as of December 31, 2018.

30. Impact of unfavorable tax adjustments

In thousands of euros	December 31, 2019	December 31, 2018
Profit (loss) for the year	(18,047)	(13,597)
Income tax	(2,169)	(2,356)
Income (loss) before tax	(20,216)	(15,953)
Change in regulated provisions: special amortization and depreciation allowances	-	-
Income excluding unfavorable tax adjustments before taxes	**(20,216)**	**(15,953)**

31. Breakdown of income tax

At period end, the income tax payable broke down as follows:

In thousands of euros	Total	Corresponding tax	Net income (loss)
Current income (loss)	(12,599)	1,839	(10,760)
Non-recurring income	(7,617)	330	(7,287)
Total	(20,216)	2,169	(18,047)

32. Information on affiliates

The table below shows information concerning affiliates. A company is considered to be an affiliate when it is fully consolidated within a single consolidation group. Companies are fully consolidated when the parent has exclusive control.

In thousands of euros	12/31/2019 gross	12/31/2019 net
SSI USA securities	-	-
SSI China securities	2,000	1,657
SSI DE securities	25	-
SSI UK securities	2	-
SSI Italy securities	10	-
SSI HK securities	1	1
Total	**2,038**	**1,658**
SSI USA receivables	-	-
SSI China debts	(2,608)	(2,608)
SSI DE receivables	3,267	-
SSI UK receivables	2,311	-
SSI Italy receivables	41	-
SSI China receivables	7	7
SSI HK debts	(278)	(278)
Hologic Debt	(34,502)	(34,502)
Total	**(31,762)**	**(37,381)**

There are no trade receivables or payables between affiliates as of the reporting date.

Financial expenses for the fiscal year relating to affiliates consist of a net provision for asset impairment of €471,000, as well as an interest expense of €558,000.

Financial income for the fiscal year relating to affiliates consists of interest income on related receivables of €183,000.

33. Statutory Auditors' fees

Statutory Auditors' fees in the income statement for the fiscal year break down as follows:

Statutory Auditors' fees in euros, excl. tax	Ernst & Young et Autres	AresXpert Audit	Ernst & Young et Autres	AresXpert Audit
	Year ended December 31, 2019		***Year ended December 31, 2018***	
Certification of the separate and consolidated financial statements and limited review	84,000	35,500	88,000	37,000
Services other than statutory auditing	16,614	-	26,105	4,000
Total	**100,614**	**35,500**	**114,105**	**41,000**

34. Subsequent Events

34.1. Removal of Michèle Lesieur, Chief Executive Officer

At its meeting on January 23, 2020, the Company's Board of Directors decided to remove Michèle Lesieur as CEO.
With respect to the financial terms of Ms. Lesieur's removal as CEO, the Company indicated that:

- She will be paid the remaining fixed portion of her annual compensation for 2019 (a gross annual amount of €275,000), which remains due pursuant to a payment reminder, as well as the fixed portion of her annual compensation for 2020 (a gross annual amount of €275,000), calculated on a pro rata basis from January 1, 2020 (the first day of the 2020 fiscal year) through January 23, 2020 (the date of her termination), for a total gross amount of €87,500;
- Because the performance conditions (based on revenue, EBITDA and profit margin) for payment were not satisfied, Ms. Lesieur will not receive any severance payment.
- As a result of her departure, Ms. Lesieur irrevocably lost the benefit of her rights to the grant of free performance shares of the Company for those tranches that have not yet vested (it being noted that the total number of Ms. Lesieur's vested free performance shares as of January 23, 2020 was 60,000 shares); and
- The question of and full payment of her 2019 bonus (a total gross amount of €125,000) due upon the closing of a merger or acquisition of the Company (namely, the 2019 closing of Hologic Hub Ltd.'s acquisition of control of the Company) will be submitted for a vote of the Company's shareholders in accordance with Articles L. 225-37-2 and L. 225-100 of the French Commercial Code.

Following her departure from the Company, Ms. Lesieur resigned from all of her company officer positions with the Company's subsidiaries.
The Company entered into a settlement agreement with Ms. Lesieur on January 29, 2020, definitively ending the dispute between the parties following her departure as Chief Executive Officer. The settlement agreement, entered into in accordance with Articles 1103, 1104, 2044 *et seq*., and 2052 of the French Civil Code, provides, first, that the Company will pay a settlement amount of €500,000 gross, in consideration of which Ms. Lesieur releases all claims relating to her position and departure and, second, that Ms. Lesieur will not compete with the Company for a period of 12 months following the complete cessation of her work on behalf of the Company and the Group, including as a consultant, in return for the payment of a gross monthly payment of €8,333.33.

Independently of the items referred to above, Ms. Lesieur agreed to assist the Company as a consultant, in connection with a specific assignment that is distinct from the position as a corporate officer that she had previously occupied within the Company, for a period of six months beginning February 1, 2020. The total amount of fees that she will receive for this assignment is €50,000, excluding tax.

34.2. Appointment of a Chief Executive Officer

Following the departure of Michèle Lesieur as CEO on January 23, 2020, effective immediately, Antoine Bara, who was a member of the Company's Board of Directors, was appointed CEO of the Company by decision of the Board of Directors dated January 23, 2020.
Mr. Bara, 48, has significant experience in the software and healthcare fields, acquired over his twenty-year career. He joined the Hologic group in 2018 to run its French operations.
Mr. Bara will receive no compensation in respect of his position as CEO.

34.3. Amendments to the loan agreement (the "Loan Agreement") between SuperSonic Imagine SA and Hologic Hub Ltd., the majority shareholder

On February 12, 2020, the Loan Agreement entered into on August 14, 2019, between SuperSonic Imagine S.A. and Hologic Hub Ltd., its majority shareholder, was amended for a second time to remove the acceleration clause, which had provided that the lender could accelerate the loan if it held at least 90% of the share capital of SuperSonic Imagine S.A. on February 12, 2020. The loan thus retains its maturity date of August 12, 2024.

On March 17, 2020, the Company and Hologic Hub Ltd. entered into a third amendment to the revolving loan agreement dated August 14, 2019, in order to raise the maximum amount of the Loan Agreement from €50 million to €65 million.

34.4. Potential consequences of the Coronavirus (Covid-19) epidemic

With respect to the Coronavirus (Covid-19) epidemic that began in early 2020, it is possible that the Company may encounter difficulties in obtaining the products that it distributes. As of the date of this document, it is difficult to predict and quantify the impact of the Coronavirus (Covid-19) epidemic on the Company's 2020 results.

The Company's existing extra inventory in its supply chain can absorb disturbances for a few weeks, but the Company cannot exclude the possibility of breaks in the supply chain if the measures restricting movements of people and goods remain in place or are extended worldwide beyond a few weeks. A systematic analysis of supply-chain link risks is underway. In the event that a significant break in the supply chain should occur, the Company might be able to assert the *force majeure* provisions in its agreements to limit litigation resulting from late deliveries to its customers. Depending on the supply delays that may occur, and once the situation stabilizes, the Company and its partners would have the capacity to institute a production catch-up program, if necessary, in order to cure the delays in delivering orders. The catch-up program could, however, result in additional unforeseen operating costs (such as overtime hours and express transport).

In that context, since the beginning of 2020, the Group has recorded a decrease in activity since in France and in China. With respect to our capacity to deliver, as of the date hereof the logistics flows remain active, although transit times may be a few days longer. In the short term, the Company does not have significant exposure, since invoicing occurs at the time of shipment (Ex Works).

As this epidemic is affecting more and more countries throughout the world, the Group's companies could see their revenue, their profitability, and their cash position affected.

The SuperSonic Group's cash position (which was strengthened by the revolving loan entered into between Hologic Hub Ltd. and the Company, for a total maximum amount of €65 million) should enable the Group to manage the uncertainties relating to the current epidemic.

The Company's management is closely monitoring epidemic developments in each of the relevant geographic regions and is taking all necessary measures to protect its employees, customers, and partners (thus participating in the worldwide effort to slow the spread of the virus). Most of the

Company's activities, including its R&D activities, are now conducted through telework. At the same time, the Company has taken all preventive health measures to continue its essential logistical activities in order to distribute and ship orders. In order to manage the confinement period ordered by the authorities, the Company has already begun to take partial layoff measures.

In a new, uncertain economic environment, the Company is implementing all necessary actions to protect the Group.

However, the Group can give no assurance that it will not be seriously affected, in particular due to confinement measures, whether already decided or to come, in France or in the other countries where the Group does business (in particular in the United States).

35. Subsidiaries and equity interests

In thousands of euros		SuperSonic Imagine Ltd.	SuperSonic Imagine, GmbH	SuperSonic Imagine Srl	SuperSonic Imagine (HK) Ltd.	SuperSonic Imagine (Shanghai) Medical Devices Co. Ltd
Share capital		1	25	10	1	2,002
Shareholders' equity other than share capital		(2,264)	(3,109)	(31)	227	(342)
Percentage of share capital held		100%	100%	100%	100%	100%
Carrying amount of shares held	Gross	2	25	10	1	2,000
	Net	-	-	-	1	1,657
Loans and advances provided and outstanding, net		-	-	-	(274)	(2,608)
Securities and guarantees provided by the company		-	700	12	-	-
2019 Revenue		95	929	-	461	5,038
2019 Net income (loss)		(144)	(60)	(2)	38	(137)
Dividends received by the company		-	-	-	-	-

6. STATUTORY AUDITORS' REPORT ON THE ANNUAL AND CONDOLIDATED FINANCIAL STATEMENTS

SuperSonic Imagine

Fiscal year ended December 31, 2019

Statutory Auditors’ Report on the Annual Financial Statements

TALENZ ARES AUDIT

26, boulevard Saint Roch

B.P. 278

84011 Avignon Cedex 1

S.A.S. (simplified stock company) with share capital of €131,922

706 621 590 R.C.S. (trade and companies register) Avignon

Statutory Auditors

Member of the

compagnie régionale (regional association) of Nîmes

ERNST & YOUNG et Autres

1025, rue Henri Becquerel

CS 39520

34961 Montpellier Cedex 2

S.A.S. (simplified stock company) with variable share capital

438 476 913 R.C.S. (trade and companies register) Nanterre

Statutory Auditors

Member of the

compagnie régionale (regional association) of Versailles

SuperSonic Imagine
Year ended December 31, 2019

Statutory Auditors' Report on the Annual Financial Statements

To the Shareholders:

Opinion

In performance of the engagement with which you have entrusted us, we audited the accompanying Annual Financial Statements of SuperSonic Imagine for the fiscal year ended December 31, 2019. These financial statements were approved by the board of directors on March 17, 2020, on the basis of the information available on that date in the context of the evolving health crisis relating to Covid-19.

We certify that the Annual Financial Statements, prepared pursuant to French GAAP accounting rules and principles, provide a true and fair view of the operating results for the fiscal year ended, as well as of the financial position and assets of the company at year-end.

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

Basis for our opinion

Audit framework

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

Our responsibilities under these standards are detailed in the section of this report entitled "Responsibilities of the Statutory Auditors with respect to the audit of the Annual Financial Statements".

Independence

We carried out our audit in accordance with the applicable rules on independence for the period from January 1, 2019, to the date on which this report was issued. In particular, we did not provide any services prohibited by Article 5.1 of EU Regulation no. 537-2014 or by the French Code of Ethics for Statutory Auditors.

Basis for opinion - Key audit matters

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code on the basis for our opinion, we hereby inform you of the key audit matters relating to the risks of material misstatements that, in our professional judgment, were of the greatest importance for the audit of the Annual Financial Statements for the fiscal year, and of how we addressed these risks.

The assessments thus made are part of the audit of the Annual Financial Statements as a whole, finalized as described above, and contributed to the opinion we have expressed above. We express no opinion on the components of these Annual Financial Statements taken individually.

Measurement of capitalized development costs

Risk identified	How we addressed it
As of December 31, 2019, the company's net development costs totaled €16.2 million out of a total balance sheet of €45.6 million. Your company capitalizes expenses incurred in the course of developing its products when they satisfy the criteria in the applicable accounting rules in France. These development costs mainly consist of the development costs for versions V3 to V12/Ultimate of Aixplorer as well as the expenses capitalized for the Aixplorer MACH 20 and 30 next generation ultrasound. Note 1.2.1 to the Annual Financial Statements details how development costs are recognized as assets as well as how they are amortized and tested for impairment. As detailed in this note, development costs are capitalized when they satisfy the following criteria: ► The company has the intention, financial capacity and technical capacity to complete the development project. ► The company has the resources necessary to finish the development and to use or market the product developed;	Our audit approach included the following steps: ► Reviewing the work done by the Company in determining whether development costs qualified for capitalization and in analyzing their compliance with applicable accounting rules in France; ► Doing detailed tests on a sample of invoices and time sheets to assess whether the sums selected qualified for capitalization and were for projects qualifying for capitalization; ► Assessing the amortization principles and methods used for development costs; ► Assessing, primarily through interviews with management, the key data and the assumptions underlying the choice of their amortization period; ► Examining the impairment testing procedures for development costs, and those used to calculate their value in use. We have checked the cash flow forecasts against the budgets prepared by management;

- There is a high probability that the future economic benefits attributable to the products developed will flow to the company;
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Capitalized developments are amortized on a straight-line basis over the estimated life of the product.

An impairment test is done on the net carrying amount of the development costs and an impairment loss recognized where necessary.

We considered the measurement of these development costs on the asset side of the balance sheet and the policies governing their amortization and impairment to be a key audit matter due to their significance for the Company's financial statements and the judgment required (i) when assessing whether development costs qualify for capitalization, and (ii) when making the estimates and assumptions used to assess the amortization period for the development costs and their non-impairment.

- Reviewing the appropriateness of the information provided in Notes 1.2.1 and 2 to the Annual Financial Statements.

Revenue recognition

Risk identified	How we addressed it
As of December 31, 2019, the Company's revenue totaled €25.7 million. It is generated from the sale of Aixplorer and MACH 20 and 30 ultrasound medical imaging equipment in addition to service activities (primarily maintenance, updates and warranty extensions). In accordance with Note 1.2.11 to the Annual Financial Statements, revenue from products is recognized upon transfer of risks and ownership, in accordance with the contractually-agreed incoterms, provided the price is fixed and determined and when collectibility is reasonably assured. Revenue for services is recognized over the period when services are rendered and when collectibility is reasonably assured, applied prorata temporis for annual contracts. We considered revenue recognition to be a key audit matter because of the material amount in the company's financial statements, the range and number of contracts between the company and its customers, and because effective internal control is important to ensure income is exhaustive and accurate.	Our audit approach regarding revenue recognition includes both looking at internal control and substantive testing of the financial statements themselves. Our work on internal control primarily involved an analysis of the contractual terms and conditions, invoicing and revenue recognition. We reviewed the internal control procedures established by the Company in this regard and the general revenue recognition policy, and tested the key checks identified in order to assess that they were applied. Our substantive testing with regard to revenue primarily consisted of: ► Analyzing the contractual provisions on a sample of contracts, in particular the largest new contracts during the fiscal year, the contracts with the distributors, and the specific transactions in order to review the applicable accounting treatment; ► Applying analytical procedures to the budget and the prior fiscal year; ► Testing the substance of the revenue recognized for equipment sales by looking at delivery notes for a selection of transactions over the fiscal year; and ► Testing the application of the cut-off principle using detail testing.

Specific checks

In line with the professional standards applicable in France, we have likewise performed the specific checks required by law and regulation.

■ Information in the management report and in other documents on the financial position and the Annual Financial Statements sent to shareholders

We have no comments to make as to the accuracy and conformity with the Annual Financial Statements of the information provided in the Management Report of the Board of Directors dated March 17, 2020, and in the other documents on the financial position and the Annual Financial Statements sent to shareholders. With respect to events occurring and information learned after the closing date of the financial statements with respect to the effects of the Covid-19 crisis, management indicated to us that it would prepare a communication for the Shareholders' Meeting called to vote on the financial statements.

We confirm that the information on payment time limits required under Article D. 441-4 of the French Commercial Code is accurate and conforms with the Annual Financial Statements.

■ Information on corporate governance

We confirm that the information required under Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code is in the corporate governance section of the Management Report of the Board of Directors.

As concerns the information provided in application of Article L. 225-37-3 of the French Commercial Code on compensation and benefits paid or granted to corporate officers, as well as on the commitments granted to them, we have verified their consistency with the financial statements or with the data used to prepare these financial statements and, where applicable, with the information collected by your company from the companies controlled by it and included in its scope of consolidation. Based on this work, we certify that this information is true and accurate.

With respect to the information regarding factors that your company believed could have an effect in the event of a tender or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code, we verified the consistency of the information with the documents from which it was taken and that were communicated to us. On the basis of that work, we have no comments to make on that information.

■ Other information

In application of the law, we have ensured that the various information relating to the identity of holders of capital or voting rights was communicated to you in the Management Report.

Information derived from other statutory and regulatory obligations

■ Appointment of Statutory Auditors

We were appointed Statutory Auditors of SuperSonic Imagine at the Shareholders' Meeting of May 16, 2012 for the firm TALENZ ARES AUDIT and July 5, 2010 for the firm ERNST & YOUNG et Autres.

As of December 31, 2019, TALENZ ARES AUDIT was in the eighth continuous year of its engagement and ERNST & YOUNG et Autres in the tenth year, including six years since the company's stock was admitted to trading on a regulated market.

Responsibilities of management and those charged with governance for the Annual Financial Statements

Management is responsible for preparing annual financial statements pursuant to French GAAP accounting rules and principles that give a true and fair view and for putting in place whatever internal control it feels is necessary to prepare annual financial statements that are free from material misstatement, whether resulting from fraud or errors.

When preparing the Annual Financial Statements, Management must assess the company's ability to continue operating, presenting all relevant information in those financial statements and applying the going concern basis, except where there are plans to liquidate the company or to discontinue operations.

The Audit Committee is responsible for overseeing the process for preparing financial information and monitoring the effectiveness of internal control and risk management systems, as well as, where applicable, internal audit systems, with respect to procedures for preparing and processing accounting and financial information.

The Annual Financial Statements have been approved by the Board of Directors.

Responsibilities of Statutory Auditors in auditing the Annual Financial Statements

■ Audit objective and approach

Our role is to prepare a report on the Annual Financial Statements. Our objective is to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As indicated in Article L. 823-10-1 of the French Commercial Code, our auditing of the financial statements does not represent a guarantee as to the viability or quality of the company's management.

In the course of an audit conducted in accordance with applicable professional standards in France, the Statutory Auditors exercise professional judgment throughout this audit. The Statutory Auditors also:

- Identify and assess the risks of material misstatement of the Annual Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the Annual Financial Statements;
- Evaluate the appropriateness of Management's application of the going concern basis and, depending on the evidence collected, the existence or otherwise of significant uncertainty

regarding events or circumstances likely to imperil the company's ability to continue operating. This view is based on the evidence collected up to the date of the report, it being noted that subsequent circumstances or events may imperil continued operation. If significant uncertainty is found, the Statutory Auditors draw the attention of readers of their report to the disclosures in the Annual Financial Statements regarding this uncertainty or, if this information is not supplied or relevant, they issue a qualified opinion or choose not to issue an opinion;

- Evaluate the overall presentation of the Annual Financial Statements and assess whether the Annual Financial Statements reflect the underlying transactions and events in a manner that achieves fair presentation.

■ Report to the Audit Committee

We will submit a report to the Audit Committee detailing in particular the scope of the audit work and the program of work undertaken, along with the conclusions arising from our work. We also disclose any significant weaknesses in internal control that we have identified as regards the procedures relating to the preparation and processing of accounting and financial information.

The report to the Audit Committee contains the risks of material misstatements that we feel are the most critical for the audit of the Annual Financial Statements for the fiscal year and that accordingly constitute key audit matters, which we are required to detail in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of EU Regulation no. 537-2014 confirming our independence, as per the applicable rules in France found in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where necessary, we discuss the risks to our independence and the safeguards applied with the Audit Committee.

Avignon and Montpellier, April 8, 2020

The Statutory Auditors

TALENZ ARES AUDIT

ERNST & YOUNG et Autres

Johan Azalbert

Xavier Senent

Frédérique Doineau

TALENZ ARES AUDIT ERNST & YOUNG et Autres

SuperSonic Imagine

Year ended December 31, 2019

Statutory Auditors' Report on the Consolidated Financial Statements

TALENZ ARES AUDIT	ERNST & YOUNG et Autres
26, boulevard Saint Roch	1025, rue Henri Becquerel
B.P. 278	CS 39520
84011 Avignon Cedex 1	34961 Montpellier Cedex 2
S.A.S. (simplified stock company) with share capital of €131,922	S.A.S. (simplified stock company) with variable share capital
706 621 590 R.C.S. (trade and companies register) Avignon	438 476 913 R.C.S. (trade and companies register) Nanterre
Statutory Auditors	Statutory Auditors
Member of the	Member of the
compagnie régionale (regional association) of Nîmes	*compagnie régionale* (regional association) of Versailles

SuperSonic Imagine
Year ended December 31, 2019

Statutory Auditors' Report on the Consolidated Financial Statements

To the Shareholders:

Opinion

In performance of the engagement with which you have entrusted us, we audited the accompanying Consolidated Financial Statements of SuperSonic Imagine for the fiscal year ended December 31, 2019. These financial statements were closed by the board of directors on March 17, 2020, on the basis of the information available on that date in the context of the evolving health crisis relating to Covid-19.

We certify that, having regard to the IFRS as adopted by the European Union, the Consolidated Financial Statements give a true and fair view of the operating results for the past fiscal year, as well as the financial position and assets of the consolidated group at the end of said fiscal year.

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

Basis for our opinion

■ Audit framework

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

Our responsibilities under these standards are detailed in the section of this report entitled "Responsibilities of the Statutory Auditors with respect to the audit of the Consolidated Financial Statements".

■ Independence

We carried out our audit in accordance with the applicable rules on independence for the period from January 1, 2019, to the date on which this report was issued. In particular, we did not provide any services prohibited by Article 5.1 of EU Regulation no. 537-2014 or by the French Code of Ethics for Statutory Auditors.

Basis for opinion - Key audit matters

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code on the basis for our opinion, we hereby inform you of the key audit matters relating to the risks of material misstatements that, in our professional judgment, were of the greatest importance for the audit of the Consolidated Financial Statements for the fiscal year, and of how we addressed these risks.

The assessments thus made are part of the audit of the Consolidated Financial Statements as a whole, finalized as described above, and contributed to the opinion we have expressed above. We express no opinion on the components of these Consolidated Financial Statements taken individually.

■ Measurement of capitalized development costs

Risk identified	How we addressed it
At December 31, 2019, the group's net development costs totaled €15.8 million out of a total balance sheet of €45.7 million. The group capitalizes expenses incurred in the course of developing its products when they satisfy the criteria in "IAS 38 – Intangible assets". These development costs mainly consist of the development costs for versions V3 to V12/Ultimate of Aixplorer as well as the expenses capitalized for the Aixplorer MACH 30 and MACH 30 next generation ultrasound. Note 3.4 to the Consolidated Financial Statements details how development costs are recognized as assets as well as how they are amortized and tested for impairment. As detailed in this note, development costs are capitalized when they satisfy the following criteria: ► The Group has the intention, financial capacity and technical capability to see the development project through;	Our audit approach included the following steps: ► Reviewing the work done by the Group in determining whether development costs qualified for capitalization and in analyzing their compliance with IAS 38; ► Doing detailed tests on a sample of invoices and time sheets to assess whether the sums selected qualified for capitalization and were for projects qualifying for capitalization; ► Assessing the amortization principles and methods used for development costs; ► Assessing, primarily through interviews with management, the key data and assumptions underlying the choice of their amortization period; ► Examining the impairment testing procedures for development costs, and those used to calculate their value in use. We have checked the cash flow forecasts against the budgets prepared by management;

- The Group has the resources necessary to finish the development and to use or market the product developed;
- There is a high probability that the future economic benefits attributable to the products developed will flow to the Group;
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Capitalized developments are amortized on a straight-line basis over the estimated life of the product.

An impairment test is done on the net carrying amount of the capitalized and amortized development costs and an impairment loss recognized where necessary.

We considered the measurement of these development costs on the asset side of the balance sheet and the policies governing their amortization and impairment to be a key audit matter due to their significance for the Group's financial statements and the judgment required (i) when assessing whether development costs qualify for capitalization and (ii) when making the estimates and assumptions used to determine the amortization period for the development costs and their non-impairment.

- Reviewing the appropriateness of the information provided in Notes 3.4 and 8 to the Annual Financial Statements.

Revenue recognition

Risk identified

At December 31, 2019, the Group's revenue totaled €26.4 million.

It is generated from the sale of Aixplorer and MACH 30 and 20 ultrasound medical imaging equipment in addition to service activities (primarily maintenance, updates and warranty extensions).

In accordance with Note 3.17 to the Consolidated Financial Statements, the revenue generated from the sale of equipment is recognized when control of the asset is transferred to customers, typically upon delivery of the equipment.

Revenue for services is recognized over the period when services are rendered and when collectibility is reasonably assured.

Revenue from contracts with multiple elements, such as those including services, is recognized as each element is earned based on the relative fair value of each element.

We considered revenue recognition to be a key audit matter because of the material amount in the Group's financial statements, the range and number of contracts between the Group and its customers, and because effective internal control is important to ensure income is exhaustive and accurate.

How we addressed it

Our audit approach regarding revenue recognition includes both looking at internal control and substantive testing of the financial statements themselves.

Our work on internal control primarily involved an analysis of the contractual terms and conditions, invoicing and revenue recognition. We reviewed the internal control procedures established by the Group in this regard and the general revenue recognition policy, and tested the key checks identified in order to assess that they were applied.

Our substantive testing with regard to revenue primarily consisted of:

- Analyzing the contractual provisions on a sample of contracts, in particular the largest new contracts during the fiscal year, the contracts with the distributors, and the specific transactions in order to review the applicable accounting treatment;
- Applying analytical procedures to the budget and the prior fiscal year;
- Testing the substance of the revenue recognized for equipment sales by looking at delivery notes for a selection of transactions over the fiscal year;
- Testing the application of the cut-off principle using detail testing.

Specific checks

In line with the professional standards applicable in France, we likewise performed the specific checks provided for by law and regulation regarding the disclosures on the Group, in the Management Report of the Board of Directors dated March 17, 2020. With respect to events occurring and information learned after the closing date of the financial statements with respect to the effects of the Covid-19 crisis, management indicated to us that it would prepare a communication for the Shareholders' Meeting called to vote on the financial statements.

We have no comments to make as concerns their accuracy and conformity with the Consolidated Financial Statements.

Information derived from other statutory and regulatory obligations

■ Appointment of Statutory Auditors

We were appointed Statutory Auditors of SuperSonic Imagine at the Shareholders' Meeting of May 16, 2012 for the firm TALENZ ARES AUDIT and July 5, 2010 for the firm ERNST & YOUNG et Autres.

As of December 31, 2019, TALENZ ARES AUDIT was in the eighth continuous year of its engagement and ERNST & YOUNG et Autres in the tenth year, including six years since the company's stock was admitted to trading on a regulated market.

Responsibilities of management and those charged with governance for the Consolidated Financial Statements

Management is responsible for preparing consolidated financial statements pursuant to IFRS as adopted by the European Union that give a true and fair view and for putting in place whatever internal control it feels is necessary to prepare consolidated financial statements that are free from material misstatement, whether resulting from fraud or errors.

When preparing the Consolidated Financial Statements, Management must assess the company's ability to continue operating, presenting all relevant information in those financial statements and applying the going concern basis, except where there are plans to liquidate the company or to discontinue operations.

The Audit Committee is responsible for overseeing the process for preparing financial information and monitoring the effectiveness of internal control and risk management systems, as well as, where applicable, internal audit systems, with respect to procedures for preparing and processing accounting and financial information.

The Consolidated Financial Statements have been approved by the Board of Directors.

Responsibilities of Statutory Auditors in auditing the Consolidated Financial Statements

■ Audit objective and approach

Our role is to prepare a report on the Consolidated Financial Statements. Our objective is to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As indicated in Article L. 823-10-1 of the French Commercial Code, our auditing of the financial statements does not represent a guarantee as to the viability or quality of the company's management.

In the course of an audit conducted in accordance with applicable professional standards in France, the Statutory Auditors exercise professional judgment throughout this audit. The Statutory Auditors also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the Consolidated Financial Statements;

- Evaluate the appropriateness of Management's application of the going concern basis and, depending on the evidence collected, the existence or otherwise of significant uncertainty regarding events or circumstances likely to imperil the company's ability to continue operating. This view is based on the evidence collected up to the date of the report, it being noted that subsequent circumstances or events may imperil continued operation. If significant uncertainty is found, the Statutory Auditors draw the attention of readers of their report to the disclosures in the Consolidated Financial Statements regarding this uncertainty or, if this information is not supplied or relevant, they issue a qualified opinion or choose not to issue an opinion;

- Evaluate the overall presentation of the Consolidated Financial Statements and assess whether the Consolidated Financial Statements reflect the underlying transactions and events in a manner that achieves fair presentation;

- With respect to financial information on consolidated entities, the Statutory Auditors collect sufficient and appropriate evidence to express an opinion on the Consolidated Financial Statements. The Statutory Auditors are responsible for managing, overseeing and conducting the audit of the Consolidated Financial Statements and for the opinion expressed on these financial statements.

Report to the Audit Committee

We will submit a report to the Audit Committee detailing in particular the scope of the audit work and the program of work undertaken, along with the conclusions arising from our work. We also disclose any significant weaknesses in internal control that we have identified as regards the procedures relating to the preparation and processing of accounting and financial information.

The report to the Audit Committee contains the risks of material misstatements that we feel are the most critical for the audit of the Consolidated Financial Statements for the fiscal year and that accordingly constitute key audit matters, which we are required to detail in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of EU Regulation no. 537-2014 confirming our independence, as per the applicable rules in France found in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where necessary, we discuss the risks to our independence and the safeguards applied with the Audit Committee.

Avignon and Montpellier, April 8, 2020

The Statutory Auditors

TALENZ ARES AUDIT | ERNST & YOUNG et Autres

Johan Azalbert | Xavier Senent | Frédérique Doineau

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